EchoStar CORP
Form 10-Q
May 02, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2011.

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: 001-33807

EchoStar Corporation

(Exact name of registrant as specified in its charter)

Nevada	**26-1232727**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Inverness Terrace East Englewood, Colorado	**80112-5308**
(Address of principal executive offices)	(Zip code)

(303) 706-4000

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes T No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer T	Accelerated filer £
Non-accelerated filer £ (Do not check if a smaller reporting company)	Smaller reporting company £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes £ No T

As of April 20, 2011, the registrant s outstanding common stock consisted of 38,470,471 shares of Class A common stock and 47,687,039 shares of Class B common stock.

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PART I FINANCIAL INFORMATION

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

The risks and uncertainties include, but are not limited to, the following:

General Risks Affecting Our Business

- We currently depend on DISH Network Corporation (DISH Network), Bell TV and Dish Mexico, S. de R.L. de C.V. (Dish Mexico) for substantially all of our revenue. The loss of, or a significant reduction in, orders from, or a decrease in selling prices of digital set-top boxes and/or other products or services to, DISH Network, Bell TV or Dish Mexico would significantly reduce our revenue and adversely impact our results of operations. In addition, the loss of, or a significant reduction in, orders from, or a decrease in selling price of transponder leasing and/or providing digital broadcast operations to, DISH Network would also significantly reduce our revenue and adversely impact our results of operations.

- Economic weakness, including high unemployment and reduced consumer spending, may adversely affect our ability to grow or maintain our business.

- If we are unable to properly respond to technological changes, our business could be significantly harmed.

- We currently have unused satellite capacity, and our results of operations may be materially adversely affected if we are not able to lease more of this capacity to third parties.

- Our sales to DISH Network could be terminated or substantially curtailed on short notice, which would have a detrimental effect on us.

- We may need additional capital, which may not be available on acceptable terms or at all, to continue investing in our business and to finance acquisitions and other strategic transactions.

- We may experience significant financial losses on our existing investments.

- We may pursue acquisitions and other strategic transactions to complement or expand our business, which may not be successful and we may lose up to the entire value of our investment in these acquisitions and transactions.

- We intend to make significant investments in new products, services, technologies and business areas that may not be profitable.

- We may not be aware of certain foreign government laws or regulations or changes to them which could have a significant adverse impact on our business.

- We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar foreign anti-bribery laws.

- Our business depends on certain intellectual property rights and on not infringing the intellectual property rights of others. The loss of or infringement of our intellectual property rights could have a significant adverse impact on our business.

- Any failure or inadequacy of our information technology infrastructure could harm our business.

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- We are party to various lawsuits which, if adversely decided, could have a significant adverse impact on our business, particularly lawsuits regarding intellectual property.

- We have not been an independent company for a significant amount of time and we may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent company.

- We rely on key personnel and the loss of their services may negatively affect our businesses.

Risks Affecting Our Digital Set-Top Box Business

- We depend on sales of digital set-top boxes for nearly all of our revenue and a decline in sales of our digital set-top boxes would have a material adverse effect on our financial position and results of operations.

- Our business may suffer if our customer base does not compete successfully with existing and emerging competition.

- Our future financial performance depends in part on our ability to penetrate new markets for digital set-top boxes.

- Component pricing may remain stable or be negatively affected by inflation, increased demand, decreased supply, or other factors, which could have a material adverse effect on our results of operations.

- The average selling price and gross margins of our digital set-top boxes has been decreasing and may decrease even further, which could negatively impact our financial position and results of operations.

- Our ability to sell our digital set-top boxes to other operators depends on our ability to obtain licenses to use the conditional access systems utilized by these other operators.

- Growth in our Digital Set-Top Box business likely requires expansion of our sales to international customers, and we may be unsuccessful in expanding international sales.

- If we are successful in growing sales of our digital set-top boxes to international customers, we may be subject to greater risks.

- The digital set-top box business is extremely competitive.

- We expect to continue to face competition from new market entrants, principally located in Asia, that offer low cost set-top boxes.

- Our digital set-top boxes are highly complex and may experience quality or supply problems.

- If significant numbers of television viewers are unwilling to pay for pay-TV services that utilize digital set-top boxes, we may not be able to sustain our current revenue level.

- Our reliance on a single supplier or a limited number of suppliers for several components used in our digital set-top boxes could restrict production, result in higher digital set-top box costs and delay deliveries to customers.

- Our future growth depends on growing demand for advanced technologies.

- If the encryption and related security technology used in our digital set-top boxes is compromised, sales of our digital set-top boxes may decline.

Risks Affecting Our Satellite Services Business

- We currently face competition from established competitors in the satellite service business and may face competition from others in the future.

- Our owned and leased satellites in orbit are subject to significant operational and environmental risks that could limit our ability to utilize these satellites.

- Our satellites have minimum design lives ranging from 12 to 15 years, but could fail or suffer reduced capacity before then.

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- Our satellites under construction are subject to risks related to construction and launch that could limit our ability to utilize these satellites.

- Our Satellite Services business is subject to risks of adverse government regulation.

- Our business depends on Federal Communications Commission (FCC) licenses that can expire or be revoked or modified and applications for FCC licenses that may not be granted.

- Our dependence on outside contractors could result in delays related to the design, manufacture and launch of our new satellites, which could in turn adversely affect our operating results.

- We generally do not have commercial insurance coverage on the satellites we use and could face significant impairment charges if one of our satellites fails.

Risks Relating to the Spin-Off

- We have potential conflicts of interest with DISH Network due to our common ownership and management.

Risks Relating to our Common Stock and the Securities Market

- We cannot assure you that there will not be deficiencies leading to material weaknesses in our internal control over financial reporting.

- It may be difficult for a third party to acquire us, even if doing so may be beneficial to our shareholders, because of our capital structure.

- We are controlled by one principal shareholder who is our Chairman.

Risks Relating to our Acquisition of Hughes Communications Inc. (Hughes)

- Governmental authorities must approve our acquisition of Hughes and could impose conditions on, delay, or refuse to approve the merger.

- Stockholders of Hughes have filed purported class action lawsuits challenging the merger, and are seeking, among other things, injunctive relief to enjoin the consummation of the merger.

- We may not be able to obtain the financing required to fulfill our obligations under our agreement to acquire Hughes.

- The terms of the financing related to our acquisition of Hughes will significantly reduce our ability to incur additional indebtedness.

- The incurrence of indebtedness to finance our acquisition of Hughes will substantially increase our leverage.

- Although we expect that our acquisition of Hughes will benefit us, those expected benefits may not occur because of the complexity of the integration and other challenges.

- If we are able to complete our acquisition of Hughes, we will be subject to the risks related to Hughes business.

All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. Investors should consider the risks described herein and should not place undue reliance on any forward-looking statements. We assume no responsibility for updating forward-looking information contained or incorporated by reference herein or in other reports we file with the Securities and Exchange Commission (SEC).

In this report, the words EchoStar, the Company, we, our and us refer to EchoStar Corporation and its subsidiaries, unless the context otherw requires. DISH Network refers to DISH Network Corporation and its subsidiaries, unless the context otherwise requires.

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Item 1. FINANCIAL STATEMENTS

ECHOSTAR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share amounts)

(Unaudited)

	As of	
	March 31, 2011	**December 31, 2010**
Assets		
Current Assets:		
Cash and cash equivalents	$ 121,596	$ 141,814
Marketable investment securities	1,018,140	989,086
Trade accounts receivable - DISH Network, net of allowance for doubtful accounts of zero	250,050	238,997
Trade accounts receivable - other, net of allowance for doubtful accounts of $8,988 and $7,644, respectively	43,336	42,247
Inventory	30,063	30,433
Other current assets	117,503	92,890
Total current assets	1,580,688	1,535,467
Noncurrent Assets:		
Restricted cash and marketable investment securities	17,426	17,426
Property and equipment, net of accumulated depreciation of $1,807,582 and $1,766,290, respectively	1,276,352	1,263,303
FCC authorizations	69,810	69,810
Intangible assets, net	160,579	165,451
Marketable and other investment securities	752,836	725,588
Other noncurrent assets, net	64,330	64,975
Total noncurrent assets	2,341,333	2,306,553
Total assets	$ 3,922,021	$ 3,842,020
Liabilities and Stockholders Equity (Deficit)		
Current Liabilities:		
Trade accounts payable - other	$ 169,073	$ 145,203
Trade accounts payable - DISH Network	21,854	14,155
Accrued royalties	16,334	20,199
Accrued expenses and other	73,295	62,079
Deferred tax liabilities	63,890	64,121
Current portion of long-term debt and capital lease obligations	54,675	53,060
Total current liabilities	399,121	358,817
Long-Term Obligations, Net of Current Portion:		
Long-term debt and capital lease obligations, net of current portion	354,534	359,825
Deferred tax liabilities	79,031	75,840
Other long-term liabilities	35,316	34,348
Total long-term obligations, net of current portion	468,881	470,013
Total liabilities	868,002	828,830

Commitments and Contingencies (Note 11)				
Stockholders Equity (Deficit):				
Preferred Stock, $.001 par value, 20,000,000 shares authorized, none issued and outstanding				
Class A common stock, $.001 par value, 1,600,000,000 shares authorized, 43,664,136 and 43,103,166 shares issued, 38,131,818 and 37,570,848 shares outstanding, respectively		44		43
Class B common stock, $.001 par value, 800,000,000 shares authorized, 47,687,039 shares issued and outstanding		48		48
Class C common stock, $.001 par value, 800,000,000 shares authorized, none issued and outstanding				
Class D common stock, $.001 par value, 800,000,000 shares authorized, none issued and outstanding				
Additional paid-in capital		3,329,160		3,311,405
Accumulated other comprehensive income (loss)		194,896		188,982
Accumulated earnings (deficit)		(371,962)		(389,126)
Treasury stock, at cost		(98,162)		(98,162)
Total EchoStar stockholders equity (deficit)		3,054,024		3,013,190
Noncontrolling interest		(5)		
Total stockholders equity (deficit)		3,054,019		3,013,190
Total liabilities and stockholders equity (deficit)	$	3,922,021	$	3,842,020

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

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ECHOSTAR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended March 31,			
		2011		2010
Revenue:				
Equipment revenue - DISH Network	$	272,126	$	385,848
Equipment revenue - other		65,909		111,703
Services and other revenue - DISH Network		121,207		115,060
Services and other revenue - other		20,584		14,469
Total revenue		479,826		627,080
Costs and Expenses:				
Cost of sales - equipment		293,384		422,208
Cost of sales - services and other (exclusive of depreciation shown below - Note 6)		61,460		57,433
Research and development expenses (exclusive of depreciation shown below - Note 6)		8,859		12,234
Selling, general and administrative expenses (exclusive of depreciation shown below - Note 6)		44,772		32,631
General and administrative expenses - DISH Network (exclusive of depreciation shown below - Note 6)		3,489		4,159
Depreciation and amortization (Note 6)		57,014		57,649
Total costs and expenses		468,978		586,314
Operating income (loss)		10,848		40,766
Other Income (Expense):				
Interest income		2,677		1,846
Interest expense, net of amounts capitalized		462		(11,595)
Unrealized and realized gains (losses) on marketable investment securities and other investments		665		(537)
Unrealized gains (losses) on investments accounted for at fair value, net		3,304		65,828
Other, net		6,991		(1,671)
Total other income (expense)		14,099		53,871
Income (loss) before income taxes		24,947		94,637
Income tax (provision) benefit, net		(7,788)		(22,891)
Net income (loss)		17,159		71,746
Less: Net income (loss) attributable to noncontrolling interest		(5)		
Net income (loss) attributable to EchoStar common shareholders	$	17,164	$	71,746
Comprehensive Income (Loss):				
Net income	$	17,159	$	71,746
Foreign currency translation adjustments		(192)		(390)
Unrealized holding gains (losses) on available-for-sale securities		6,771		26,669
		(665)		

Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)				
Comprehensive income (loss)		23,073		98,025
Less: Comprehensive income (loss) attributable to noncontrolling interest		(5)		
Comprehensive income (loss) attributable to EchoStar common shareholders	$	23,078	$	98,025
Weighted-average common shares outstanding - Class A and B common stock:				
Basic		85,466		84,855
Diluted		92,331		84,933
Earnings per share - Class A and B common stock:				
Basic net income (loss) per share attributable to EchoStar common shareholders	$	0.20	$	0.85
Diluted net income (loss) per share attributable to EchoStar common shareholders	$	0.19	$	0.84

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

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ECHOSTAR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	For the Three Months Ended March 31, 2011	2010
Cash Flows From Operating Activities:		
Net income (loss)	$ 17,159	$ 71,746
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	57,014	57,649
Equity in losses (earnings) of affiliates	(5,008)	1,690
Unrealized and realized (gains) losses on marketable investment securities and other investments	(665)	537
Unrealized (gains) losses on investments accounted for at fair value, net	(3,304)	(65,828)
Non-cash, stock-based compensation	2,981	4,242
Deferred tax expense (benefit)	1,759	(8,820)
Other, net	353	2,184
Change in noncurrent assets	1,570	1,122
Changes in current assets and current liabilities, net	21,313	(35,646)
Net cash flows from operating activities	93,172	28,876
Cash Flows From Investing Activities:		
Purchases of marketable investment securities	(551,508)	(570,308)
Sales and maturities of marketable investment securities	488,781	642,418
Purchases of property and equipment	(39,140)	(32,492)
Launch service assigned to DISH Network (Note 13)		102,913
Purchase of strategic investments included in marketable and other investment securities	(27,775)	(18,601)
Proceeds from sale of strategic investments	15,437	
Other, net	51	(200)
Net cash flows from investing activities	(114,154)	123,730
Cash Flows From Financing Activities:		
Repayment of long-term debt and capital lease obligations	(13,019)	(12,845)
Net proceeds from Class A common stock options exercised and issued under the Employee Stock Purchase Plan	14,153	524
Other	694	
Net cash flows from financing activities	1,828	(12,321)
Effect of exchange rates on cash and cash equivalents	(1,064)	
Net increase (decrease) in cash and cash equivalents	(20,218)	140,285
Cash and cash equivalents, beginning of period	141,814	23,330
Cash and cash equivalents, end of period	$ 121,596	$ 163,615
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest (including capitalized interest)	$ 11,716	$ 11,422
Capitalized interest	$ 9,050	$
Cash received for interest	$ 4,693	$ 2,803

Cash paid for income taxes	$	474	$	8,481
Satellites and other assets financed under capital lease obligations	$	9,343	$	47,808
Reduction of capital lease obligations and associated asset value for AMC-16 (Note 6)	$		$	34,693

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

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ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization and Business Activities

Principal Business

EchoStar Corporation is a holding company, whose subsidiaries (which together with EchoStar Corporation are referred to as EchoStar, the Company, we, us and/or our) operate two primary business units:

- ***Digital Set-Top Box Business*** which designs, develops and distributes digital set-top boxes and related products and technology, including our Slingbox placeshifting technology, primarily for satellite TV service providers, telecommunication and cable companies and, with respect to Slingboxes, directly to consumers via retail outlets. Our Digital Set-Top Box business also provides digital broadcast operations including satellite uplinking/downlinking, transmission services, signal processing, conditional access management and other services primarily to DISH Network.

- ***Satellite Services Business*** which uses our ten owned and leased in-orbit satellites and related FCC licenses to lease capacity on a full-time and occasional-use basis primarily to DISH Network, and secondarily to Dish Mexico, U.S. government service providers, state agencies, Internet service providers, broadcast news organizations, programmers and private enterprise customers.

Effective January 1, 2008, DISH Network completed its distribution to us (the Spin-off) of its digital set-top box business and certain infrastructure and other assets, including certain of its satellites, uplink and satellite transmission assets, real estate and other assets and related liabilities. Since the Spin-off, we and DISH Network have operated as separate publicly-traded companies, and neither entity has any ownership interest in the other. However, a substantial majority of the voting power of the shares of both companies is owned beneficially by Charles W. Ergen, our Chairman, or by certain trusts established by Mr. Ergen for the benefit of his family.

Recent Developments

On February 13, 2011, we and certain of our subsidiaries, including EchoStar Satellite Services L.L.C., (ESS) entered into an agreement and plan of merger (the Hughes Agreement) with Hughes, whereby we will acquire all of the outstanding equity of Hughes and its subsidiaries, including its main operating subsidiary, Hughes Network Systems, LLC (HNS) (the Hughes Merger). Pursuant to the Hughes Agreement, each issued and outstanding share of common stock of Hughes (other than common stock with respect to which appraisal rights have been exercised) will be converted into the right to receive $60.70 in cash. The Hughes Agreement also contemplates the repayment of all of the outstanding debt

of Hughes and HNS (including the 9½% Senior Notes due 2014 issued by HNS), except that the $115 million loan facility guaranteed by COFACE, the French Export Credit Agency, will continue to remain outstanding following the Merger if certain consents are obtained. As a result, the Hughes Merger is valued at approximately $2.0 billion**,** including the Hughes debt expected to be refinanced. The Hughes Merger is expected to close later this year, subject to certain closing conditions, including among others, certain government regulatory approvals, including approval by the FCC. The Hughes Agreement contains certain termination rights for both Hughes and us.

In order to finance the Hughes Merger, we and ESS obtained an aggregate financing commitment of $1.0 billion in senior secured bridge financing and $800 million in senior unsecured bridge financing, in each case from Deutsche Bank AG Cayman Islands Branch (collectively, the Bridge Commitment). Deutsche Bank s obligations under the Bridge Commitment are subject to a number of conditions, including that the conditions to closing under the Hughes Agreement have been met (subject to certain exceptions); that we have a minimum amount of cash on hand at the closing; that we have provided certain financial statements and other information relating to us and Hughes in specified time periods; and that our aggregate indebtedness not exceed specified levels. There is no assurance that we will be able to satisfy these conditions. The initial term of the Bridge Commitment is six months. We have the option to extend the term of the Bridge Commitment to nine months so long as we have delivered certain required

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ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Continued

(Unaudited)

information, including certain financial statements, and have complied with our obligations to issue debt securities in lieu of borrowing under the Bridge Commitment. Subject to certain exceptions, we do not have the ability to terminate the Hughes Agreement until nine months after the date the Hughes Agreement was executed. Accordingly, there is no assurance that the Bridge Commitment will remain in effect for the duration of our obligations under the Hughes Agreement. We do not have the ability to terminate the Hughes Agreement if we are unable to obtain sufficient funds to satisfy our obligations under the Hughes Agreement. If the funding under the Bridge Commitment were to become unavailable for any reason, there is no assurance that we will be able to obtain sufficient funds to satisfy our obligations under the Hughes Agreement.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these statements do not include all of the information and notes required for complete financial statements prepared under GAAP. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Our results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2010 (2010 10-K). Certain prior period amounts have been reclassified to conform to the current period presentation.

Principles of Consolidation

We consolidate all majority owned subsidiaries, investments in entities in which we have controlling influence and variable interest entities where we have been determined to be the primary beneficiary. Non-majority owned investments are accounted for using the equity method when we have the ability to significantly influence the operating decisions of the investee. When we do not have the ability to significantly influence the operating decisions of an investee, the cost method is used. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense for each reporting period. Estimates are used in accounting for, among other things, allowances for doubtful accounts, allowance for sales returns, warranty obligations, self-insurance obligations, deferred taxes and related valuation allowances, uncertain tax positions, loss contingencies, fair value of financial instruments, fair value of options granted under our stock-based compensation plans, fair value of assets and liabilities acquired in business combinations, capital leases, asset impairments, useful lives of property, equipment and intangible assets, and royalty obligations. Weakened economic conditions have increased the inherent uncertainty in the estimates and assumptions indicated above. Actual results may differ from previously estimated amounts, and such differences may be material to the Condensed Consolidated Financial Statements. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected prospectively in the period they occur.

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ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Continued

(Unaudited)

Fair Value of Financial Instruments

As of March 31, 2011 and 2010, the carrying value of our cash and cash equivalents; current marketable investment securities, trade accounts receivable, net of allowance for doubtful accounts; current liabilities and long-term debt is equal to or approximates fair value due to their short-term nature or proximity to current market rates.

3. Basic and Diluted Net Income (Loss) Per Share

We present both basic earnings per share (EPS) and diluted EPS. Basic EPS excludes potential dilution and is computed by dividing Net income (loss) attributable to EchoStar common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock awards were exercised.

The potential dilution from stock awards was computed using the treasury stock method based on the average market value of our Class A common stock. The following table presents earnings per share amounts for all periods and the basic and diluted weighted-average shares outstanding used in the calculation.

	For the Three Months Ended March 31,	
	2011	**2010**
	(In thousands, except per share amounts)	
Net income (loss) attributable to EchoStar common shareholders	$ 17,164	$ 71,746
Weighted-average common shares outstanding - Class A and B common stock:		
Basic	85,466	84,855
Dilutive impact of stock awards outstanding	6,865	78
Diluted	92,331	84,933
Earnings per share - Class A and B common stock:		
Basic net income (loss) per share attributable to EchoStar common shareholders	$ 0.20	$ 0.85
Diluted net income (loss) per share attributable to EchoStar common shareholders	$ 0.19	$ 0.84

As of March 31, 2011 and 2010, there were stock awards to purchase 2.3 million and 5.2 million shares, respectively, of Class A common stock outstanding, not included in the weighted-average common shares outstanding above, as their effect is antidilutive.

Vesting of options and rights to acquire shares of our Class A common stock (Restricted Performance Units) granted pursuant to a performance based stock incentive plan is contingent upon meeting a certain company goal which is not yet probable of being achieved. As a consequence, the following are also not included in the diluted EPS calculation.

	As of March 31,	
	2011	**2010**
	(In thousands)	
Performance based options	689	716
Restricted Performance Units	92	98
Total	781	814

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ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Continued

(Unaudited)

4. Marketable Investment Securities, Restricted Cash and Other Investment Securities

Our marketable investment securities, restricted cash and other investment securities consist of the following:

	As of	
	March 31, 2011	December 31, 2010
	(In thousands)	
Marketable investment securities:		
Current marketable investment securities - VRDNs	$ 546,420	$ 395,715
Current marketable investment securities - strategic	239,503	232,718
Current marketable investment securities - other	232,217	360,653
Total marketable investment securities - current	1,018,140	989,086
Restricted marketable investment securities (1)	1,987	1,337
Total	1,020,127	990,423
Restricted cash and cash equivalents (1)	15,439	16,089
Marketable and other investment securities - noncurrent:		
Cost method	3,097	3,097
Equity method	116,575	109,366
Fair value method	633,164	613,125
Total marketable and other investment securities - noncurrent	752,836	725,588
Total marketable investment securities, restricted cash and other investment securities	$ 1,788,402	$ 1,732,100

(1) Restricted marketable investment securities and restricted cash and cash equivalents are included in Restricted cash and marketable investment securities on our Condensed Consolidated Balance Sheets.

Marketable Investment Securities

Our marketable investment securities portfolio consists of various debt and equity instruments, all of which are classified as available-for-sale.

Current Marketable Investment Securities - VRDNs

Variable rate demand notes (VRDNs) are long-term floating rate municipal bonds with embedded put options that allow the bondholder to sell the security at par plus accrued interest. All of the put options are secured by a pledged liquidity source. Our VRDN portfolio is comprised of investments in many municipalities, which are backed by financial institutions or other highly rated companies that serve as the pledged liquidity source. While they are classified as marketable investment securities, the put option allows VRDNs to be liquidated generally on a same day or on a five business day settlement basis.

Current Marketable Investment Securities - Strategic

Our current strategic marketable investment securities are highly speculative and have experienced and continue to experience volatility. As of March 31, 2011, a significant portion of our strategic investment portfolio consisted of securities of several issuers and the value of that portfolio depends on those issuers.

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ECHOSTAR CORPORATION

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(Unaudited)

Current Marketable Investment Securities - Other

Our other current marketable investment securities portfolio includes investments in various debt instruments including corporate and government bonds.

Restricted Cash and Marketable Investment Securities

As of March 31, 2011 and December 31, 2010, our restricted marketable investment securities, together with our restricted cash, included amounts required as collateral for our letters of credit or surety bonds.

Marketable and Other Investment Securities - Noncurrent

We account for our unconsolidated debt and equity investments under the fair value, equity and/or cost method of accounting. We have several strategic investments in certain equity securities that are included in noncurrent Marketable and other investment securities on our Condensed Consolidated Balance Sheets.

Marketable and Other Investment Securities Cost and Equity

Non-majority owned investments in equity securities are generally accounted for using the equity method when we have the ability to significantly influence the operating decisions of an investee. However, when we do not have the ability to significantly influence the operating decisions of an investee, the cost method is used.

Our ability to realize value from our strategic investments in companies that are not publicly traded depends on the success of those companies businesses and their ability to obtain sufficient capital to execute their business plans. Because private markets are not as liquid as public markets, there is also increased risk that we will not be able to sell these investments, or that when we desire to sell them we will not be able to obtain fair value for them.

Marketable and Other Investment Securities Fair Value

We elect the fair value method for certain debt and equity investments in affiliates when we believe the fair value method of accounting provides more meaningful information to our investors. For our investments carried at fair value, interest and dividends are measured at fair value and are recorded in Unrealized gains (losses) on investments accounted for at fair value, net. See Investments in TerreStar below for more information.

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(Unaudited)

Unrealized Gains (Losses) on Marketable Investment Securities

As of March 31, 2011 and December 31, 2010, we had accumulated net unrealized gains of $194 million and $188 million, both net of related tax effect, respectively, as a part of Accumulated other comprehensive income (loss) within Total stockholders equity (deficit). A full valuation allowance has been established against any net deferred tax assets that are capital in nature. The components of our available-for-sale investments are detailed in the table below.

	As of March 31, 2011				As of December 31, 2010			
	Marketable Investment Securities	Gains	Unrealized Losses	Net	Marketable Investment Securities	Gains	Unrealized Losses	Net
	(In thousands)							
Debt securities:								
VRDNs	$ 546,420	$	$	$	$ 395,715	$	$	$
Other (including restricted)	248,461	690	(16)	674	375,814	1,154	(233)	921
Equity securities:								
Other	225,246	193,097		193,097	218,894	186,745		186,745
Total marketable investment securities	$ 1,020,127	$ 193,787	$ (16)	$ 193,771	$ 990,423	$ 187,899	$ (233)	$ 187,666

As of March 31, 2011, restricted and non-restricted marketable investment securities include debt securities of $795 million with contractual maturities of one year or less and none with contractual maturities greater than one year. Actual maturities may differ from contractual maturities as a result of our ability to sell these securities prior to maturity.

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(Unaudited)

Marketable Investment Securities in a Loss Position

The following table reflects the length of time that the individual securities, accounted for as available-for-sale, have been in an unrealized loss position, aggregated by investment category. We do not intend to sell our investments in debt securities before they recover or mature, and it is more likely than not that we will hold these debt investments until that time. In addition, we are not aware of any specific factors indicating that the underlying issuers of these debt securities would not be able to pay interest as it becomes due or repay the principal at maturity. Therefore, we believe that these changes in the estimated fair values of these marketable investment securities are related to temporary market fluctuations.

		As of March 31, 2011 (In thousands)						
			Less than Six Months		Six to Nine Months		Nine Months or More	
Investment Category	**Primary Reason for Unrealized Loss**	**Total Fair Value**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Debt securities	Temporary market fluctuations	$ 33,096	$ 15,389	$ (8)	$	$	$ 17,707	$ (8)
Total		$ 33,096	$ 15,389	$ (8)	$	$	$ 17,707	$ (8)

		As of December 31, 2010 (In thousands)						
			Less than Six Months		Six to Nine Months		Nine Months or More	
Investment Category	**Primary Reason for Unrealized Loss**	**Total Fair Value**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Debt securities	Temporary market fluctuations	$ 119,135	$ 26,358	$ (44)	$ 17,566	$ (71)	$ 75,211	$ (118)
Total		$ 119,135	$ 26,358	$ (44)	$ 17,566	$ (71)	$ 75,211	$ (118)

Fair Value Measurements

We determine fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Market or observable inputs are the preferred source of values, followed by unobservable inputs or assumptions based on hypothetical transactions in the absence of market inputs. We apply the following hierarchy in determining fair value:

- Level 1, defined as observable inputs being quoted prices in active markets for identical assets;

- Level 2, defined as observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

- Level 3, defined as unobservable inputs for which little or no market data exists, consistent with reasonably available assumptions made by other participants therefore requiring assumptions based on the best information available.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Continued

(Unaudited)

Our assets measured at fair value on a recurring basis were as follows:

	As of							
	March 31, 2011				December 31, 2010			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	(In thousands)							
Debt securities:								
VRDNs	$ 546,420	$	$ 546,420	$	$ 395,715	$	$ 395,715	$
Other (including restricted)	248,461		248,461		375,814		375,814	
Equity securities	225,246	225,246			218,894	218,894		
Marketable and other investment securities - noncurrent	633,164	3,450		629,714	613,125	4,170		608,955
Total assets at fair value	$ 1,653,291	$ 228,696	$ 794,881	$ 629,714	$ 1,603,548	$ 223,064	$ 771,529	$ 608,955

Changes in Level 3 instruments are as follows:

	Level 3 Investment Securities (In thousands)
Balance as of December 31, 2010	$ 608,955
Purchases	20,759
Balance as of March 31, 2011	$ 629,714

Unrealized and Realized Gains (Losses) on Marketable Investment Securities and Other Investments

Unrealized and realized gains (losses) on marketable investment securities and other investments on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) includes changes in the carrying amount of our investments as follows:

	For the Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Unrealized and realized gains (losses) on marketable investment securities and other investments:		
Marketable investment securities - gains (losses) on sales/exchange	$ 665	$
Marketable and other investment securities - other-than-temporary impairments		(537)
Total unrealized and realized gains (losses) on marketable investment securities and other investments	$ 665	$ (537)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Continued

(Unaudited)

Investments in TerreStar

We account for our investments in TerreStar Corporation (TerreStar Corporation) and TerreStar Networks Inc. (TerreStar Networks), an indirect, majority-owned subsidiary of TerreStar Corporation, using the fair value method of accounting which we believe provides more meaningful information to our investors. TerreStar Networks is the principal operating subsidiary of TerreStar Corporation. TerreStar Networks and TerreStar Corporation and its subsidiary, TerreStar Holdings Inc. (together, the TSC Debtors), filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code on October 19, 2010 and February 16, 2011, respectively.

We have been an investor in TerreStar Corporation and TerreStar Networks for over three years. In February 2008, we completed several transactions under a Master Investment Agreement between us, TerreStar Corporation and TerreStar Networks. Under the Master Investment Agreement, we acquired $50 million in aggregate principal amount of TerreStar Networks 6 1/2% Senior Exchangeable Paid-in-Kind Notes due June 15, 2014 (Exchangeable Notes) as well as $50 million aggregate principal amount of TerreStar Networks 15% Senior Secured Paid-in-Kind Notes due February 15, 2014 (15% PIK Notes). The Master Investment Agreement also provides that we have the right to appoint two representatives to TerreStar Corporation s Board of Directors. We do not presently have any representatives on TerreStar Corporation s Board of Directors. We have from time to time acquired, and we currently hold, other securities issued by TerreStar Corporation and TerreStar Networks.

In February 2008, we also entered into a Spectrum Agreement with TerreStar Corporation, under which, in June 2008, TerreStar Corporation completed the acquisition of our holdings of 1.4 GHz spectrum in exchange for the issuance of 30 million shares of its common stock to us. We also entered into an agreement with TerreStar Networks and Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund LP (collectively, Harbinger), in February 2008, in which we and Harbinger each committed to provide up to $50 million in secured financing, the proceeds of which were advanced to TerreStar Networks from time to time as required for TerreStar Networks to make required payments in connection with a communications satellite to be constructed and launched for TerreStar Networks. As of March 31, 2011, we were owed $46 million by TerreStar Networks under the terms of this credit agreement.

In connection with the filings by TerreStar Networks and certain of its affiliates (other than TerreStar Corporation) (the Debtors) for protection under Chapter 11 of the U.S. Bankruptcy Code and an ancillary proceeding under the Companies Creditors Arrangement Act in Canada, on October 19, 2010, we entered into a commitment to provide a debtor-in-possession credit facility (the Credit Facility) to the Debtors. On November 18, 2010, the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) approved the Credit Facility on a final basis and authorized the Debtors to enter into the Credit Facility. The Credit Facility consists of a non-revolving, multiple draw term loan in the aggregate principal amount of $75 million, with drawings subject to the terms and conditions set forth in the Credit Facility. As of March 31, 2011, we had funded $44 million to the Debtors under this Credit Facility which is included in Marketable and other investment securities on our Condensed Consolidated Balance Sheets.

Our debt investments in TerreStar Networks had a fair value of $647 million and $626 million as of March 31, 2011 and December 31, 2010, respectively, including accrued interest of $17 million in each period. Our equity investments in TerreStar Corporation had a fair value of $3

million and $4 million as of March 31, 2011 and December 31, 2010, respectively. Fluctuations in fair value of these investments are recorded in Unrealized gains (losses) on investments accounted for at fair value, net on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) and directly impact our profitability. For the three months ended March 31, 2011 and 2010, we recorded a $3 million gain and a $66 million gain on these investments, respectively.

On November 19, 2010, we entered into an agreement with the Debtors (the Restructuring Support Agreement) pursuant to which we committed to (i) support the Debtors proposed plan of reorganization and (ii) backstop a rights offering for preferred shares of TerreStar Networks, which rights offering was to be completed upon the

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ECHOSTAR CORPORATION

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(Unaudited)

Debtors emergence from bankruptcy, on the terms set forth in the Restructuring Support Agreement. The Bankruptcy Court approved the Restructuring Support Agreement on December 22, 2010.

On February 15, 2011, the Restructuring Support Agreement was terminated by mutual agreement of the parties. TerreStar Networks has proposed holding a sale of substantially all of its assets pursuant to Section 363 of the Bankruptcy Code. It is impossible to predict with certainty the amount of time that the Debtors may spend in bankruptcy.

Our investments in TerreStar Corporation and TerreStar Networks are highly speculative and have experienced and continue to experience significant volatility. The value of our investments in TerreStar Networks is determined using Level 3 inputs under the fair value hierarchy. In estimating those fair values we consider quotes from brokers and other pricing services, if available, and obtain both observable and unobservable inputs in our valuation models which include the use of option pricing and discounted cash flow techniques. The fair value of these investments can be significantly impacted by adverse changes in securities markets generally, as well as risks related to the performance of TerreStar Corporation and TerreStar Networks, their ability to obtain sufficient capital to execute their business plans, risks associated with their specific industries, bankruptcy and other factors. We are continuing to evaluate the effect of developments in the Debtors and TerreStar Corporation s Chapter 11 cases on the fair value of our investment in TerreStar Networks and TerreStar Corporation. In particular, as a result of the termination of the Restructuring Support Agreement on February 15, 2011 and the on-going bankruptcy process, the fair value of our investments in TerreStar Networks could be significantly impacted. For example, a hypothetical 10% adverse change in the price of these debt instruments would result in a decrease of approximately $63 million in the fair value of these investments.

On January 14, 2011, TerreStar Corporation filed a Form 15, terminating the registration of its common stock and Series A Voting Convertible Preferred Stock under Section 12(g) of the Securities Exchange Act of 1934 and suspending its obligations to file reports with the Securities and Exchange Commission (other than with respect to its fiscal year ended December 31, 2010).

We report the following TerreStar Corporation financial information on a one-quarter lag as TerreStar Corporation was a public company but not a large accelerated filer, as defined by the SEC. As such, the statements of operations data, shown below, includes the three months ended December 31 for each respective period presented. We rely on TerreStar Corporation s management to provide us with accurate summary financial information, including portions of the information shown below. We are not aware of any errors in, or possible misstatements of, the financial information provided to us that would have a material effect on our Condensed Consolidated Financial Statements. The following table provides summarized financial information from TerreStar Corporation:

	For the Three Months Ended December 31,	
Statements of Operations Data (unaudited):	**2010**	**2009**
	(In thousands)	
Revenue	$ 6,000	$ 2,384

Operating expenses	$	2,220	$	44,068
Net income (loss) from continuing operations	$	(168)	$	(58,999)
Net income (loss)	$	(168)	$	(58,999)
Net income (loss) available to common stockholders	$	(168)	$	(63,408)

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ECHOSTAR CORPORATION

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(Unaudited)

5. Inventory

Inventory consists of the following:

	As of			
	March 31, 2011		December 31, 2010	
	(In thousands)			
Finished goods	$	15,606	$	21,084
Raw materials		8,567		6,819
Work-in-process		5,890		2,530
Total inventory	$	30,063	$	30,433

6. Property and Equipment

Depreciation and Amortization Expense

Depreciation and amortization expense consists of the following:

	For the Three Months Ended March 31,			
	2011		2010	
	(In thousands)			
Satellites	$	23,125	$	24,536
Furniture, fixtures, equipment and other		25,377		23,242
Identifiable intangible assets subject to amortization		6,869		8,264
Buildings and improvements		1,643		1,607
Total depreciation and amortization	$	57,014	$	57,649

Cost of sales and operating expense categories included in our accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) do not include depreciation expense related to satellites or equipment leased to customers.

Construction in process consists of the following:

	As of	
	March 31, 2011	December 31, 2010
	(In thousands)	
Progress amounts for satellite construction, including certain amounts prepaid under satellite service agreements and launch costs:		
QuetzSat-1	$ 161,515	$ 162,947
EchoStar XVI	147,002	100,312
Other	71,422	93,958
Buildings and improvements	31,262	19,291
Uplinking equipment	7,744	11,933
Other	7,955	4,657
Construction in process	$ 426,900	$ 393,098

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(Unaudited)

Satellites

We currently utilize ten satellites in geostationary orbit approximately 22,300 miles above the equator, four of which are leased. Three of our leased satellites are accounted for as capital leases and are depreciated over the terms of the satellite service agreements. We also lease capacity on one satellite from DISH Network that is accounted for as an operating lease. See Note 13 for further discussion of our satellite leases with DISH Network.

Prior to 2011, certain satellites in our fleet experienced anomalies, some of which have had a significant adverse impact on their remaining useful life and/or commercial operation. There can be no assurance that future anomalies will not further impact the remaining useful life and commercial operation of any of these satellites. See *Long-Lived Satellite Assets* below for further discussion of evaluation of impairment. There can be no assurance that we can recover critical transmission capacity in the event one or more of our in-orbit satellites were to fail. We generally do not carry insurance for any of the in-orbit satellites that we use, and therefore we will bear the risk of any in-orbit failures. Recent developments with respect to certain of our satellites are discussed below.

Owned Satellites

EchoStar VIII. EchoStar VIII was designed to operate 32 direct broadcast satellite (DBS) transponders in the continental United States at approximately 120 watts per channel, switchable to 16 DBS transponders operating at approximately 240 watts per channel. EchoStar VIII was also designed with spot-beam technology. This satellite has experienced several anomalies prior to 2011. In January 2011, the satellite experienced an anomaly, which temporarily disrupted electrical power to some components, causing an interruption of broadcast service. In addition, one of the two central processing units used to control the satellite failed in connection with this anomaly. None of these anomalies has impacted the commercial operation or estimated useful life of the satellite. However, there can be no assurance that this anomaly or any future anomalies will not reduce its useful life or impact its commercial operation.

Leased Satellites

AMC-16. AMC-16, an FSS satellite, commenced commercial operation during February 2005 and currently operates at the 85 degree orbital location. This SES World Skies satellite is equipped with 24 Ku-band FSS transponders that operate at approximately 120 watts per channel and a Ka-band payload consisting of 12 spot beams. During the first quarter of 2010, SES World Skies notified us that AMC-16 had experienced a solar-power anomaly which caused a power loss further reducing its capacity. Pursuant to the satellite services agreement, we are entitled to a reduction of our monthly recurring payment in the event of a partial loss of satellite capacity. Effective in March 2010, the monthly recurring payment was reduced and as a result our capital lease obligation and the corresponding asset value was lowered by approximately $35 million.

Long-Lived Satellite Assets

We evaluate our satellites for impairment and test for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. This evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Certain of the anomalies discussed above, and previously disclosed, may be considered to represent a significant adverse change in the physical condition of a particular satellite. However, based on the redundancy designed within each satellite, these anomalies are not considered to be significant events that would require evaluation for impairment recognition because the projected cash flows have not been significantly affected by these anomalies.

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(Unaudited)

7. Intangible Assets

As of March 31, 2011 and December 31, 2010, our identifiable intangibles subject to amortization consisted of the following:

	As of			
	March 31, 2011		December 31, 2010	
	Intangible Assets	Accumulated Amortization	Intangible Assets	Accumulated Amortization
	(In thousands)			
Contract-based	$ 190,566	$ (112,519)	$ 190,566	$ (108,361)
Customer relationships	25,027	(23,955)	23,632	(23,605)
Technology-based (1)	100,182	(37,395)	118,305	(35,086)
Trademark portfolio	2,491	(125)		
Total	$ 318,266	$ (173,994)	$ 332,503	$ (167,052)

Amortization of these intangible assets is recorded on a straight line basis over an average finite useful life primarily ranging from approximately one to 20 years. Amortization was $7 million and $8 million during the three months ended March 31, 2011 and 2010, respectively.

Estimated future amortization of our identifiable intangible assets as of March 31, 2011 is as follows (in thousands):

[illegible]		[illegible]
2011 (remaining nine months)	$	20,348
[illegible]		[illegible]
2013		23,685
[illegible]		[illegible]
2015		17,843
[illegible]		[illegible]
Total	$	144,272

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(1) On December 31, 2010, we acquired certain assets of Move Networks, Inc. which included in-process research and development (R&D). In-process R&D assets acquired in a business combination initially are considered indefinite-lived assets until either the completion or abandonment of the associated R&D efforts. Upon the successful completion of the development process, we will commence amortization of the balance over the estimated useful life of the project. For purposes of the amortization table, we included the entire in-process R&D balance of $26 million in the category labeled thereafter until such time that the R&D efforts are finalized or abandoned.

The excess of our investments in consolidated subsidiaries over net tangible and identifiable intangible asset value at the time of the investment is recorded as goodwill and is not subject to amortization. We had $16 million of goodwill as of March 31, 2011 associated with various acquisitions.

8. Long-Term Debt and Capital Lease Obligations

Capital Lease Obligations

As of March 31, 2011 and December 31, 2010, we had $547 million and $535 million capitalized for the estimated fair value of satellites acquired under capital leases included in Property and equipment, net, with related accumulated depreciation of $275 million and $268 million, respectively.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Continued

(Unaudited)

In our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), we recognized depreciation expense on satellites acquired under capital lease agreements as follows:

	For the Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Depreciation expense - capital leases	$ 7,006	$ 8,418

The following satellites are accounted for as capital leases and depreciated over the terms of the respective satellite service agreements.

AMC-15. AMC-15, an FSS satellite, commenced commercial operation during January 2005. This lease is renewable by us on a year-to-year basis following the initial ten-year term, and provides us with certain rights to lease capacity on replacement satellites.

AMC-16. AMC-16 commenced commercial operation during February 2005. This lease is renewable by us on a year-to-year basis following the initial ten-year term, and provides us with certain rights to lease capacity on replacement satellites.

Nimiq 5. Nimiq 5 was launched in September 2009 and commenced commercial operation at the 72.7 degree orbital location during October 2009, where it provides additional high-powered capacity to our satellite fleet. See Note 13 for further discussion.

Future minimum lease payments under these capital lease obligations, together with the present value of the net minimum lease payments as of March 31, 2011 are as follows (in thousands):

2011 (nine months remaining)	$ 90,086
2013	119,295
2015	46,130
Total minimum lease payments	883,833

Net minimum lease payments		621,432
Present value of net minimum lease payments		402,683
Long-term portion of capital lease obligations	$	348,758

9. Stock-Based Compensation

Stock Incentive Plans

We maintain stock incentive plans to attract and retain officers, directors and key employees. Stock awards under these plans include both performance and non-performance based stock incentives. As of March 31, 2011, we had outstanding under these plans stock options to acquire 8.7 million shares of our Class A common stock and 0.1 million restricted stock units. Stock options granted prior to and on March 31, 2011 were granted with exercise

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(Unaudited)

prices equal to or greater than the market value of our Class A common stock at the date of grant and with a maximum term of ten years. While historically we have issued stock awards subject to vesting, typically at the rate of 20% to 33% per year, some stock awards have been granted with immediate vesting and other stock awards vest only upon the achievement of certain company-wide objectives. As of March 31, 2011, we had 5.4 million shares of our Class A common stock available for future grant under our stock incentive plans.

In connection with the Spin-off, as permitted by DISH Network s existing stock incentive plans and consistent with the Spin-off exchange ratio, each DISH Network stock option was converted into two stock options as follows:

- an adjusted DISH Network stock option for the same number of shares that were exercisable under the original DISH Network stock option, with an exercise price equal to the exercise price of the original DISH Network stock option multiplied by 0.831219.

- a new EchoStar stock option for one-fifth of the number of shares that were exercisable under the original DISH Network stock option, with an exercise price equal to the exercise price of the original DISH Network stock option multiplied by 0.843907.

Similarly, each holder of DISH Network restricted stock units retained his or her DISH Network restricted stock units and received one EchoStar restricted stock unit for every five DISH Network restricted stock units that they held.

Consequently, the fair value of the DISH Network stock award and the new EchoStar stock award immediately following the Spin-off was equivalent to the fair value of such stock award immediately prior to the Spin-off.

As of March 31, 2011, the following stock awards were outstanding:

	As of March 31, 2011			
	EchoStar Awards		DISH Network Awards	
Stock Awards Outstanding	**Stock Options**	**Restricted Stock Units**	**Stock Options**	**Restricted Stock Units**
Held by EchoStar employees	7,728,868	46,715	3,333,276	233,624
Held by DISH Network employees	946,546	58,484	N/A	N/A
Total	8,675,414	105,199	3,333,276	233,624

We are responsible for fulfilling all stock awards related to EchoStar common stock and DISH Network is responsible for fulfilling all stock awards related to DISH Network common stock, regardless of whether such stock awards are held by our or DISH Network s employees. Notwithstanding the foregoing, our stock-based compensation expense, resulting from stock awards outstanding at the Spin-off date, is based on the stock awards held by our employees regardless of whether such stock awards were issued by EchoStar or DISH Network. Accordingly, stock-based compensation that we expense with respect to DISH Network stock awards is included in Additional paid-in capital on our Condensed Consolidated Balance Sheets.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Continued

(Unaudited)

Stock Award Activity

Our stock option activity was as follows:

	For the Three Months Ended March 31, 2011		
	Options		**Weighted-Average Exercise Price**
Total options outstanding, beginning of period	7,795,373	$	23.24
Granted	1,540,000	$	37.85
Exercised	(622,239)	$	24.89
Forfeited and cancelled	(37,720)	$	25.84
Total options outstanding, end of period	8,675,414	$	25.70
Performance based options outstanding, end of period (1)	688,800	$	25.37
Exercisable at end of period	2,749,127	$	25.56

(1) These stock options, which are included in the caption Total options outstanding, end of period, were issued pursuant to a performance based stock incentive plan. Vesting of these stock options is contingent upon meeting a certain company goal which is not yet probable of being achieved. See discussion of the 2005 LTIP below.

We realized tax benefits from stock awards exercised during the three months ended March 31, 2011 and 2010 as follows:

	For the Three Months Ended March 31,			
	2011		**2010**	
	(In thousands)			
Tax benefit from stock awards exercised	$	2,170	$	700

Based on the closing market price of our Class A common stock on March 31, 2011, the aggregate intrinsic value of our stock options was as follows:

	As of March 31, 2011	
	Options Outstanding	Options Exercisable
	(In thousands)	
Aggregate intrinsic value	$ 105,381	$ 33,795

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(Unaudited)

Our restricted stock unit activity was as follows:

	For the Three Months Ended March 31, 2011		
	Restricted Stock Units		Weighted-Average Grant Date Fair Value
Total restricted stock units outstanding, beginning of period	107,249	$	27.33
Granted		$	
Vested		$	
Forfeited and cancelled	(2,050)	$	27.05
Total restricted stock units outstanding, end of period	105,199	$	27.34
Restricted Performance Units outstanding, end of period (1)	91,974	$	26.69

(1) These Restricted Performance Units, which are included in the caption Total restricted stock units outstanding, end of period, were issued pursuant to a performance based stock incentive plan. Vesting of these Restricted Performance Units is contingent upon meeting a certain company goal which is not yet probable of being achieved. See discussion of the 2005 LTIP below.

Long-Term Performance Based Plans

2005 LTIP. During 2005, DISH Network adopted a long-term, performance based stock incentive plan (the 2005 LTIP). The 2005 LTIP provides stock options and restricted stock units, either alone or in combination, which vest over seven years at the rate of 10% per year during the first four years, and at the rate of 20% per year thereafter. Exercise of the stock awards is subject to a performance condition that a company-specific goal is achieved by March 31, 2015.

Contingent compensation related to the 2005 LTIP will not be recorded in our financial statements unless and until the achievement of the performance condition is probable. The competitive nature of our industry and certain other factors can significantly impact achievement of the goal. Consequently, while it was determined that achievement of the goal was not probable as of March 31, 2011, this assessment could change at any time.

If all of the stock awards under the 2005 LTIP were vested and the goal had been met or if we had determined that achievement of the goal was probable during the three months ended March 31, 2011, we would have recorded total non-cash, stock-based compensation expense for our employees as indicated in the table below. If the goal is met and there are unvested stock awards at that time, the vested amounts would be

expensed immediately on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), with the unvested portion recognized ratably over the remaining vesting period.

	2005 LTIP	
	Total	Vested Portion
	(In thousands)	
DISH Network awards held by EchoStar employees	$ 17,334	$ 13,020
EchoStar awards held by EchoStar employees	3,395	2,544
Total	$ 20,729	$ 15,564

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Of the 8.7 million stock options and 0.1 million restricted stock units outstanding under our stock incentive plans as of March 31, 2011, the following awards were outstanding pursuant to the 2005 LTIP:

	As of March 31, 2011	
	Number of Awards	Weighted-Average Exercise Price
Stock options	688,800	$ 25.37
Restricted Performance Units	91,974	
Total	780,774	

Stock-Based Compensation

Total non-cash, stock-based compensation expense for all of our employees is shown in the following table for the three months ended March 31, 2011 and 2010 and was allocated to the same expense categories as the base compensation for such employees:

	For the Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Research and development expenses	$ 603	$ 1,157
Selling, general and administrative expenses	2,378	3,085
Total non-cash, stock-based compensation	$ 2,981	$ 4,242

As of March 31, 2011, our total unrecognized compensation cost related to our non-performance based unvested stock awards was $46 million and includes compensation expense that we will recognize for DISH Network stock awards held by our employees as a result of the Spin-off. This cost is based on an estimated future forfeiture rate of approximately 1.3% per year and will be recognized over a weighted-average period of approximately three years. Share-based compensation expense is recognized based on stock awards ultimately expected to vest and is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Changes in the estimated forfeiture rate can have a significant effect on share-based compensation expense since the effect of adjusting the rate is recognized in the period the forfeiture estimate is changed.

Valuation

The fair value of each stock option for the three months ended March 31, 2011 and 2010 was estimated at the date of the grant using a Black-Scholes option valuation model with the following assumptions:

Stock Options	**For the Three Months Ended March 31,** 2011	2010
Risk-free interest rate	2.57%	2.97%
Volatility factor	34.68%	31.00%
Expected term of options in years	6.0	6.1
Weighted-average fair value of options granted	$ 14.42	$ 7.38

We do not currently intend to pay dividends on our common stock and accordingly, the dividend yield percentage used in the Black-Scholes option valuation model is set at zero for all periods. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded stock options which have no vesting restrictions

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and are fully transferable. Consequently, our estimate of fair value may differ from other valuation models. Further, the Black-Scholes option valuation model requires the input of subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate.

We will continue to evaluate the assumptions used to derive the estimated fair value of our stock options as new events or changes in circumstances become known.

10. Acquisitions

The business combination accounting standard requires most identifiable assets, liabilities, noncontrolling interests and goodwill acquired to be recorded at full fair value. This guidance broadens the scope of what qualifies as a business combination to include in many instances development stage entities. Transaction costs related to the acquisition of the business are expensed as incurred. Costs associated with the issuance of debt associated with a business combination are capitalized and included as a yield adjustment to the underlying debt s stated rate.

When we acquire a business we allocate the purchase price to the various components of the acquisition based upon the fair value of each component using various valuation techniques. These techniques can include the market approach, income approach and/or cost approach.

Acquired intangible assets other than goodwill are amortized over their estimated useful lives unless the lives are determined to be indefinite.

Acquisition of Move Networks

On December 31, 2010, we acquired certain assets of Move Networks, Inc. for $45 million, of which $2.25 million was placed into escrow for certain potential contingencies. These assets include patented technology that enables the adaptive delivery of video content via the Internet which will allow us to expand our portfolio of advanced technologies serving cable, satellite, telecommunications companies and IPTV video providers. This transaction was accounted for as a business combination. The preliminary allocation of the purchase price is in the table below.

Purchase Price

		Allocation (In thousands)
In-process R&D	$	26,482
Property and equipment		7,213
Goodwill		6,457
Other intangibles		4,271
Accounts receivable		535
Other current		33
Total purchase price	$	44,991

The transaction did not have an impact on our results of operations for the year ended December 31, 2010 and would not have materially impacted our results of operations for 2010 had the transaction occurred on January 1, 2010. Furthermore, the transaction would not have had a material impact on our results of operations for the comparable period in 2009 or 2008 had the transaction occurred on January 1, 2009 or January 1, 2008, respectively.

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11. Commitments and Contingencies

Commitments

Purchase Obligations. Our purchase obligations primarily consist of binding purchase orders for digital set-top boxes and related components, digital broadcast operations and transitional service agreements. Our purchase obligations can fluctuate significantly from period to period due to, among other things, management s control of inventory levels, and can materially impact our future operating asset and liability balances, and our future working capital requirements. Our purchase obligations which are primarily related to the manufacturing of digital set-top boxes and related components increased from $288 million as of December 31, 2010 to $361 million as of March 31, 2011. These purchase obligations will be paid during 2011.

Satellite-Related Obligations

Satellites Under Construction. As of March 31, 2011, we had entered into the following contracts to construct new satellites which are contractually scheduled to be completed within the next two years.

- *QuetzSat-1.* During 2008, we entered into a ten-year satellite service agreement with SES Latin America S.A. (SES) to lease all of the capacity on QuetzSat-1. QuetzSat-1 is expected to be launched during the second half of 2011 and will operate at the 77 degree orbital location. Upon expiration of the initial term, we have the option to renew the transponder service agreement on a year-to-year basis through the end-of-life of the QuetzSat-1 satellite. DISH Network has agreed to lease 24 of the 32 DBS transponders on this satellite from us. The expected future payments related to QuetzSat-1 are $287 million.

- *EchoStar XVI.* During November 2009, we entered into a contract for the construction of EchoStar XVI, a DBS satellite, which is expected to be completed during the second half of 2012 and will operate at the 61.5 degree orbital location. DISH Network has agreed to lease all of the capacity on this satellite from us for a portion of its useful life. The expected future payments related to EchoStar XVI are $137 million, including the launch contract which was previously assigned to CMBStar.

Contingencies

In connection with the Spin-off, we entered into a separation agreement with DISH Network that provides, among other things, for the division of certain liabilities, including liabilities resulting from litigation. Under the terms of the separation agreement, we have assumed certain liabilities that relate to our business including certain designated liabilities for acts or omissions prior to the Spin-off. Certain specific provisions govern intellectual property related claims under which, generally, we will only be liable for our acts or omissions following the Spin-off and DISH Network will indemnify us for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off as well as DISH Network s acts or omissions following the Spin-off.

Broadcast Innovation, L.L.C.

During 2001, Broadcast Innovation, L.L.C. (Broadcast Innovation) filed a lawsuit against DISH Network, DirecTV, Thomson Consumer Electronics and others in United States District Court in Denver, Colorado. Broadcast Innovation is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. The suit alleges infringement of United States Patent Nos. 6,076,094 (the 094 patent) and 4,992,066 (the 066 patent). The 094 patent relates to certain methods and devices for transmitting and receiving data along with specific formatting information for the data. The 066 patent relates to certain methods

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and devices for providing the scrambling circuitry for a pay television system on removable cards. Subsequently, DirecTV and Thomson settled with Broadcast Innovation leaving DISH Network as the only defendant.

During 2004, the District Court issued an order finding the 066 patent invalid. Also in 2004, the District Court found the 094 patent invalid in a parallel case filed by Broadcast Innovation against Charter and Comcast. In 2005, the United States Court of Appeals for the Federal Circuit overturned that finding of invalidity with respect to the 094 patent and remanded the Charter case back to the District Court. During June 2006, Charter filed a reexamination request with the United States Patent and Trademark Office. The District Court has stayed the Charter case pending reexamination, and our case has been stayed pending resolution of the Charter case.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Joao Control

During December 2010, Joao Control & Monitoring Systems (Joao) filed suit against Sling Media Inc., our indirect wholly owned subsidiary, ACTI Corporation, ADT Security, Alarmclub.Com, American Honda Motor Company, BMW, Byremote, Drivecam, Honeywell, Iveda Corporation, Magtec Products, Mercedes-Benz, On-Net Surveillance, OnStar, SafeFreight Technology, Skyway Security, SmartVue Corporation, Toyota Motor Sales, Tyco, UTC Fire and Xanboo in the United States District Court for the Central District of California alleging infringement of United States Patent Nos. 6,549,130 and 6,587,046. The abstracts of the patents state that the claims are directed to the remote control of devices and appliances. Joao is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Nazomi Communications

On February 10, 2010, Nazomi Communications, Inc. (Nazomi) filed suit against Sling Media, Inc., our indirect wholly owned subsidiary, Nokia Corp, Nokia Inc., Microsoft Corp., Amazon.com Inc., Western Digital Corp., Western Digital Technologies, Inc., Garmin Ltd., Garmin Corp., Garmin International, Inc., Garmin USA, Inc., Vizio Inc. and iOmega Corp in the United States District Court for the Central District of California alleging infringement of United States Patent No. 7,080,362 (the 362 patent) and United States Patent No. 7,225,436 (the 436 patent). The 362 patent and the 436 patent relate to Java hardware acceleration. The suit alleges that the Slingbox-Pro-HD product infringes the 362 patent and the 436 patent because the Slingbox-PRO HD allegedly incorporates an ARM926EJ-S processor core capable of Java hardware acceleration.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

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NorthPoint Technology

On July 2, 2009, NorthPoint Technology, Ltd filed suit against us, DISH Network, and DirecTV in the United States District Court for the Western District of Texas alleging infringement of United States Patent No. 6,208,636 (the 636 patent). The 636 patent relates to the use of multiple low-noise block converter feedhorns, or LNBFs, which are antennas used for satellite reception. On April 21, 2011, the U.S. Patent and Trademark Office issued an order granting reexamination of the 636 patent.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Personalized Media Communications

During 2008, Personalized Media Communications, Inc. (PMC) filed suit against us, DISH Network and Motorola, Inc. in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent Nos. 4,694,490; 5,109,414; 4,965,825; 5,233,654; 5,335,277; and 5,887,243, which relate to satellite signal processing. PMC is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Suomen Colorize Oy

During October 2010, Suomen Colorize Oy (Suomen) filed suit against us and DISH Network L.L.C., an indirect wholly owned subsidiary of DISH Network, in the United States District Court for the Middle District of Florida alleging infringement of United States Patent

No. 7,277,398. Suomen is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. The abstract of the patent states that the claims are directed to a method and terminal for providing services in a telecommunication network.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Technology Development Licensing

On January 22, 2009, Technology Development and Licensing L.L.C. (TDL) filed suit against us and DISH Network in the United States District Court for the Northern District of Illinois alleging infringement of United States Patent No. Re. 35,952, which relates to certain favorite channel features. TDL is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. In July 2009, the Court granted our motion to stay the case pending two reexamination petitions before the Patent and Trademark Office.

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We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

TiVo

On April 29, 2011, we and DISH Network entered into a settlement agreement with TiVo Inc. See Note 14 for further discussion.

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Vigilos, LLC

On February 23, 2011, Vigilos, LLC filed suit against us, Sling Media, Inc. and EchoStar Technologies L.L.C., two of our subsidiaries, and Monsoon Multimedia, Inc. in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent No. 6,839,731, which is entitled System and Method for Providing Data Communication in a Device Network.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Other

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

12. Segment Reporting

Operating segments are components of an enterprise for which separate financial information is available and regularly evaluated by the chief operating decision maker(s) of an enterprise. Total assets by segment have not been specified because the information is not available to the chief operating decision-maker. Under this definition, we operate two primary business units.

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- ***Digital Set-Top Box Business*** which designs, develops and distributes digital set-top boxes and related products and technology, including our Slingbox placeshifting technology, primarily for satellite TV service providers, telecommunication and cable companies and, with respect to Slingboxes, directly to consumers via retail outlets. Our Digital Set-Top Box business also provides digital broadcast operations including satellite uplinking/downlinking, transmission services, signal processing, conditional access management and other services primarily to DISH Network.

- ***Satellite Services Business*** which uses our ten owned and leased in-orbit satellites and related FCC licenses to lease capacity on a full-time and occasional-use basis primarily to DISH Network, and secondarily to Dish Mexico, U.S. government service providers, state agencies, Internet service providers, broadcast news organizations, programmers and private enterprise customers.

The All Other category consists of revenue and net income (loss) attributable to EchoStar common shareholders from other operations including our corporate investment portfolio for which segment disclosure requirements do not apply.

The following table reports our operating segment data and reconciles earnings before interest, taxes, depreciation and amortization (EBITDA) to reported net income in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss):

For the Three Months Ended March 31, 2011	**Digital Set-Top Box Business**	**Satellite Services Business**	**All Other**	**Eliminations**	**Consolidated Total**
			(In thousands)		
Total revenue	$ 405,383	$ 67,861	$ 6,582	$	$ 479,826
EBITDA (1)	27,869	44,739	6,219		78,827
Interest expense, net	549	(68)	2,658		3,139
Income tax benefit (provision), net	97	(7,995)	110		(7,788)
Depreciation and amortization	(26,651)	(23,625)	(6,738)		(57,014)
Net income (loss) attributable to EchoStar common shareholders	$ 1,864	$ 13,051	$ 2,249	$	$ 17,164
For the Three Months Ended March 31, 2010					
Total revenue	$ 559,268	$ 63,557	$ 4,255	$	$ 627,080
EBITDA (1)	44,893	46,492	70,650		162,035
Interest expense, net	(14)	(11,561)	1,826		(9,749)
Income tax benefit (provision), net	(6,687)	(3,869)	(12,335)		(22,891)
Depreciation and amortization	(27,704)	(25,110)	(4,835)		(57,649)
Net income (loss) attributable to EchoStar common shareholders	$ 10,488	$ 5,952	$ 55,306	$	$ 71,746

(1) EBITDA is not a measure determined in accordance with GAAP and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. EBITDA is used by our management as a measure of operating efficiency and overall financial performance for benchmarking against our peers and competitors. Management believes EBITDA provides meaningful supplemental information regarding liquidity and the underlying operating performance of our business. Management also believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to evaluate companies in the digital set-top box industry.

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Geographic Information and Transactions with Major Customers

Geographic Information. Revenues are attributed to geographic regions based upon the location where the goods and services are provided. North American revenue includes transactions with North American customers. All other revenue includes transactions with customers in Europe, Asia, South America and the Middle East. The following table summarizes total long-lived assets and revenue attributed to the North American and other foreign locations.

Long-lived assets, including FCC authorizations:	As of March 31, 2011	As of December 31, 2010
	(In thousands)	
North America	$ 1,494,495	$ 1,457,208
All other	12,246	41,356
Total	$ 1,506,741	$ 1,498,564

Revenue:	For the Three Months Ended March 31, 2011	2010
	(In thousands)	
North America	$ 472,309	$ 616,222
All other	7,517	10,858
Total	$ 479,826	$ 627,080

Transactions with Major Customers. During the three months ended March 31, 2011 and 2010, our revenue primarily included sales to three major customers. The following table summarizes sales to each customer and its percentage of total revenue.

	For the Three Months Ended March 31, 2011	2010
	(In thousands)	
Total revenue:		
DISH Network	$ 393,333	$ 500,908
Bell TV	41,402	73,312
Dish Mexico	11,477	28,320
Other	33,614	24,540
Total revenue	$ 479,826	$ 627,080
Percentage of total revenue:		

DISH Network	82.0%	79.9%
Bell TV	8.6%	11.7%
Dish Mexico	2.4%	4.5%

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13. Related Party Transactions

Related Party Transactions with DISH Network

Following the Spin-off, we and DISH Network have operated as separate public companies and DISH Network has no ownership interest in us. However, a substantial majority of the voting power of the shares of both companies is owned beneficially by our Chairman, Charles W. Ergen or by certain trusts established by Mr. Ergen for the benefit of his family.

In connection with the Spin-off and subsequent to the Spin-off, we and DISH Network have entered into certain agreements pursuant to which we obtain certain products, services and rights from DISH Network, DISH Network obtains certain products, services and rights from us, and we and DISH Network have indemnified each other against certain liabilities arising from our respective businesses. We also may enter into additional agreements with DISH Network in the future. The following is a summary of the terms of the principal agreements that we have entered into with DISH Network that may have an impact on our financial position and results of operations.

We expect that DISH Network will remain our principal customer. However, the agreements pursuant to which DISH Network purchases digital set-top boxes or digital broadcast operation services from us expire on January 1, 2012. Therefore, if we are unable to extend these contracts on similar terms with DISH Network, or if we are otherwise unable to obtain similar contracts from third parties before that date, there could be a significant adverse effect on our business, results of operations and financial position.

Generally, the prices charged for products and services provided under the agreements entered into in connection with the Spin-off are based on our cost plus a fixed margin (unless noted differently below), which varies depending on the nature of the products and services provided.

Equipment revenue DISH Network

Receiver Agreement. In connection with the Spin-off, we entered into a receiver agreement pursuant to which DISH Network has the right but not the obligation to purchase digital set-top boxes and related accessories, and other equipment from us for a period ending January 1, 2012. The receiver agreement allows DISH Network to purchase digital set-top boxes, related accessories and other equipment from us at cost plus a fixed margin, which varies depending on the nature of the equipment purchased. Additionally, we provide DISH Network with standard manufacturer warranties for the goods sold under the receiver agreement. DISH Network may terminate the receiver agreement for any reason upon at least 60 days notice to us. We may terminate the receiver agreement if certain entities were to acquire DISH Network. The receiver

agreement also includes an indemnification provision, whereby the parties indemnify each other for certain intellectual property matters.

Services and other revenue DISH Network

Broadcast Agreement. In connection with the Spin-off, we and DISH Network entered into a broadcast agreement pursuant to which we provide certain broadcast services to DISH Network, including teleport services such as transmission and downlinking, channel origination services, and channel management services for a period ending on January 1, 2012. DISH Network may terminate channel origination services and channel management services for any reason and without any liability upon at least 60 days notice to us. If DISH Network terminates teleport services for a reason other than our breach, DISH Network is obligated to pay us the aggregate amount of the remainder of the expected cost of providing the teleport services. The fees for services provided under the broadcast agreement are calculated at cost plus a fixed margin, which varies depending on the nature of the products and services provided.

Broadcast Agreement for Certain Sports Related Programming. During May 2010, we and DISH Network entered into a broadcast agreement pursuant to which we provide certain broadcast services to DISH Network in connection

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with its carriage of certain sports related programming. The term of this agreement is for ten years. If DISH Network terminates this agreement for a reason other than our breach, DISH Network is generally obligated to reimburse us for any direct costs we incur related to any such termination that it cannot reasonably mitigate. The fees for the broadcast services provided under this agreement depend, among other things, upon the cost to develop and provide such services.

Satellite Capacity Agreements. In connection with the Spin-off and subsequent to the Spin-off, we entered into certain satellite capacity agreements pursuant to which DISH Network leases certain satellite capacity on certain satellites owned or leased by us. The fees for the services provided under these satellite capacity agreements depend, among other things, upon the orbital location of the applicable satellite and the length of the lease. The term of each of the leases is set forth below:

EchoStar III, VI, VIII and XII. DISH Network leases certain satellite capacity from us on EchoStar VI, VIII and XII. The leases generally terminate upon the earlier of: (i) the end of life or replacement of the satellite (unless DISH Network determines to renew on a year-to-year basis); (ii) the date the satellite fails; (iii) the date the transponder on which service is being provided fails; or (iv) a certain date, which depends upon, among other things, the estimated useful life of the satellite, whether the replacement satellite fails at launch or in orbit prior to being placed into service, and the exercise of certain renewal options. DISH Network generally has the option to renew each lease on a year-to-year basis through the end of the respective satellite s life. There can be no assurance that any options to renew such agreements will be exercised. In August 2010, DISH Network s lease of EchoStar III terminated when it was replaced by EchoStar XV, which is owned by DISH Network.

EchoStar IX. DISH Network leases certain satellite capacity from us on EchoStar IX. Subject to availability, DISH Network generally has the right to continue to lease satellite capacity from us on EchoStar IX on a month-to-month basis.

EchoStar XVI. DISH Network will lease certain satellite capacity from us on EchoStar XVI after its service commencement date, and this lease generally terminates upon the earlier of: (i) the end of life or replacement of the satellite; (ii) the date the satellite fails; (iii) the date the transponder(s) on which service is being provided under the agreement fails; or (iv) ten years following the actual service commencement date. Upon expiration of the initial term, DISH Network has the option to renew on a year-to-year basis through the end of life of the satellite. There can be no assurance that any options to renew this agreement will be exercised. EchoStar XVI is expected to be launched during the second half of 2012.

EchoStar XV. EchoStar XV is owned by DISH Network and is operated at the 61.5 degree orbital location. The FCC has granted us an authorization to operate the satellite at the 61.5 degree orbital location. For so long as EchoStar XV remains in service at the 61.5 degree orbital location, DISH Network is obligated to pay us a fee which varies depending on the number of frequencies being used by EchoStar XV.

Nimiq 5 Agreement. During September 2009, we entered into a fifteen-year satellite service agreement with Telesat Canada (Telesat) to receive service on all 32 DBS transponders on the Nimiq 5 satellite at the 72.7 degree orbital location (the Telesat Transponder Agreement). During September 2009, DISH Network also entered into a satellite service agreement (the DISH Telesat Agreement) with us, pursuant to which they will receive service from us on all 32 of the DBS transponders covered by the Telesat Transponder Agreement. We and DISH Network are currently receiving service on 24 of these DBS transponders and will receive service on the remaining eight DBS transponders over a phase-in period that will be completed in 2012.

Under the terms of the DISH Telesat Agreement, DISH Network makes certain monthly payments to us that commenced in October 2009 when the Nimiq 5 satellite was placed into service and continue through the service term. Unless earlier terminated under the terms and conditions of the DISH Telesat Agreement, the service term will expire ten years following the date it was placed into service. Upon expiration of the initial term, DISH Network has the option to renew the DISH Telesat Agreement on a year-to-year basis through the end of life of the

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Nimiq 5 satellite. Upon in-orbit failure or end of life of the Nimiq 5 satellite, and in certain other circumstances, DISH Network has certain rights to receive service from us on a replacement satellite. There can be no assurance that any options to renew this agreement will be exercised or that DISH Network will exercise its option to receive service on a replacement satellite.

QuetzSat-1 Lease Agreement. During 2008, we entered into a ten-year satellite service agreement with SES, which provides, among other things, for the provision by SES to us of service on 32 DBS transponders on the QuetzSat-1 satellite expected to be placed into service at the 77 degree orbital location during the second half of 2011. During 2008, we also entered into a transponder service agreement (QuetzSat-1 Transponder Agreement) with DISH Network pursuant to which they will receive service from us on 24 of the DBS transponders on QuetzSat-1, which will replace certain other transponders leased from us. The remaining eight DBS transponders on QuetzSat-1 are expected to be used by Dish Mexico.

Under the terms of the QuetzSat-1 Transponder Agreement, DISH Network will make certain monthly payments to us commencing when the QuetzSat-1 satellite is placed into service and continuing through the service term. Unless earlier terminated under the terms and conditions of the QuetzSat-1 Transponder Agreement, the service term will expire ten years following the actual service commencement date. Upon expiration of the initial term, DISH Network has the option to renew the QuetzSat-1 Transponder Agreement on a year-to-year basis through the end of life of the QuetzSat-1 satellite. Upon a launch failure, in-orbit failure or end of life of the QuetzSat-1 satellite, and in certain other circumstances, DISH Network has certain rights to receive service from us on a replacement satellite. There can be no assurance that any options to renew this agreement will be exercised or that DISH Network will exercise its option to receive service on a replacement satellite.

TT&C Agreement. In connection with the Spin-off, we entered into a telemetry, tracking and control (TT&C) agreement pursuant to which we provide TT&C services to DISH Network and its subsidiaries for a period ending on January 1, 2012. The fees for services provided under the TT&C agreement are calculated at cost plus a fixed margin. DISH Network may terminate the TT&C agreement for any reason upon at least 60 days notice.

Real Estate Lease Agreements. We have entered into lease agreements pursuant to which DISH Network leases certain real estate from us. The rent on a per square foot basis for each of the leases is comparable to per square foot rental rates of similar commercial property in the same geographic area, and DISH Network is responsible for a portion of the taxes, insurance, utilities and maintenance of the premises. The term of each of the leases is set forth below:

Inverness Lease Agreement. The lease for certain space at 90 Inverness Circle East in Englewood, Colorado expires on January 1, 2012.

Meridian Lease Agreement. DISH Network leases all of 9601 S. Meridian Blvd. in Englewood, Colorado for a period ending on January 1, 2012 with a renewal option for one additional year.

Santa Fe Lease Agreement. DISH Network leases all of 5701 S. Santa Fe Dr. in Littleton, Colorado for a period ending on January 1, 2012 with a renewal option for one additional year.

EchoStar Data Networks Sublease Agreement. The sublease for certain space at 211 Perimeter Center in Atlanta, Georgia is for a period ending on October 31, 2016.

Gilbert Lease Agreement. The lease for certain space at 801 N. DISH Dr. in Gilbert, Arizona is a month to month lease and can be terminated by either party upon 30 days prior notice.

Product Support Agreement. In connection with the Spin-off, we entered into a product support agreement pursuant to which DISH Network has the right, but not the obligation, to receive product support (including certain engineering and technical support services) for all set-top boxes and related accessories that our subsidiaries have

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previously sold and in the future may sell to DISH Network. The fees for the services provided under the product support agreement are calculated at cost plus a fixed margin, which varies depending on the nature of the services provided. The term of the product support agreement is the economic life of such receivers and related accessories, unless terminated earlier. DISH Network may terminate the product support agreement for any reason upon at least 60 days notice. In the event of an early termination of this agreement, DISH Network shall be entitled to a refund of any unearned fees paid to us for the services.

DISHOnline.com Services Agreement. Effective January 1, 2010, DISH Network entered into a two-year agreement with us pursuant to which DISH Network will receive certain services associated with an online video portal. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. DISH Network has the option to renew this agreement for three successive one year terms and the agreement may be terminated for any reason upon at least 120 days notice to us.

DISH Remote Access Services Agreement. Effective February 23, 2010, DISH Network entered into an agreement with us pursuant to which DISH Network will receive, among other things, certain remote DVR management services. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. This agreement has a term of five years with automatic renewal for successive one year terms and may be terminated for any reason upon at least 120 days notice to us.

SlingService Services Agreement. Effective February 23, 2010, DISH Network entered into an agreement with us pursuant to which DISH Network will receive certain place-shifting services. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. This agreement has a term of five years with automatic renewal for successive one year terms and may be terminated for any reason upon at least 120 days notice to us.

International Programming Rights Agreement. DISH Network purchased certain international rights for sporting events from us included in Services and other revenue DISH Network on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), of which we only retain a certain portion.

General and administrative expenses DISH Network

Management Services Agreement. In connection with the Spin-off, we entered into a management services agreement with DISH Network pursuant to which DISH Network makes certain of its officers available to provide services (which are primarily legal and accounting services) to us. Specifically, R. Stanton Dodge and Paul W. Orban remain employed by DISH Network, but also serve as our Executive Vice President and General Counsel, and Senior Vice President and Controller, respectively. We make payments to DISH Network based upon an allocable portion of the personnel costs and expenses incurred by DISH Network with respect to such DISH Network officers (taking into account wages

and fringe benefits). These allocations are based upon the estimated percentages of time to be spent by the DISH Network executive officers performing services for us under the management services agreement. We also reimburse DISH Network for direct out-of-pocket costs incurred by DISH Network for management services provided to us. We and DISH Network evaluate all charges for reasonableness at least annually and make any adjustments to these charges as we and DISH Network mutually agree upon.

The management services agreement automatically renewed on January 1, 2011 for an additional one-year period until January 1, 2012 and renews automatically for successive one-year periods thereafter, unless terminated earlier: (i) by us at any time upon at least 30 days notice; (ii) by DISH Network at the end of any renewal term, upon at least 180 days notice; or (iii) by DISH Network upon notice to us, following certain changes in control.

Real Estate Lease Agreement. During 2008, we entered into a sublease for space at 185 Varick Street, New York, New York from DISH Network for a period of approximately seven years. The rent on a per square foot basis for this sublease was comparable to per square foot rental rates of similar commercial property in the same geographic

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area at the time of the sublease, and we are responsible for our portion of the taxes, insurance, utilities and maintenance of the premises.

Professional Services Agreement. Prior to 2010, in connection with the Spin-off, we entered into various agreements with DISH Network including the Transition Services Agreement, Satellite Procurement Agreement and Services Agreement, which all expired on January 1, 2010 and were replaced by the Professional Services Agreement. During 2009, we and DISH Network agreed that we shall continue to have the right, but not the obligation, to receive from DISH Network the following services, among others, certain of which were previously provided under the transition services agreement: information technology, travel and event coordination, internal audit, legal, accounting and tax, benefits administration, program acquisition services and other support services. Additionally, we and DISH Network agreed that DISH Network shall continue to have the right, but not the obligation, to engage us to manage the process of procuring new satellite capacity for DISH Network (as discussed above, previously provided under the satellite procurement agreement) and receive logistics, procurement and quality assurance services from us (as discussed above, previously provided under the services agreement). The professional services agreement expires on January 1, 2012, but renews automatically for successive one-year periods thereafter, unless terminated earlier by either party upon at least 60 days notice. However, either party may terminate the services it receives with respect to a particular service for any reason upon at least 30 days notice.

Other Agreements DISH Network

Satellite Capacity Leased from DISH Network. During 2009, we entered into a satellite capacity agreement pursuant to which we lease certain satellite capacity from DISH Network on EchoStar I. The fee for the services provided under this satellite capacity agreement depends, among other things, upon the orbital location of the satellite and the length of the lease. During the three months ended March 31, 2011 and 2010, the amount of those fees included in Cost of sales services and other on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) was approximately $6 million and $2 million, respectively. The lease generally terminates upon the earlier of: (i) the end of life or replacement of the satellite (unless we determine to renew on a year-to-year basis); (ii) the date the satellite fails; (iii) the date the transponder on which service is being provided fails; or (iv) a certain date, which depends, among other things, upon the estimated useful life of the satellite, whether the replacement satellite fails at launch or in orbit prior to being placed into service, and the exercise of certain renewal options. We generally have the option to renew this lease on a year-to-year basis through the end of the satellite s life. There can be no assurance that any options to renew this agreement will be exercised.

Remanufactured Receiver Agreement. In connection with the Spin-off, we entered into a remanufactured receiver agreement with DISH Network pursuant to which we have the right, but not the obligation, to purchase remanufactured receivers and accessories from DISH Network at cost plus a fixed margin, which varies depending on the nature of the equipment purchased. This agreement expires on January 1, 2012. We may terminate the remanufactured receiver agreement for any reason upon at least 60 days notice to DISH Network. DISH Network may also terminate this agreement if certain entities acquire it. During the three months ended March 31, 2011 and 2010, we purchased remanufactured receivers and accessories from DISH Network for an aggregate amount of less than $1 million and $1 million, respectively.

Tax Sharing Agreement. In connection with the Spin-off, we entered into a tax sharing agreement with DISH Network which governs our respective rights, responsibilities and obligations after the Spin-off with respect to taxes for the periods ending on or before the Spin-off. Generally, all pre-Spin-off taxes, including any taxes that are incurred as a result of restructuring activities undertaken to implement the Spin-off, are borne by DISH Network, and DISH Network will indemnify us for such taxes. However, DISH Network is not liable for and will not indemnify us for any taxes that are incurred as a result of the Spin-off or certain related transactions failing to qualify as tax-free distributions pursuant to any provision of Section 355 or Section 361 of the Code because of: (i) a direct or indirect acquisition of any of our stock, stock options or assets; (ii) any action that we take or fail to take; or (iii) any action that we take that is inconsistent with the information and representations furnished to the IRS in connection with the request for the private letter ruling, or to counsel in connection with any opinion being delivered

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by counsel with respect to the Spin-off or certain related transactions. In such case, we will be solely liable for, and will indemnify DISH Network for, any resulting taxes, as well as any losses, claims and expenses. The tax sharing agreement will only terminate after the later of the full period of all applicable statutes of limitations, including extensions, or once all rights and obligations are fully effectuated or performed.

TiVo. On April 29, 2011, we and DISH Network entered into a settlement agreement with TiVo Inc. See Note 14 for further discussion.

Launch Service. During 2009, we assigned certain of our rights under a launch contract to DISH Network for its fair value of $103 million. We recorded the assignment of these rights at our net book value of $89 million and recorded the $14 million difference between our net book value and DISH Network s purchase price as a capital transaction with DISH Network. The $103 million was received in the first quarter 2010.

Weather Related Programming Agreement. During May 2010, we and DISH Network entered into an agreement pursuant to which, among other things, we agreed to develop certain weather related programming and DISH Network received the right to distribute such programming. This agreement was terminated during June 2010. In July 2010, we sold our interest in the entity that held such weather related programming for $5 million.

Acquisition of Alta Wireless, Inc. and Sale of South.com, L.L.C. During October 2010, we purchased an additional equity interest in Alta Wireless, Inc. from another party for $2.8 million. This transaction increased our ownership in Alta Wireless, Inc. from 49.9% to 95%. Alta Wireless Inc. holds certain authorizations for local multipoint distribution service (LMDS) spectrum in the United States. Additionally, during October 2010, we and the same counterparty sold our respective interests in South.com, L.L.C. to DISH Network for $2 million and $3 million, respectively. South.com, L.L.C. holds certain authorizations for multichannel video and data distribution service (MVDDS) spectrum in the United States.

Other Agreements

In November 2009, Mr. Roger Lynch became employed by both us and DISH Network as Executive Vice President. Mr. Lynch is responsible for the development and implementation of advanced technologies that are of potential utility and importance to both us and DISH Network. Mr. Lynch s compensation consists of cash and equity compensation and is borne by both DISH Network and us.

Related Party Transactions with NagraStar L.L.C.

We own 50% of NagraStar L.L.C. (NagraStar), a joint venture that is our primary provider of encryption and related security technology used in our set-top boxes. Although we do not consolidate NagraStar, we have the ability to significantly influence its operating policies; therefore, we account for our investment in NagraStar under the equity method of accounting.

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The table below summarizes our transactions with NagraStar.

	For the Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Purchases from NagraStar	$ 1,795	$ 2,820

	As of	
	March 31, 2011	December 31, 2010
	(In thousands)	
Amounts payable to NagraStar	$ 955	$ 799
Commitments to purchase from NagraStar	$ 7,785	$ 4,934

Related Party Transactions with Dish Mexico

During 2008, we entered into a joint venture for a direct-to-home (DTH) satellite service in Mexico known as Dish Mexico. Pursuant to these arrangements, we provide certain broadcast services and satellite capacity and sell hardware such as digital set-top boxes and related equipment to Dish Mexico.

The following table summarizes our transactions with Dish Mexico.

	For the Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Sales not related to the original contribution commitment associated with our investment:		
Digital set-top boxes and related accessories	$ 9,347	$ 26,190
Sales of satellite services	$ 2,130	$ 2,130

	As of	
	March 31,	December 31,

	2011	2010
	(In thousands)	
Amounts receivable from Dish Mexico	$ 2,450	$ 2,296

Related Party Transactions with a Joint Venture in Taiwan

During December 2009, we entered into a joint venture to provide a DTH satellite service in Taiwan and certain other targeted regions in Asia. We own 50% and have joint control of the joint venture. Pursuant to these arrangements, we sell hardware such as digital set-top boxes and provide certain technical support services to the joint venture. We have provided $18 million of cash to the joint venture, and an $18 million line of credit that the joint venture may only use to purchase set-top boxes from us. This investment is subject to an evaluation for other-than-temporary impairment on a quarterly basis. This quarterly evaluation consists of reviewing, among other things, company business plans and current financial statements, if available, for factors that may indicate an impairment of our investment. During 2010, we recorded a $14 million charge to fully impair this investment. As of March 31, 2011, the remaining amount available under the line of credit is $10 million and if advanced would be subject to our evaluation for other-than-temporary impairment.

14. Subsequent Events

In connection with our litigation with TiVo Inc. (TiVo), which is described in our periodic reports filed with the Securities and Exchange Commission, including in our annual report on Form 10-K for the year ended December 31, 2010 under the caption Item 3. Legal Proceedings TiVo Inc., on April 20, 2011, the U.S. Court of Appeals for the Federal Circuit vacated the District Court s contempt ruling on infringement, articulated a new standard for determining colorable difference and remanded that issue back to the District Court for determination. The Federal Circuit also vacated the District Court s amended injunction requiring that we inform the court of any further attempts to design around TiVo s United States Patent No. 6,233,389 (the 389 patent) and seek approval from the court before any such design-around is implemented. The Federal Circuit also vacated the infringement damages for the period after we deployed our original alternative technology (although it did not foreclose that damages may be reinstated if upon remand a new court or jury decision found that the original alternative technology infringed TiVo s 389 patent). The Federal Circuit affirmed the District Court s contempt ruling on disablement, holding that the original 2006 injunction required that we disable DVR functionality in all but approximately 192,000 digital set-top boxes deployed with customers (the Disablement Provision) and affirmed the $90 million in contempt sanctions awarded against us for violating the Disablement Provision.

On April 29, 2011, we and DISH Network entered into a settlement agreement with TiVo. The settlement resolves all pending litigation between us and DISH Network, on the one hand, and TiVo, on the other hand, including litigation relating to alleged patent infringement involving certain DISH Network digital video recorders, or DVRs, which litigation is described in our periodic reports filed with the Securities and Exchange Commission including in our annual report on Form 10-K for the year ended December 31, 2010 under the caption Item 3. Legal Proceedings TiVo Inc.

Under the settlement agreement, all pending litigation will be dismissed with prejudice and all injunctions that permanently restrain, enjoin or compel any action by us and DISH Network will be dissolved. We and DISH Network are jointly responsible for making payments to TiVo in the aggregate amount of $500 million, including an initial payment of $300 million and the remaining $200 million in six equal annual installments between 2012 and 2017. Pursuant to the terms and conditions of the agreements entered into in connection with our Spin-off from DISH Network, DISH Network will be responsible for the initial payment to TiVo, except for a contribution from us totaling approximately $10 million, representing an allocation of liability relating to our sales of DVR-enabled receivers to an international customer. Future payments will be allocated between DISH Network and us based on historical sales of certain licensed products with us being responsible for approximately 5% of each annual payment, or approximately $10 million in total. Of our initial payment of $10 million, approximately $8 million relates to prior periods and the remaining $2 million represents a prepayment. The prepayment of $2 million plus our share of the remaining payments, a total of $12 million, will be expensed ratably from April 1, 2011 through July 31, 2018, the expiration date of the 389 patent.

In addition, under the settlement agreement, TiVo granted us a license under its 389 patent and certain related patents, for the remaining life of those patents, solely to design and make certain DVR-enabled products for DISH Network and two international customers, including rights for those customers to import, use, and sell those products and authorize the use of those products by their subscribers. The license also covers all future use of products that subscribers of DISH Network and those customers put into use before the settlement was entered into, including as updated in the future. We granted TiVo a license under certain DVR-related patents held by us for TiVo-branded, co-branded or ingredient branded products.

We and DISH Network, on the one hand, and TiVo, on the other hand, have also agreed on mutual releases of certain related claims and agreed not to challenge each other s DVR technology-related patents that are licensed under the settlement agreement.

Because both we and DISH Network were defendants in the TiVo lawsuit, we and DISH Network were jointly and severally liable to TiVo for any final damages and sanctions that could have been awarded by the District Court. As previously disclosed, DISH Network agreed that it was obligated under the agreements entered into in connection with the Spin-off to indemnify us for substantially all liability arising from this lawsuit. We contributed an amount equal to our $5 million intellectual property liability limit under the Receiver Agreement, and during 2009, we recorded a charge included in General and administrative expenses DISH Network on our Consolidated Statements of Operations and Comprehensive Income (Loss) for this amount to reflect this contribution. We and DISH Network have further agreed that our $5 million contribution would not exhaust our liability to DISH Network for other intellectual property claims that may arise under the Receiver Agreement. We and DISH Network also agreed that we would each be entitled to joint ownership of, and a cross-license to use, any intellectual property developed in connection with any potential new alternative technology. Any amounts that we are responsible for under the settlement agreement with TiVo are in addition to the $5 million contribution previously made by us.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with the condensed consolidated financial statements and notes to the financial statements included elsewhere in this quarterly report. This management s discussion and analysis is intended to help provide an understanding of our financial condition, changes in financial condition and results of our operations and contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in our Annual Report on Form 10-K for the year ended December 31, 2010 and this Quarterly Report on Form 10-*Q*, under the caption Item 1A. Risk Factors.*

EXECUTIVE SUMMARY

EchoStar Corporation is a holding company, whose subsidiaries operate two primary business units: the Digital Set-Top Box business and the Satellite Services business.

Digital Set-Top Box Business

Our Digital Set-Top Box business designs, develops and distributes digital set-top boxes and related products and technology, including our Slingbox placeshifting technology, primarily for satellite TV service providers, telecommunication and cable companies and, with respect to Slingboxes, directly to consumers via retail outlets. Slingbox placeshifting technology allows consumers to watch and control their home digital video and audio content anywhere in the world via a broadband Internet connection. Most of our digital set-top boxes are sold to DISH Network Corporation (DISH Network), but we also sell a significant number of digital set-top boxes to Bell TV in Canada, Dish Mexico, S. de R.L. de C.V. (Dish Mexico) and other international customers.

Our Digital Set-Top Box business also provides digital broadcast operations including satellite uplinking/downlinking, transmission services, signal processing, conditional access management and other services provided primarily to DISH Network.

We believe opportunities exist to expand our business by selling equipment and services in both the United States and international markets. As a result of our extensive experience with digital set-top boxes and digital broadcast operations, we are able to provide end-to-end pay-TV delivery systems incorporating our satellite and backhaul capacity, customized digital set-top boxes and related components, and network design and management.

Dependence on DISH Network. We depend on DISH Network for a substantial portion of the revenue for our Digital Set-Top Box business and we expect that for the foreseeable future DISH Network will continue to be the primary source of revenue for each of our businesses. Therefore, our results of operations are, and will for the foreseeable future be, closely linked to the performance of DISH Network s satellite pay-TV business. In addition, while we expect to sell equipment to other customers, the number of potential new customers for our Digital Set-Top Box business is small and may be limited by our common ownership and related management with DISH Network, and our current

customer concentration is likely to continue for the foreseeable future.

As a result of DISH Network s previously disclosed higher than normal inventory levels, during the three months ended March 31, 2011, DISH Network purchased fewer digital set-top boxes and related components from us. It is possible that DISH Network will continue to purchase fewer digital set-top boxes and related components from us in 2011 than it purchased during 2010. This decrease could have a material adverse effect on our results of operations. In addition, to the extent that DISH Network s gross subscriber additions decrease or DISH Network experiences a net loss of subscribers, sales of our digital set-top boxes and related components to DISH Network may further decline, which in turn could have a further material adverse effect on our financial position and results of operations.

The impact to us of any decreases in DISH Network subscriber growth may be offset in the near term by an increase in sales to DISH Network resulting from the upgrade of DISH Network subscribers to advanced products such as

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

HD receivers and HD DVRs, as well as by the upgrade of DISH Network digital set-top boxes to new technologies such as MPEG-4 digital compression technology or Slingbox placeshifting technology. However, there can be no assurance that any of these factors will mitigate any decreases in subscriber growth at DISH Network. In addition, although we expect DISH Network to continue to purchase products and services from us, there can be no assurance that these purchases will continue in the future.

We may experience significant pressure on margins we earn on the sale of digital set-top boxes and other equipment, including on sales to DISH Network. This pressure may be due to economic conditions, advancements in the technology and functionality of digital set-top boxes and other equipment. The margins we earn on sales are determined largely through periodic negotiations that could result in pricing reflecting, among other things, the digital set-top boxes and other equipment that best meet our customers current sales and marketing priorities, the product and service alternatives available from other equipment suppliers, and our ability to respond to customer requirements and to differentiate ourselves from other equipment suppliers on bases other than pricing.

Our future success may also depend on the extent to which prospective customers that have been competitors of DISH Network are willing to purchase products and services from us. Many of these customers may continue to view us as a competitor as a result of common ownership and related management with DISH Network. If we do not develop relationships with new customers, we may not be able to expand our customer base and our ability to increase or maintain our revenue will be impacted.

Additional Challenges for our Digital Set-Top Box Business. We believe that our best opportunities for developing potential new customers for our Digital Set-Top Box business over the near term lie in international markets, and we therefore expect our performance in international markets to be a significant factor in determining whether we will be able to generate revenue and income growth in future periods. However, there can be no assurance that we will be able to sustain or grow our international business. In particular, we have noticed an increase in new market entrants, primarily located in Asia, that offer low cost set-top boxes, including set-top boxes that are modeled after our products or products of our principal competitors. The entry of these new competitors may result in pricing pressure in international markets that we hope to enter. If market prices in international markets are substantially reduced by such new entrants, it may be difficult for us to make profitable sales in international markets.

Furthermore, if we do not continue to distinguish our products through distinctive, technologically advanced features and design, as well as continue to build and strengthen our brand recognition, our business could be harmed as we may not be able to effectively compete on price alone in both domestic and international markets against low cost competitors that are principally located in Asia. Our ability to compete in the digital set-top box industry will also depend heavily on our ability to successfully bring advanced technologies, including delivery of 3D TV video content and Internet delivery of video content, to market to keep pace with our competitors. If we do not otherwise compete effectively, demand for our products could decline, our gross margins could decrease, we could lose market share, our revenues and earnings may decline and our growth prospects would be diminished.

Sustained economic weakness and volatile credit markets may cause certain suppliers that we rely on to cease operations, which, in turn, may cause us to suffer disruptions to our supply chain or incur higher production costs.

Our ability to sustain or increase profitability will also depend in large part on our ability to control or reduce our costs of producing digital set-top boxes. The market for our digital set-top boxes, like other electronic products, has been characterized by regular reductions in selling prices and production costs. Therefore, we will likely be required to reduce production costs to maintain the margins we earn on digital set-top boxes and the profitability of our Digital Set-Top Box business. However, our ability to reduce production costs may be limited by, among other things, economic conditions and a shortage of available parts and may lead to inflated pricing.

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

Satellite Services Business

Our satellite services segment uses our ten owned and leased in-orbit satellites and related Federal Communications Commission (FCC) licenses to lease capacity on a full-time and occasional-use basis primarily to DISH Network, and secondarily to Dish Mexico, U.S. government service providers, state agencies, Internet service providers, broadcast news organizations, programmers and private enterprise customers. Furthermore, we continue to pursue expanding our business offerings by providing value added services such as telemetry, tracking and control services to third parties. However, there can be no assurance that we will be able to effectively compete against our competitors due to their significant resources and operating history.

Dependence on DISH Network. We depend on DISH Network for a substantial portion of the revenue for our Satellite Services business. Therefore, our results of operations are and will for the foreseeable future be closely linked to the performance of DISH Network s satellite pay-TV business.

While we expect to continue to provide satellite services to DISH Network for the foreseeable future, its satellite capacity requirements may change for a variety of reasons, including the launch of its own additional satellites. Any termination or reduction in the services we provide to DISH Network would increase excess capacity on our satellites and require that we aggressively pursue alternative sources of revenue for this business. Possible adverse effects on the Digital Set-Top Box business from DISH Network s higher than normal inventory balance of digital set-top boxes and related components and fewer gross subscriber additions, as previously disclosed, are not expected to materially impact the revenue generated within the Satellite Services segment in the near term.

During September 2009, we entered into a ten-year satellite service agreement with DISH Network for capacity on the Nimiq 5 satellite. Pursuant to this agreement, DISH Network will receive service from us on all 32 of the direct broadcast satellite (DBS) transponders covered by our satellite service agreement with Telesat. DISH Network is currently receiving service on 24 of these DBS transponders and will receive service on the remaining eight DBS transponders over a phase-in period that will be completed in 2012.

During 2008, we entered into a ten-year satellite service agreement with DISH Network for capacity on the QuetzSat-1 satellite. QuetzSat-1 is expected to be launched in the second half of 2011 and will operate at the 77 degree orbital location. Pursuant to this agreement, DISH Network will receive service from us on 24 of the 32 DBS transponders covered by our satellite service agreement with SES Latin America S.A. (SES).

In addition, because the number of potential new customers for our Satellite Services business is small and may be limited by our relationship with DISH Network, our current customer concentration is likely to continue for the foreseeable future. Our future success may also depend on the extent to which prospective customers that have been competitors of DISH Network are willing to purchase services from us. Many of these customers may continue to view us as a competitor given the common ownership and management team we continue to share with DISH Network.

Additional Challenges for our Satellite Services Business. Our ability to expand revenues in the Satellite Services business will likely require that we displace incumbent suppliers that generally have well established business models and often benefit from long-term contracts with their customers. As a result, to grow our Satellite Services business we may need to develop or otherwise acquire access to new satellite-delivered services so that we may offer differentiated services to prospective customers. However, there can be no assurance that we would be able to develop or otherwise acquire access to such differentiated services or develop the sales and marketing expertise necessary to sell such services profitably.

In addition, as our satellite fleet ages, we will be required to evaluate replacement alternatives such as acquiring, leasing or constructing additional satellites, with or without customer commitments for capacity, which may require us to seek additional financing. However, there can be no assurance that such financing will be available to fund any such replacement alternatives on terms that would be attractive to us or at all.

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International DTH Platforms

During 2008, we entered into a joint venture for a direct-to-home satellite service in Mexico known as Dish Mexico. Pursuant to these arrangements, we provide certain broadcast services and satellite capacity and sell hardware such as digital set-top boxes and related equipment to Dish Mexico. We sold $9 million of digital set-top boxes and related accessories and $2 million of satellite services to Dish Mexico during the three months ended March 31, 2011.

New Business Opportunities

We are exploring opportunities to selectively pursue partnerships, joint ventures and strategic acquisition opportunities that we believe may allow us to increase our existing market share, expand into new markets, broaden our portfolio of products and intellectual property, and strengthen our relationships with our customers.

Move Networks

On December 31, 2010, we acquired certain assets of Move Networks, Inc. for $45 million, of which $2.25 million was placed into escrow for certain potential contingencies. These assets include patented technology that enables the adaptive delivery of video content via the Internet which will enable us to expand our portfolio of advanced technologies serving cable, satellite, telecommunications companies and IPTV video providers.

Hughes Merger

On February 13, 2011, we and certain of our subsidiaries, including EchoStar Satellite Services L.L.C., (ESS) entered into an agreement and plan of merger (the Hughes Agreement) with Hughes, whereby we will acquire all of the outstanding equity of Hughes and its subsidiaries, including its main operating subsidiary, Hughes Network Systems, LLC (HNS) (the Hughes Merger). Pursuant to the Hughes Agreement, each issued and outstanding share of common stock of Hughes (other than common stock with respect to which appraisal rights have been exercised) will be converted into the right to receive $60.70 in cash. The Hughes Agreement also contemplates the repayment of all of the outstanding debt of Hughes and HNS (including the 9½% Senior Notes due 2014 issued by HNS), except that the $115 million loan facility guaranteed by COFACE, the French Export Credit Agency, will continue to remain outstanding following the Merger if certain consents are obtained. As a result, the Hughes Merger is valued at approximately $2.0 billion**,** including the Hughes debt expected to be refinanced. The Hughes Merger is expected to close later this year, subject to certain closing conditions, including among others, certain government regulatory approvals, including approval by the FCC. The Hughes Agreement contains certain termination rights for both Hughes and us.

In order to finance the Hughes Merger, we and ESS obtained an aggregate financing commitment of $1.0 billion in senior secured bridge financing and $800 million in senior unsecured bridge financing, in each case from Deutsche Bank AG Cayman Islands Branch (collectively, the Bridge Commitment). Deutsche Bank s obligations under the Bridge Commitment are subject to a number of conditions, including that the conditions to closing under the Hughes Agreement have been met (subject to certain exceptions); that we have a minimum amount of cash on hand at the closing; that we have provided certain financial statements and other information relating to us and Hughes in specified time periods; and that our aggregate indebtedness not exceed specified levels. There is no assurance that we will be able to satisfy these conditions. The initial term of the Bridge Commitment is six months. We have the option to extend the term of the Bridge Commitment to nine months so long as we have delivered certain required information, including certain financial statements, and have complied with our obligations to issue debt securities in lieu of borrowing under the Bridge Commitment. Subject to certain exceptions, we do not have the ability to terminate the Hughes Agreement until nine months after the date the Hughes Agreement was executed. Accordingly, there is no assurance that the Bridge Commitment will remain in effect for the duration of our obligations under the Hughes Agreement. We do not have the ability to terminate the Hughes Agreement if we are unable to obtain sufficient funds to satisfy our obligations under the Hughes Agreement. If the funding under the Bridge Commitment were to become

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

unavailable for any reason, there is no assurance that we will be able to obtain sufficient funds to satisfy our obligations under the Hughes Agreement.

Adverse Economic Conditions

Our ability to grow or maintain our business may be adversely affected by weak global and domestic economic conditions, including wavering consumer confidence and constraints on discretionary purchasing, unemployment, tight credit markets, declines in global and domestic stock markets, falling home prices and other factors that may adversely affect the markets in which we operate. Our ability to increase our income or to generate additional revenues will depend in part on our ability to organically grow our business, identify and successfully exploit opportunities to acquire other businesses or technologies, and enter into strategic partnerships. These activities may require significant additional capital that may not be available on terms that would be attractive to us or at all. In particular, volatile credit markets, which have significantly impacted the availability and cost of financing, specifically in the leveraged finance markets, may significantly constrain our ability to obtain financing to support our growth initiatives. These developments in the credit markets may increase our cost of financing and impair our liquidity position. In addition, these developments may cause us to defer or abandon business strategies and transactions that we would otherwise pursue if financing were available on acceptable terms.

Furthermore, unfavorable events in the economy, including deterioration in the credit and equity markets could cause consumer demand for pay-TV services and consequently sales of our digital set-top boxes to DISH Network, Bell TV, Dish Mexico and other international customers to decline materially because consumers may delay purchasing decisions or reduce or reallocate their discretionary spending.

Recent Developments

In connection with our litigation with TiVo Inc. (TiVo), which is described in our periodic reports filed with the Securities and Exchange Commission, including in our annual report on Form 10-K for the year ended December 31, 2010 under the caption Item 3. Legal Proceedings TiVo Inc., on April 20, 2011, the U.S. Court of Appeals for the Federal Circuit vacated the District Court s contempt ruling on infringement, articulated a new standard for determining colorable difference and remanded that issue back to the District Court for determination. The Federal Circuit also vacated the District Court s amended injunction requiring that we inform the court of any further attempts to design around TiVo s United States Patent No. 6,233,389 (the 389 patent) and seek approval from the court before any such design-around is implemented. The Federal Circuit also vacated the infringement damages for the period after we deployed our original alternative technology (although it did not foreclose that damages may be reinstated if upon remand a new court or jury decision found that the original alternative technology infringed TiVo s 389 patent). The Federal Circuit affirmed the District Court s contempt ruling on disablement, holding that the original 2006 injunction required that we disable DVR functionality in all but approximately 192,000 digital set-top boxes deployed with customers (the Disablement Provision) and affirmed the $90 million in contempt sanctions awarded against us for violating the Disablement Provision.

On April 29, 2011, we and DISH Network entered into a settlement agreement with TiVo. The settlement resolves all pending litigation between us and DISH Network, on the one hand, and TiVo, on the other hand, including litigation relating to alleged patent infringement involving certain DISH Network digital video recorders, or DVRs, which litigation is described in our periodic reports filed with the Securities and Exchange Commission including in our annual report on Form 10-K for the year ended December 31, 2010 under the caption Item 3. Legal

Proceedings TiVo Inc.

Under the settlement agreement, all pending litigation will be dismissed with prejudice and all injunctions that permanently restrain, enjoin or compel any action by us and DISH Network will be dissolved. We and DISH Network are jointly responsible for making payments to TiVo in the aggregate amount of $500 million, including an initial payment of $300 million and the remaining $200 million in six equal annual installments between 2012 and 2017. Pursuant to the terms and conditions of the agreements entered into in connection with our Spin-off from DISH Network, DISH Network will be responsible for the initial payment to TiVo, except for a contribution from us totaling approximately $10 million, representing an allocation of liability relating to our sales of DVR-enabled receivers to an international customer. Future payments will be allocated between DISH Network and us based on historical sales of certain licensed products with us being responsible for approximately 5% of each annual payment, or approximately $10 million in total. Of our initial payment of $10 million, approximately $8 million relates to prior periods and the remaining $2 million represents a prepayment. The prepayment of $2 million plus our share of the remaining payments, a total of $12 million, will be expensed ratably from April 1, 2011 through July 31, 2018, the expiration date of the 389 patent.

In addition, under the settlement agreement, TiVo granted us a license under its 389 patent and certain related patents, for the remaining life of those patents, solely to design and make certain DVR-enabled products for DISH Network and two international customers, including rights for those customers to import, use, and sell those products and authorize the use of those products by their subscribers. The license also covers all future use of products that subscribers of DISH Network and those customers put into use before the settlement was entered into, including as updated in the future. We granted TiVo a license under certain DVR-related patents held by us for TiVo-branded, co-branded or ingredient branded products.

We and DISH Network, on the one hand, and TiVo, on the other hand, have also agreed on mutual releases of certain related claims and agreed not to challenge each other s DVR technology-related patents that are licensed under the settlement agreement.

Because both we and DISH Network were defendants in the TiVo lawsuit, we and DISH Network were jointly and severally liable to TiVo for any final damages and sanctions that could have been awarded by the District Court. As previously disclosed, DISH Network agreed that it was obligated under the agreements entered into in connection with the Spin-off to indemnify us for substantially all liability arising from this lawsuit. We contributed an amount equal to our $5 million intellectual property liability limit under the Receiver Agreement, and during 2009, we recorded a charge included in General and administrative expenses DISH Network on our Consolidated Statements of Operations and Comprehensive Income (Loss) for this amount to reflect this contribution. We and DISH Network have further agreed that our $5 million contribution would not exhaust our liability to DISH Network for other intellectual property claims that may arise under the Receiver Agreement. We and DISH Network also agreed that we would each be entitled to joint ownership of, and a cross-license to use, any intellectual property developed in connection with any potential new alternative technology. Any amounts that we are responsible for under the settlement agreement with TiVo are in addition to the $5 million contribution previously made by us.

Future Capital Sources

We primarily rely on our existing cash and marketable investment securities balances, as well as cash flow generated through operations, to fund our investment needs. Since we depend on DISH Network for a substantial portion of our revenue, our cash flow from operations depends heavily on its needs for equipment and services.

As a result of DISH Network s previously disclosed higher than normal inventory levels, during the three months ended March 31, 2011, DISH Network purchased fewer digital set-top boxes and related components from us. It is possible that DISH Network will continue to purchase fewer digital set-top boxes and related components from us in 2011 than it purchased during 2010. This decrease could have a material adverse effect on our results of operations. In addition, to the extent that DISH Network s gross subscriber additions decrease or DISH Network experiences a net loss of subscribers, sales of our digital set-top boxes and related components to DISH Network may further decline, which in

turn could have a further material adverse effect on our financial position and results of operations. As a result, there can be no assurance that we will have positive cash flows from operations. Furthermore, if we experience negative cash flows, our existing cash and marketable investment securities balances may be reduced.

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Other Risks

Our profitability is affected by our noncurrent marketable investment securities portfolio as of March 31, 2011 of $753 million, of which $633 million was accounted for at fair value and represented our investments in TerreStar Corporation and TerreStar Networks. The fluctuations in fair value of these investments are recorded in Unrealized gains (losses) on investments accounted for at fair value, net on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) and directly impact our profitability. For the three months ended March 31, 2011 and 2010, we recorded a $3 million gain and a $66 million gain on these investments, respectively. TerreStar Networks and TerreStar Corporation filed for bankruptcy protection under the U.S. Bankruptcy Code on October 19, 2010 and February 16, 2011, respectively. Our investments in TerreStar Corporation and TerreStar Networks are highly speculative and have experienced and continue to experience significant volatility. The value of our investments in TerreStar Networks is determined using Level 3 inputs under the fair value hierarchy. In estimating those fair values, we consider quotes from brokers and other pricing services, if available, and obtain both observable and unobservable inputs in our valuation models, which include the use of option pricing and discounted cash flow techniques. The fair value of these investments can be significantly impacted by adverse changes in securities markets generally, as well as risks related to the performance of TerreStar Corporation and TerreStar Networks, their ability to obtain sufficient capital to execute their business plans, risks associated with their specific industries, bankruptcy and other factors. We are continuing to evaluate the effect of developments in the bankruptcy cases on the fair value of our investment in TerreStar Networks and TerreStar Corporation. In particular, as a result of the termination of the restructuring support agreement with TerreStar Networks and certain

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

of its affiliates on February 15, 2011 and the on-going bankruptcy process, the fair value of our investments in TerreStar Networks could be significantly impacted. For example, a hypothetical 10% adverse change in the price of these debt instruments would result in a decrease of approximately $63 million in the fair value of these investments. See Note 4 under *Investments in TerreStar* in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Our profitability is also affected by costs associated with our efforts to expand our sales, marketing, product development and general and administrative capabilities in all of our businesses. As we expand internationally, we may also incur additional costs to conform our digital set-top boxes to comply with local laws or local specifications and to ship our digital set-top boxes to our international customers.

EXPLANATION OF KEY METRICS AND OTHER ITEMS

Equipment revenue DISH Network. Equipment revenue DISH Network primarily includes sales of digital set-top boxes and related components to DISH Network, including Slingboxes and related hardware products.

Equipment revenue other. Equipment revenue other primarily includes sales of digital set-top boxes and related components to Bell TV, Dish Mexico and other international and domestic customers, including sales of Slingboxes and related hardware products.

Services and other revenue DISH Network. Services and other revenue DISH Network primarily includes revenue associated with satellite and transponder leasing, satellite uplinking/downlinking, signal processing, conditional access management, telemetry, tracking and control, professional services, facilities rental revenue and other services provided to DISH Network.

Services and other revenue other. Services and other revenue other primarily includes revenue associated with satellite and transponder leasing, satellite uplinking/downlinking and other services provided to customers other than DISH Network.

Cost of sales equipment. Cost of sales equipment principally includes costs associated with digital set-top boxes and related components sold to DISH Network, Bell TV, Dish Mexico and other international and domestic customers, including costs associated with Slingboxes and related hardware products.

Cost of sales - services and other. Cost of sales - services and other principally includes costs associated with satellite and transponder leasing, satellite uplinking/downlinking, signal processing, conditional access management, telemetry, tracking and control, professional services, facilities rental revenue, and other services.

Research and development expenses. Research and development expenses consist primarily of costs associated with the design and development of our digital set-top boxes, Slingboxes and related components, including among other things, salaries and consulting fees.

Selling, general and administrative expenses. Selling, general and administrative expenses consists primarily of selling and marketing costs and employee-related costs associated with administrative services (i.e., information systems, human resources and other services), including non-cash, stock-based compensation expense. It also includes professional fees (i.e., legal, information systems and accounting services) and other items associated with facilities and administrative services provided by DISH Network and other third parties.

Interest income. Interest income consists primarily of interest earned on our cash, cash equivalents and marketable investment securities, including accretion on debt securities.

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized primarily includes interest expense associated with our capital lease obligations.

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Unrealized and realized gains (losses) on marketable investment securities and other investments. Unrealized and realized gains (losses) on marketable investment securities and other investments consists primarily of gains and losses realized on the sale or exchange of investments and other-than-temporary impairments of marketable and other investment securities.

Unrealized gains (losses) on investments accounted for at fair value, net. Unrealized gains (losses) on investments accounted for at fair value, net consists of unrealized gains and losses from changes in fair value of marketable and other strategic investments accounted for at fair value.

Other, net. The primary component of Other, net is equity in earnings and losses of our affiliates.

Earnings before interest, taxes, depreciation and amortization (EBITDA). EBITDA is defined as Net income (loss) attributable to EchoStar common shareholders plus Interest expense, net of amounts capitalized net of Interest income, Income taxes and Depreciation and amortization. This non-GAAP measure is reconciled to Net income (loss) attributable to EchoStar common shareholders in our discussion of Results of Operations below.

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RESULTS OF OPERATIONS

Three Months Ended March 31, 2011 Compared to the Three Months Ended March 31, 2010.

Statements of Operations Data	For the Three Months Ended March 31, 2011	2010	Variance Amount	%
		(In thousands)		
Revenue:				
Equipment revenue - DISH Network	$ 272,126	$ 385,848	$ (113,722)	(29.5)
Equipment revenue - other	65,909	111,703	(45,794)	(41.0)
Services and other revenue - DISH Network	121,207	115,060	6,147	5.3
Services and other revenue - other	20,584	14,469	6,115	42.3
Total revenue	479,826	627,080	(147,254)	(23.5)
Costs and Expenses:				
Cost of sales - equipment	293,384	422,208	(128,824)	(30.5)
% of Total equipment revenue	**86.8%**	**84.9%**		
Cost of sales - services and other	61,460	57,433	4,027	7.0
% of Total services and other revenue	**43.3%**	**44.3%**		
Research and development expenses	8,859	12,234	(3,375)	(27.6)
% of Total revenue	**1.8%**	**2.0%**		
Selling, general and administrative expenses	48,261	36,790	11,471	31.2
% of Total revenue	**10.1%**	**5.9%**		
Depreciation and amortization	57,014	57,649	(635)	(1.1)
Total costs and expenses	468,978	586,314	(117,336)	(20.0)
Operating income (loss)	10,848	40,766	(29,918)	(73.4)
Other Income (Expense):				
Interest income	2,677	1,846	831	45.0
Interest expense, net of amounts capitalized	462	(11,595)	12,057	NM
Unrealized and realized gains (losses) on marketable investment securities and other investments	665	(537)	1,202	NM
Unrealized gains (losses) on investments accounted for at fair value, net	3,304	65,828	(62,524)	(95.0)
Other, net	6,991	(1,671)	8,662	NM
Total other income (expense)	14,099	53,871	(39,772)	(73.8)
Income (loss) before income taxes	24,947	94,637	(69,690)	(73.6)
Income tax (provision) benefit, net	(7,788)	(22,891)	15,103	66.0
Effective tax rate	**31.2%**	**24.2%**		
Net income (loss)	17,159	71,746	(54,587)	(76.1)
Less: Net income (loss) attributable to noncontrolling interest	(5)		(5)	NM
Net income (loss) attributable to EchoStar common shareholders	$ 17,164	$ 71,746	$ (54,582)	(76.1)

Other Data:							
EBITDA	$	78,827	$	162,035	$	(83,208)	(51.4)

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Equipment revenue DISH Network. Equipment revenue DISH Network totaled $272 million during the three months ended March 31, 2011, a decrease of $114 million or 29.5% compared to the same period in 2010. This change related primarily to a decrease in unit sales of set-top boxes, as discussed further below, and a decline in average revenue per unit. The decline in average revenue per unit was driven by continued manufacturing efficiencies, which reduced our set-top box costs. Pursuant to the receiver agreement, discussed below, set-top boxes are sold to DISH Network at cost plus a fixed margin, resulting in a decline in revenue per unit when lower set-top box costs are incurred.

Currently, we expect DISH Network to remain the primary customer of our Digital Set-Top Box business and the primary source of our total revenue. Pursuant to the commercial agreements we entered into with DISH Network, we are obligated to sell digital set-top boxes to DISH Network until January 1, 2012, although DISH Network has no obligation to purchase digital set-top boxes from us during or after this period. As a result of DISH Network s previously disclosed higher than normal inventory levels, during the three months ended March 31, 2011, DISH Network purchased fewer digital set-top boxes and related components from us. It is possible that DISH Network will continue to purchase fewer digital set-top boxes and related components from us in 2011 than it purchased during 2010. This decrease could have a material adverse effect on our results of operations. In addition, to the extent that DISH Network s gross subscriber additions decrease or DISH Network experiences a net loss of subscribers, sales of our digital set-top boxes and related components to DISH Network may further decline, which in turn could have a further material adverse effect on our financial position and results of operations.

Equipment revenue other. Equipment revenue other totaled $66 million during the three months ended March 31, 2011, a decrease of $46 million or 41.0% compared to the same period in 2010. This change related primarily from a decrease in sales to Bell TV and Dish Mexico. This decrease resulted from a decline in the number of units sold and in the average revenue per unit to Bell TV and Dish Mexico compared to the same period in 2010.

Cost of sales equipment. Cost of sales equipment totaled $293 million during the three months ended March 31, 2011, a decrease of $129 million or 30.5% compared to the same period in 2010. This change primarily resulted from a decrease in sales of digital set-top boxes and related components to DISH Network, Bell TV and Dish Mexico. Cost of sales equipment represented 86.8% and 84.9% of total equipment sales during each of the three months ended March 31, 2011 and 2010, respectively.

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

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized totaled less than $1 million during the three months ended March 31, 2011, a decrease in expense of $12 million compared to the same period in 2010. This change primarily resulted from capitalized interest in 2011 compared to no capitalized interest during the same period in 2010.

Unrealized gains (losses) on investments accounted for at fair value, net. Unrealized gains (losses) on investments accounted for at fair value, net for the three months ended March 31, 2011 was a net gain of $3 million compared to $66 million during the same period in 2010. This change is attributable to a decline in gains related to investments accounted for under the fair value method. See Note 4 under *Investments in TerreStar* in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Earnings before interest, taxes, depreciation and amortization. EBITDA was $79 million during the three months ended March 31, 2011, a decrease of $83 million compared to the same period in 2010. EBITDA for the three months ended March 31, 2011 was negatively impacted by a decrease in Unrealized gains (losses) on investments accounted for at fair value, net. The following table reconciles EBITDA to the accompanying financial statements.

	For the Three Months Ended March 31,	
	2011	2010
	(In thousands)	
EBITDA	$ 78,827	$ 162,035
Interest expense, net	3,139	(9,749)
Income tax (provision) benefit, net	(7,788)	(22,891)
Depreciation and amortization	(57,014)	(57,649)
Net income (loss) attributable to EchoStar common shareholders	$ 17,164	$ 71,746

EBITDA is not a measure determined in accordance with accounting principles generally accepted in the United States (GAAP) and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. EBITDA is used by our management as a measure of operating efficiency and overall financial performance for benchmarking against our peers and competitors. Management believes EBITDA provides meaningful supplemental information regarding liquidity and the underlying operating performance of our business. Management also believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to evaluate companies in the digital set-top box industry.

Income tax (provision) benefit, net. The income tax provision totaled $8 million during the three months ended March 31, 2011, a decrease of $15 million compared to the same period in 2010. This change resulted primarily from a decrease in Income (loss) before income taxes, partially offset by an increase in our effective tax rate. The increase in our effective tax rate was primarily related to changes in our valuation allowances against certain deferred tax assets that are capital in nature.

Net income (loss) attributable to EchoStar common shareholders. Our net income attributable to EchoStar common shareholders was $17 million during the three months ended March 31, 2011, a decrease of $55 million compared to the same period in 2010. This decrease was primarily attributable to the changes in revenue and expenses discussed above.

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LIQUIDITY AND CAPITAL RESOURCES

Cash, Cash Equivalents and Current Marketable Investment Securities

We consider all liquid investments purchased within 90 days of their maturity to be cash equivalents. See Item 3. Quantitative and Qualitative Disclosures About Market Risk for further discussion regarding our marketable investment securities. As of March 31, 2011, our cash, cash equivalents and current marketable investment securities totaled $1.140 billion compared to $1.131 billion as of December 31, 2010, an increase of $9 million. This increase in cash, cash equivalents and current marketable investment securities was primarily related to cash generated from operations of $93 million, partially offset by capital expenditures of $39 million, net purchases of marketable investment securities, including unsettled trades, of $22 million and net purchases of strategic investments of $12 million.

We have investments in various debt and equity instruments including corporate bonds, corporate equity securities, government bonds, and variable rate demand notes (VRDNs). VRDNs are long-term floating rate municipal bonds with embedded put options that allow the bondholder to sell the security at par plus accrued interest. All of the put options are secured by a pledged liquidity source. Our VRDN portfolio is comprised of investments in many municipalities, which are backed by financial institutions or other highly rated companies that serve as the pledged liquidity source. While they are classified as marketable investment securities, the put option allows VRDNs to be liquidated generally on a same day or on a five business day settlement basis. As of March 31, 2011 and December 31, 2010, we held VRDNs, within our current marketable investment securities portfolio, with fair values of $546 million and $396 million, respectively.

The following discussion highlights our cash flow activities during the three months ended March 31, 2011.

Cash Flow

Cash flows from operating activities

For the three months ended March 31, 2011, we reported Net cash flows from operating activities of $93 million. This amount is primarily comprised of net income adjusted to exclude non-cash charges for Depreciation and amortization expense of $74 million and by changes in operating assets and liabilities related to timing differences between book expense and cash payments.

Cash flows from investing activities

For the three months ended March 31, 2011, we reported Net cash outflows from investing activities of $114 million that were primarily related to net purchases of marketable investment securities of $63 million, capital expenditures of $39 million and net purchases of strategic investments of $13 million. The capital expenditures include $16 million of satellite related capital expenditures and $23 million of other corporate capital expenditures.

Cash flows from financing activities

For the three months ended March 31, 2011, we reported Net cash flows from financing activities of $2 million primarily resulting from proceeds received from Class A stock option exercises and stock issued under the Employee Stock Purchase Plan of $14 million, partially offset by the repayment of debt of $13 million.

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

Commitments

Purchase Obligations. Our purchase obligations primarily consist of binding purchase orders for digital set-top boxes and related components, digital broadcast operations and transitional service agreements. Our purchase obligations can fluctuate significantly from period to period due to, among other things, management s control of inventory levels, and can materially impact our future operating asset and liability balances, and our future working capital requirements. Our purchase obligations which are primarily related to the manufacturing of digital set-top boxes and related components increased from $288 million as of December 31, 2010 to $361 million as of March 31, 2011. These purchase obligations will be paid during 2011.

Satellite-Related Obligations

Satellites Under Construction. As of March 31, 2011, we had entered into the following contracts to construct new satellites which are contractually scheduled to be completed within the next two years.

- *QuetzSat-1.* During 2008, we entered into a ten-year satellite service agreement with SES Latin America S.A. (SES) to lease all of the capacity on QuetzSat-1. QuetzSat-1 is expected to be launched during the second half of 2011 and will operate at the 77 degree orbital location. Upon expiration of the initial term, we have the option to renew the transponder service agreement on a year-to-year basis through the end-of-life of the QuetzSat-1 satellite. DISH Network has agreed to lease 24 of the 32 DBS transponders on this satellite from us. The expected future payments related to QuetzSat-1 are $287 million.

- *EchoStar XVI.* During November 2009, we entered into a contract for the construction of EchoStar XVI, a DBS satellite, which is expected to be completed during the second half of 2012 and will operate at the 61.5 degree orbital location. DISH Network has agreed to lease all of the capacity on this satellite from us for a portion of its useful life. The expected future payments related to EchoStar XVI are $137 million, including the launch contract which was previously assigned to CMBStar.

Off-Balance Sheet Arrangements

In general, we do not engage in off-balance sheet financing activities.

Future Capital Requirements

We primarily rely on our existing cash and marketable investment securities balances, as well as cash flow generated through operations to fund our investment needs. Since we currently depend on DISH Network for a substantial portion of our revenue, our cash flow from operations depends heavily on its needs for equipment and services. As a result of DISH Network s previously disclosed higher than normal inventory levels, during the three months ended March 31, 2011, DISH Network purchased fewer digital set-top boxes and related components from us. It is possible that DISH Network will continue to purchase fewer digital set-top boxes and related components from us in 2011 than it purchased during 2010. This decrease could have a material adverse effect on our results of operations. In addition, to the extent that DISH Network s gross subscriber additions decrease or DISH Network experiences a net loss of subscribers, sales of our digital set-top boxes and related components to DISH Network may further decline, which in turn could have a further material adverse effect on our financial position and results of operations. As a result, there can be no assurances that we will always have positive cash flows from operations and should our cash flows turn negative, our existing cash and marketable investment securities balances may be reduced.

TiVo

On April 29, 2011, we and DISH Network entered into a settlement agreement with TiVo Inc. See Note 14 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Satellites

As our satellite fleet ages, we will be required to evaluate replacement alternatives such as acquiring, leasing or constructing additional satellites, with or without customer commitments for capacity.

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

Stock Repurchases

On November 3, 2010, our Board of Directors extended the plan and authorized an increase in the maximum dollar value of shares that may be repurchased under the plan, such that we are currently authorized to repurchase up to $500 million of our outstanding shares of Class A common stock through and including December 31, 2011. As of March 31, 2011, we may repurchase up to $500 million under this plan.

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

Hughes

On February 13, 2011, we and certain of our subsidiaries, including EchoStar Satellite Services L.L.C., (ESS) entered into an agreement and plan of merger (the Hughes Agreement) with Hughes, whereby we will acquire all of the outstanding equity of Hughes and its subsidiaries, including its main operating subsidiary, Hughes Network Systems, LLC (HNS) (the Hughes Merger). Pursuant to the Hughes Agreement, each issued and outstanding share of common stock of Hughes (other than common stock with respect to which appraisal rights have been exercised) will be converted into the right to receive $60.70 in cash. The Hughes Agreement also contemplates the repayment of all of the outstanding debt of Hughes and HNS (including the 9½% Senior Notes due 2014 issued by HNS), except that the $115 million loan facility guaranteed by COFACE, the French Export Credit Agency, will continue to remain outstanding following the Merger if certain consents are obtained. As a result, the Hughes Merger is valued at approximately $2.0 billion**,** including the Hughes debt expected to be refinanced. The Hughes Merger is expected to close later this year, subject to certain closing conditions, including among others, certain government regulatory approvals, including approval by the FCC. The Hughes Agreement contains certain termination rights for both Hughes and us.

In order to finance the Hughes Merger, we and ESS obtained an aggregate financing commitment of $1.0 billion in senior secured bridge financing and $800 million in senior unsecured bridge financing, in each case from Deutsche Bank AG Cayman Islands Branch (collectively, the Bridge Commitment). Deutsche Bank s obligations under the Bridge Commitment are subject to a number of conditions, including that the conditions to closing under the Hughes Agreement have been met (subject to certain exceptions); that we have a minimum amount of cash on hand at the closing; that we have provided certain financial statements and other information relating to us and Hughes in specified time periods; and that our aggregate indebtedness not exceed specified levels. There is no assurance that we will be able to satisfy these conditions. The initial term of the Bridge Commitment is six months. We have the option to extend the term of the Bridge Commitment to nine months so long as we have delivered certain required information, including certain financial statements, and have complied with our obligations to issue debt securities in lieu of borrowing under the Bridge Commitment. Subject to certain exceptions, we do not have the ability to terminate the Hughes Agreement until nine months after the date the Hughes Agreement was executed. Accordingly, there is no assurance that the Bridge Commitment will remain in effect for the duration of our obligations under the Hughes Agreement. We do not have the ability to terminate the Hughes Agreement if we are unable to obtain sufficient funds to satisfy our obligations under the Hughes Agreement. If the funding under the Bridge Commitment were to become unavailable for any reason, there is no assurance that we will be able to obtain sufficient funds to satisfy our obligations under the Hughes Agreement.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks Associated With Financial Instruments

Our investments and debt are exposed to market risks, discussed below.

Cash, Cash Equivalents and Current Marketable Investment Securities

As of March 31, 2011, our cash, cash equivalents and current marketable investment securities had a fair value of $1.140 million. Of that amount, a total of $900 million was invested in: (a) cash; (b) VRDNs convertible into cash at par value plus accrued interest generally in five business days or less; (c) debt instruments of the United States Government and its agencies; (d) commercial paper and corporate notes with an overall average maturity of less than one year and rated in one of the four highest rating categories by at least two nationally recognized statistical rating organizations; and/or (e) instruments with similar risk, duration and credit quality characteristics to the commercial paper and corporate obligations described above. The primary purpose of these investing activities has been to preserve principal until the cash is required to, among other things, fund operations, make strategic investments and expand the business. Consequently, the size of this portfolio fluctuates significantly as cash is

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK - Continued

received and used in our business. The value of this portfolio is negatively impacted by credit losses; however, this risk is mitigated through diversification that limits our exposure to any one issuer.

Interest Rate Risk

A change in interest rates would affect the fair value of our cash, cash equivalents and current marketable investment securities portfolio. Based on our March 31, 2011 current non-strategic investment portfolio of $900 million, a hypothetical 10% increase in average interest rates would result in a decrease of approximately $3 million in fair value of this portfolio. We normally hold these investments to maturity; however, the hypothetical loss in fair value would be realized if we sold the investments prior to maturity.

Our cash, cash equivalents and current marketable investment securities had an average annual rate of return for the three months ended March 31, 2011 of 0.6%. A change in interest rates would affect our future annual interest income from this portfolio, since funds would be re-invested at different rates as the instruments mature. A hypothetical 10% decrease in average interest rates during 2011 would result in a decrease of approximately $1 million in annual interest income.

Strategic Marketable Investment Securities

As of March 31, 2011, we held strategic and financial debt and equity investments of public companies with a fair value of $240 million. These investments, which are held for strategic and financial purposes, are concentrated in a small number of companies, are highly speculative and have experienced and continue to experience volatility. The fair value of our strategic and financial debt and equity investments can be significantly impacted by the risk of adverse changes in securities markets generally, as well as risks related to the performance of the companies whose securities we have invested in, risks associated with specific industries, and other factors. These investments are subject to significant fluctuations in fair value due to the volatility of the securities markets and of the underlying businesses. In general, the debt instruments held in our strategic marketable investment securities portfolio are not significantly impacted by interest rate fluctuations as their value is more closely related to factors specific to the underlying business. A hypothetical 10% adverse change in the price of our public strategic debt and equity investments would result in a decrease of approximately $24 million in the fair value of these investments.

Restricted Cash and Marketable Investment Securities and Noncurrent Marketable and Other Investment Securities

Restricted Cash and Marketable Investment Securities

As of March 31, 2011, we had $17 million of restricted cash and marketable investment securities invested in: (a) cash; (b) VRDNs convertible into cash at par value plus accrued interest generally in five business days or less; (c) debt instruments of the United States Government and its agencies; (d) commercial paper and corporate notes with an overall average maturity of less than one year and rated in one of the four highest rating categories by at least two nationally recognized statistical rating organizations; and/or (e) instruments with similar risk, duration and credit quality characteristics to the commercial paper described above. Based on our March 31, 2011 investment portfolio, a hypothetical 10% increase in average interest rates would not have a material impact in the fair value of our restricted cash and marketable investment securities.

Other Investment Securities

As of March 31, 2011, we had $753 million of public and nonpublic debt and equity instruments that we hold for strategic business purposes and account for under the cost, equity and/or fair value methods of accounting. Of this amount, $633 million relates to our investments in TerreStar Networks and TerreStar Corporation which are accounted for under the fair value method. TerreStar Networks and TerreStar Corporation filed for bankruptcy protection under the U.S. Bankruptcy Code on October 19, 2010 and February 16, 2011, respectively. See Note 4 in the Notes to the Condensed Consolidated Financial Statements for further discussion. A hypothetical 10% adverse change in the price of these debt and equity instruments would result in a decrease of approximately $63 million in

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK - Continued

the fair value of these investments. The remaining amount of our other investment securities portfolio of $120 million is accounted for under the cost and/or equity methods of accounting. A hypothetical 10% adverse change in the price of these debt and equity instruments would result in a decrease of approximately $12 million in the fair value of these investments.

Our ability to realize value from our strategic investments in companies that are not publicly traded depends on the success of those companies businesses and their ability to obtain sufficient capital to execute their business plans. Because private markets are not as liquid as public markets, there is also increased risk that we will not be able to sell these investments, or that when we desire to sell them we will not be able to obtain fair value for them.

Long-Term Debt

As of March 31, 2011, we had $409 million of long-term debt, of which $403 million represented our capital lease obligations, which are not subject to fair value disclosure requirements.

Derivative Financial Instruments

In general, we do not use derivative financial instruments for hedging or speculative purposes, but we may do so in the future.

Item 4. CONTROLS AND PROCEDURES

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

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In connection with the Spin-off, we entered into a separation agreement with DISH Network that provides, among other things, for the division of certain liabilities, including liabilities resulting from litigation. Under the terms of the separation agreement, we have assumed certain liabilities that relate to our business including certain designated liabilities for acts or omissions prior to the Spin-off. Certain specific provisions govern intellectual property related claims under which, generally, we will only be liable for our acts or omissions following the Spin-off and DISH Network will indemnify us for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off as well as DISH Network s acts or omissions following the Spin-off.

Broadcast Innovation, L.L.C.

During 2001, Broadcast Innovation, L.L.C. (Broadcast Innovation) filed a lawsuit against DISH Network, DirecTV, Thomson Consumer Electronics and others in United States District Court in Denver, Colorado. Broadcast Innovation is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. The suit alleges infringement of United States Patent Nos. 6,076,094 (the 094 patent) and 4,992,066 (the 066 patent). The 094 patent relates to certain methods and devices for transmitting and receiving data along with specific formatting information for the data. The 066 patent relates to certain methods

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PART II OTHER INFORMATION - Continued

and devices for providing the scrambling circuitry for a pay television system on removable cards. Subsequently, DirecTV and Thomson settled with Broadcast Innovation leaving DISH Network as the only defendant.

During 2004, the District Court issued an order finding the 066 patent invalid. Also in 2004, the District Court found the 094 patent invalid in a parallel case filed by Broadcast Innovation against Charter and Comcast. In 2005, the United States Court of Appeals for the Federal Circuit overturned that finding of invalidity with respect to the 094 patent and remanded the Charter case back to the District Court. During June 2006, Charter filed a reexamination request with the United States Patent and Trademark Office. The District Court has stayed the Charter case pending reexamination, and our case has been stayed pending resolution of the Charter case.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Joao Control

During December 2010, Joao Control & Monitoring Systems (Joao) filed suit against Sling Media Inc., our indirect wholly owned subsidiary, ACTI Corporation, ADT Security, Alarmclub.Com, American Honda Motor Company, BMW, Byremote, Drivecam, Honeywell, Iveda Corporation, Magtec Products, Mercedes-Benz, On-Net Surveillance, OnStar, SafeFreight Technology, Skyway Security, SmartVue Corporation, Toyota Motor Sales, Tyco, UTC Fire and Xanboo in the United States District Court for the Central District of California alleging infringement of United States Patent Nos. 6,549,130 and 6,587,046. The abstracts of the patents state that the claims are directed to the remote control of devices and appliances. Joao is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Nazomi Communications

On February 10, 2010, Nazomi Communications, Inc. (Nazomi) filed suit against Sling Media, Inc., our indirect wholly owned subsidiary, Nokia Corp, Nokia Inc., Microsoft Corp., Amazon.com Inc., Western Digital Corp., Western Digital Technologies, Inc., Garmin Ltd., Garmin Corp., Garmin International, Inc., Garmin USA, Inc., Vizio Inc. and iOmega Corp in the United States District Court for the Central District of

California alleging infringement of United States Patent No. 7,080,362 (the 362 patent) and United States Patent No. 7,225,436 (the 436 patent). The 362 patent and the 436 patent relate to Java hardware acceleration. The suit alleges that the Slingbox-Pro-HD product infringes the 362 patent and the 436 patent because the Slingbox-PRO HD allegedly incorporates an ARM926EJ-S processor core capable of Java hardware acceleration.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

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PART II OTHER INFORMATION - Continued

NorthPoint Technology

On July 2, 2009, NorthPoint Technology, Ltd filed suit against us, DISH Network, and DirecTV in the United States District Court for the Western District of Texas alleging infringement of United States Patent No. 6,208,636 (the 636 patent). The 636 patent relates to the use of multiple low-noise block converter feedhorns, or LNBFs, which are antennas used for satellite reception. On April 21, 2011, the U.S. Patent and Trademark Office issued an order granting reexamination of the 636 patent.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Personalized Media Communications

During 2008, Personalized Media Communications, Inc. (PMC) filed suit against us, DISH Network and Motorola, Inc. in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent Nos. 4,694,490; 5,109,414; 4,965,825; 5,233,654; 5,335,277; and 5,887,243, which relate to satellite signal processing. PMC is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Suomen Colorize Oy

During October 2010, Suomen Colorize Oy (Suomen) filed suit against us and DISH Network L.L.C., an indirect wholly owned subsidiary of DISH Network, in the United States District Court for the Middle District of Florida alleging infringement of United States Patent No. 7,277,398. Suomen is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. The abstract of the patent states that the claims are directed to a method and terminal for providing services in a telecommunication network.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Technology Development Licensing

On January 22, 2009, Technology Development and Licensing L.L.C. (TDL) filed suit against us and DISH Network in the United States District Court for the Northern District of Illinois alleging infringement of United States Patent No. Re. 35,952, which relates to certain favorite channel features. TDL is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. In July 2009, the Court granted our motion to stay the case pending two reexamination petitions before the Patent and Trademark Office.

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PART II   OTHER INFORMATION - Continued

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain user-friendly features that we currently offer to consumers. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

TiVo

On April 29, 2011, we and DISH Network entered into a settlement agreement with TiVo Inc. See Note 14 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

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PART II OTHER INFORMATION - Continued

Vigilos, LLC

On February 23, 2011, Vigilos, LLC filed suit against us, Sling Media, Inc. and EchoStar Technologies L.L.C., two of our subsidiaries, and Monsoon Multimedia, Inc. in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent No. 6,839,731, which is entitled System and Method for Providing Data Communication in a Device Network.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Other

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

Item 1A. RISK FACTORS

Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2010 includes a detailed discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our Annual Report on Form 10-K for 2010.

Stockholders of Hughes have filed purported class action lawsuits challenging the merger, and are seeking, among other things, injunctive relief to enjoin the consummation of the merger.

Hughes and EchoStar, as well as certain directors and officers of Hughes, were named as defendants in several purported class action lawsuits brought by stockholders of Hughes challenging the proposed merger and seeking, among other things, injunctive relief to enjoin the defendants from completing the merger on the agreed-upon terms. There can be no assurance that additional lawsuits will not be filed against Hughes, EchoStar or the directors and officers of either company in connection with the merger.

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PART II OTHER INFORMATION - Continued

One of the conditions to the closing of the merger is that no temporary restraining order, preliminary or permanent injunction or other judgment, order or decree issued by any court of competent jurisdiction or other legal restraint or prohibition shall be in effect that prohibits or makes illegal the consummation of the merger. Consequently, if the plaintiffs secure injunctive or other relief prohibiting, delaying or otherwise adversely affecting the defendants ability to complete the merger, then such injunctive or other relief may prevent the merger from becoming effective within the expected time frame, or at all.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table provides information regarding repurchases of our Class A common stock from January 1, 2011 through March 31, 2011.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (1)
		(In thousands, except share data)		
January 1 - January 31, 2011		$		$ 500,000
February 1 - February 28, 2011		$		$ 500,000
March 1 - March 31, 2011		$		$ 500,000
Total		$		$ 500,000

(1) Our Board of Directors previously authorized stock repurchases of up to $500 million of our Class A common stock. On November 3, 2010, our Board of Directors extended the plan and authorized an increase in the maximum dollar value of shares that may be repurchased under the plan, such that we are currently authorized to repurchase up to $500 million of our outstanding shares of Class A common stock through and including December 31, 2011. Purchases under our repurchase program may be made through open market purchases, privately negotiated transactions, or Rule 10b5-1 trading plans, subject to market conditions and other factors. We may elect not to purchase the maximum amount of shares allowable under this program and we may also enter into additional share repurchase programs authorized by our Board of Directors.

Item 5. OTHER INFORMATION

On April 29, 2011, we and DISH Network entered into a settlement agreement with TiVo Inc. See Note 14 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

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Item 6. EXHIBITS

(a) Exhibits.

31.1o	Section 302 Certification of Chief Executive Officer.
31.2o	Section 302 Certification of Chief Financial Officer.
32.1o	Section 906 Certification of Chief Executive Officer.
32.2o	Section 906 Certification of Chief Financial Officer.
101*	The following materials from the Quarterly Report on Form 10-Q of EchoStar for the quarter ended March 31, 2011, filed on May 2, 2011, formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Cash Flows and (iv) related notes to these financial statements tagged as blocks of text.

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o Filed herewith.

* In accordance with Rule 402 of Regulation S-T, the information in this Exhibit 101 shall not be deemed filed for the purposes of section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by the specific reference in such filing.

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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 CORPORATION

By: /s/ *Michael T. Dugan*
Michael T. Dugan
President and Chief Executive Officer
(Duly Authorized Officer)

By: /s/ *David J. Rayner*
David J. Rayner
Chief Financial Officer
(Principal Financial Officer)

Date: May 2, 2011