ECHOSTAR COMMUNICATIONS CORP
Form 10-Q
August 09, 2007

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

Form 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007.

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM_____ TO_____.

Commission File Number: 0-26176

EchoStar Communications Corporation
(Exact name of registrant as specified in its charter)

Nevada	**88-0336997**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9601 South Meridian Boulevard **Englewood, Colorado**	**80112**
(Address of principal executive offices)	(Zip code)

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x **Accelerated Filer ¨** **Non-Accelerated Filer ¨**

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

As of July 31, 2007, the registrant's outstanding common stock consisted of 209,040,467 shares of Class A common stock and 238,435,208 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) must remember that our expectations may not be correct, 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:

- we face intense and increasing competition from satellite and cable television providers as well as new competitors, including telephone companies; our competitors are increasingly offering video service bundled with 2-way high-speed Internet access and telephone services that consumers may find attractive and which are likely to further increase competition. We also expect to face increasing competition from content and other providers who distribute video services directly to consumers over the Internet;

- as technology changes, and in order to remain competitive, we will have to upgrade or replace some, or all, subscriber equipment periodically. We will not be able to pass on to our customers the entire cost of these upgrades;

- DISH Network® subscriber growth may decrease, subscriber turnover may increase and subscriber acquisition costs may increase; we may have difficulty controlling other costs of continuing to maintain and grow our subscriber base;

- satellite programming signals are subject to theft; theft of service will continue and could increase in the future, causing us to lose subscribers and revenue, and also resulting in higher costs to us;

- we depend on others to produce programming; programming costs may increase beyond our current expectations; we may be unable to obtain or renew programming agreements on acceptable terms or at all; existing programming agreements could be subject to cancellation; we may be denied access to sports programming; foreign programming is increasingly offered on other platforms; our inability to obtain or renew attractive programming could cause our subscriber additions and related revenue to decline and could cause our subscriber turnover to increase;

- we depend on Federal Communications Commission ("FCC") program access rules (which will expire this year unless extended by the FCC), and the Telecommunications Act of 1996 as Amended to secure nondiscriminatory access to programming produced by others, neither of which assure that we have fair access to all programming that we need to remain competitive;

- our industry is heavily regulated by the FCC. Those regulations could become more burdensome at any time, causing us to expend additional resources on compliance;

- absent reversal of the jury verdict in our Tivo patent infringement case, and if we are unable to successfully implement alternative technology, we will be required to pay substantial damages as well as materially modify or eliminate certain user-friendly digital video recorder features that we currently offer to consumers, and we could be forced to discontinue offering digital video recorders to our customers completely, any of which could have a

significant adverse affect on our business;

- if our EchoStar X satellite experienced a significant failure, we could lose the ability to deliver local network channels in many markets; if our EchoStar VIII satellite experienced a significant failure, we could lose the ability to provide certain programming to the continental United States;

- our satellite launches may be delayed or fail, or our satellites may fail in orbit prior to the end of their scheduled lives causing extended interruptions of some of the channels we offer;

- we currently do not have commercial insurance covering losses incurred from the failure of satellite launches and/or in-orbit satellites we own;

- service interruptions arising from technical anomalies on satellites or on-ground components of our direct broadcast satellite system, or caused by war, terrorist activities or natural disasters, may cause customer cancellations or otherwise harm our business;

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- we are heavily dependent on complex information technologies; weaknesses in our information technology systems could have an adverse impact on our business; we may have difficulty attracting and retaining qualified personnel to maintain our information technology infrastructure;

- we rely on key personnel including Charles W. Ergen, our chairman and chief executive officer, and other executives;

- we may be unable to obtain needed retransmission consents, FCC authorizations or export licenses, and we may lose our current or future authorizations;

- we are party to various lawsuits which, if adversely decided, could have a significant adverse impact on our business;

- we may be unable to obtain patent licenses from holders of intellectual property or redesign our products to avoid patent infringement;

- sales of digital equipment and related services to international direct-to-home service providers may decrease;

- we depend on telecommunications providers, independent retailers and others to solicit orders for DISH Network services. Certain of these resellers account for a significant percentage of our total new subscriber acquisitions. Loss of one or more of these relationships could have an adverse effect on our net new subscriber additions and certain of our other key operating metrics because we may not be able to develop comparable alternative distribution channels;

- we are highly leveraged and subject to numerous constraints on our ability to raise additional debt;

- we may pursue acquisitions, business combinations, strategic partnerships, divestitures and other significant transactions that involve uncertainties; these transactions may require us to raise additional capital, which may not be available on acceptable terms. These transactions, which could become substantial over time, involve a high degree of risk and could expose us to significant financial losses if the underlying ventures are not successful;

- we have entered into certain strategic transactions in Asia, and we may increase our strategic investment activity in these and other international markets. These transactions, which could become substantial over time, involve a high degree of risk and could expose us to significant financial losses if the underlying ventures are not successful;

- weakness in the global or U.S. economy may harm our business generally, and adverse political or economic developments, including increased mortgage defaults as a result of subprime lending practices, may impact some of our markets;

- terrorist attacks, the possibility of war or other hostilities, natural and man-made disasters, and changes in political and economic conditions as a result of these events may continue to affect the U.S. and the global economy and may increase other risks;

- we periodically evaluate and test our internal control over financial reporting in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act. Although our management concluded that our internal control over financial reporting was effective as of December 31, 2006, and while no change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, if in the future we are unable to report that our internal control over financial reporting is effective (or if our auditors do not agree with our assessment of the

effectiveness of, or are unable to express an opinion on, our internal control over financial reporting), we could lose investor confidence in our financial reports, which could have a material adverse effect on our stock price and our business; and

- we may face other risks described from time to time in periodic and current reports we file with the Securities and Exchange Commission ("SEC").

All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. In this connection, investors should consider the risks described herein and should not place undue reliance on any forward-looking statements.

We assume no responsibility for updating forward-looking information contained or incorporated by reference herein or in other reports we file with the SEC.

In this report, the words "EchoStar," the "Company," "we," "our" and "us" refer to EchoStar Communications Corporation a its subsidiaries, unless the context otherwise requires. "EDBS" refers to EchoStar DBS Corporation and its subsidiaries.

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Item 1. FINANCIAL STATEMENTS

ECHOSTAR COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share amounts)

	As of June 30, 2007 (Unaudited)	As of December 31, 2006
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,076,876	$ 1,923,105
Marketable investment securities	1,322,682	1,109,465
Trade accounts receivable, net of allowance for uncollectible accounts of $17,654 and $15,006, respectively	706,962	665,149
Inventories, net	289,345	237,507
Current deferred tax assets	387,859	548,766
Other current assets	160,183	115,549
Total current assets	3,943,907	4,599,541
Restricted cash and marketable investment securities	172,114	172,941
Property and equipment, net of accumulated depreciation of $3,279,275 and $2,872,015, respectively	4,017,089	3,765,596
FCC authorizations	748,101	748,101
Intangible assets, net	176,175	197,863
Other noncurrent assets, net	336,999	284,654
Total assets	$ 9,394,385	$ 9,768,696
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities:		
Trade accounts payable	$ 274,141	$ 283,471
Deferred revenue and other	837,080	819,899
Accrued programming	958,951	913,687
Other accrued expenses	481,457	535,953
Current portion of capital lease obligations, mortgages and other notes payable	47,210	38,464
5 3/4% Convertible Subordinated Notes due 2008 (Note 8)	-	1,000,000
Total current liabilities	2,598,839	3,591,474
Long-term obligations, net of current portion:		
3% Convertible Subordinated Note due 2010	500,000	500,000
5 3/4% Senior Notes due 2008	1,000,000	1,000,000
6 3/8% Senior Notes due 2011	1,000,000	1,000,000
3% Convertible Subordinated Note due 2011	25,000	25,000
6 5/8% Senior Notes due 2014	1,000,000	1,000,000
7 1/8% Senior Notes due 2016	1,500,000	1,500,000
7% Senior Notes due 2013	500,000	500,000
Capital lease obligations, mortgages and other notes payable, net of current portion	573,085	403,857
Deferred tax liabilities	217,382	192,617
	253,669	275,131

Long-term deferred revenue, distribution and carriage payments and other long-term liabilities		
Total long-term obligations, net of current portion	6,569,136	6,396,605
Total liabilities	9,167,975	9,988,079
Commitments and Contingencies (Note 10)		
Stockholders' Equity (Deficit):		
Class A common stock, $01 par value, 1,600,000,000 shares authorized, 254,045,533and 252,481,907 shares issued, 209,032,733 and 207,469,107 shares outstanding, respectively	2,540	2,525
Class B common stock, $01 par value, 800,000,000 shares authorized,238,435,208 shares issued and outstanding	2,384	2,384
Class C common stock, $01 par value, 800,000,000 shares authorized, none issued and outstanding	-	-
Additional paid-in capital	1,986,599	1,927,897
Accumulated other comprehensive income (loss)	55,111	49,874
Accumulated earnings (deficit)	(459,171)	(841,010)
Treasury stock, at cost	(1,361,053)	(1,361,053)
Total stockholders' equity (deficit)	226,410	(219,383)
Total liabilities and stockholders' equity (deficit)	$ 9,394,385	$ 9,768,696

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
Revenue:				
Subscriber-related revenue	$ 2,676,230	$ 2,332,227	$ 5,228,293	$ 4,527,337
Equipment sales	77,348	114,742	153,615	199,471
Other	6,430	19,186	23,085	38,738
Total revenue	2,760,008	2,466,155	5,404,993	4,765,546
Costs and Expenses:				
Subscriber-related expenses (exclusive of depreciation shown below - Note 11)	1,354,265	1,190,313	2,682,886	2,297,640
Satellite and transmission expenses (exclusive of depreciation shown below - Note 11)	40,759	33,623	75,678	72,365
Cost of sales - equipment	59,418	84,456	119,764	153,253
Cost of sales - other	657	1,931	3,067	3,295
Subscriber acquisition costs:				
Cost of sales - subscriber promotion subsidies (exclusive of depreciation shown below - Note 11)	35,555	46,100	63,529	79,138
Other subscriber promotion subsidies	294,232	273,691	616,964	552,191
Subscriber acquisition advertising	46,621	53,448	97,000	100,865
Total subscriber acquisition costs	376,408	373,239	777,493	732,194
General and administrative	142,915	143,818	300,202	273,265
Litigation expense (Note 10)	-	14,243	-	88,235
Depreciation and amortization (Note 11)	343,932	274,891	664,051	521,462
Total costs and expenses	2,318,354	2,116,514	4,623,141	4,141,709
Operating income (loss)	441,654	349,641	781,852	623,837
Other Income (Expense):				
Interest income	28,411	31,501	61,843	53,470
Interest expense, net of amounts capitalized	(96,662)	(111,960)	(216,162)	(241,567)
Other	(16,139)	(11,256)	(17,975)	53,004
Total other income (expense)	(84,390)	(91,715)	(172,294)	(135,093)
Income (loss) before income taxes	357,264	257,926	609,558	488,744
Income tax (provision) benefit, net	(133,065)	(89,147)	(228,219)	(172,684)
Net income (loss)	$ 224,199	$ 168,779	$ 381,339	$ 316,060
Denominator for basic and diluted net income (loss) per share:				
Denominator for basic net income (loss) per share -weighted-average common shares outstanding	447,217	444,597	446,750	444,263

Denominator for diluted net income (loss) per share -weighted-average common shares outstanding	456,282	453,126	455,815	452,733
Net income (loss) per share:				
Basic net income (loss)	$ 0.50	$ 0.38	$ 0.85	$ 0.71
Diluted net income (loss)	$ 0.50	$ 0.38	$ 0.85	$ 0.71

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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

	For the Six Months Ended June 30,	
	2007	**2006**
Cash Flows From Operating Activities:		
Net income (loss)	$ 381,339	$ 316,060
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	664,051	521,462
Equity in losses (earnings) of affiliates	2,649	1,937
Realized and unrealized losses (gains) on investments	12,901	(61,713)
Non-cash, stock-based compensation recognized	11,258	7,766
Deferred tax expense (benefit)	183,887	148,044
Other, net	5,200	5,177
Change in noncurrent assets	4,684	5,188
Change in long-term deferred revenue, distribution and carriage payments and other long-term liabilities	(21,462)	43,676
Changes in current assets and current liabilities, net	(55,041)	161,638
Net cash flows from operating activities	1,189,466	1,149,235
Cash Flows From Investing Activities:		
Purchases of marketable investment securities	(1,753,924)	(880,993)
Sales and maturities of marketable investment securities	1,554,864	620,706
Purchases of property and equipment	(740,095)	(611,716)
Change in restricted cash and marketable investment securities	2,271	(37,901)
FCC authorizations (Note 7)	(57,463)	-
Purchase of non-marketable investments included in noncurrent assets and other	(51,906)	(17,013)
Other	198	2,298
Net cash flows from investing activities	(1,046,055)	(924,619)
Cash Flows From Financing Activities:		
Redemption of 9 1/8% Senior Notes due 2009	-	(441,964)
Redemption of 5 3/4% Convertible Subordinated Notes due 2008	(999,985)	-
Proceeds from issuance of 7 1/8% Senior Notes due 2016	-	1,500,000
Deferred debt issuance costs	-	(7,500)
Class A common stock repurchases	-	(11,677)
Repayment of capital lease obligations, mortgages and other notes payable	(20,245)	(21,950)
Net proceeds from Class A common stock options exercised and Class A common stock issued under the Employee Stock Purchase Plan	26,570	4,695
Tax benefits recognized on stock option exercises	4,020	1,694
Net cash flows from financing activities	(989,640)	1,023,298
Net increase (decrease) in cash and cash equivalents	(846,229)	1,247,914
Cash and cash equivalents, beginning of period	1,923,105	615,669
Cash and cash equivalents, end of period	$ 1,076,876	$ 1,863,583

Supplemental Disclosure of Cash Flow Information:				
Cash paid for interest	$	206,299	$	193,122
Capitalized interest	$	6,967	$	4,321
Cash received for interest	$	49,932	$	30,572
Cash paid for income taxes	$	49,753	$	14,463
Employee benefits paid in Class A common stock	$	17,674	$	22,026
Satellite and other vendor financing	$	-	$	15,000
Satellite financed under capital lease obligations (Note 8)	$	198,219	$	-

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Business Activities

Principal Business

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

- *The DISH Networ*k – which provides a direct broadcast satellite ("DBS") subscription television service in the United States; and

- *EchoStar Technologies Corporation* ("ETC") – which designs and develops DBS receivers, antennae and other digital equipment for the DISH Network. We refer to this equipment collectively as "EchoStar receiver systems." ETC also designs, develops and distributes similar equipment for international satellite service providers and others.

We have deployed substantial resources to develop the "EchoStar DBS System." The EchoStar DBS System consists of our Federal Communications Commission ("FCC") authorized DBS and Fixed Satellite Service ("FSS") spectrum, our owned and leased satellites, EchoStar receiver systems, digital broadcast operations centers, customer service facilities, in-home service and call center operations and certain other assets utilized in our operations. Our principal business strategy is to continue developing our subscription television service in the United States to provide consumers with a fully competitive alternative to others in the multi-channel video programming distribution ("MVPD") industry.

2. 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. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Certain prior year amounts have been reclassified to conform to the current year presentation. Operating results for the six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. For further information, refer to the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K/A for the year ended December 31, 2006 ("2006 10-K/A").

Principles of Consolidation

We consolidate all majority owned subsidiaries and investments in entities in which we have controlling influence. Non-majority owned investments are accounted for using the equity method when we have the ability to significantly influence the operating decisions of the issuer. When we do not have the ability to significantly influence the operating decisions of an issuer, the cost method is used. For entities that are considered variable interest entities, we apply the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. (FIN) 46-R, "Consolidation of Variable Interest Entities – An Interpretation of ARB No. 51" ("FIN 46-R"). All significant intercompany accounts and transactions have been eliminated in consolidation.

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ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

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 revenues and expenses for each reporting period. Estimates are used in accounting for, among other things, allowances for uncollectible accounts, inventory allowances, self insurance obligations, deferred taxes and related valuation allowances, uncertain tax positions, loss contingencies, fair values 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, retailer commissions, programming expenses, subscriber lives, royalty obligations and smart card replacement obligations. 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 beginning in the period they occur.

Comprehensive Income (Loss)

The components of comprehensive income (loss) are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands)			
Net income (loss)	$ 224,199	$ 168,779	$ 381,339	$ 316,060
Foreign currency translation adjustments	2,012	3,044	2,616	3,434
Unrealized holding gains (losses) on available-for-sale securities	470	750	6,081	22,531
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	2,055	(135)	(1,995)	(135)
Deferred income tax (expense) benefit attributable to unrealized holding gains (losses) on available-for-sale securities	(673)	(57)	(1,465)	(8,218)
Comprehensive income (loss)	$ 228,063	$ 172,381	$ 386,576	$ 333,672

“Accumulated other comprehensive income (loss)” presented on the accompanying Condensed Consolidated Balance Sheets consists of the accumulated net unrealized gains (losses) on available-for-sale securities and foreign currency translation adjustments, net of deferred taxes.

Basic and Diluted Income (Loss) Per Share

Statement of Financial Accounting Standards No. 128, “Earnings Per Share” (“SFAS 128”) requires entities to present both basic earnings per share (“EPS”) and diluted EPS. Basic EPS excludes dilution and is computed by dividing net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock options were exercised and convertible securities were converted to common stock.

The potential dilution from our subordinated notes convertible into common stock was computed using the "if converted method." The potential dilution from stock options exercisable into common stock was computed using the treasury stock method based on the average market value of our Class A common stock. The following table reflects the basic and diluted weighted-average shares outstanding used to calculate basic and diluted earnings per share. Earnings per share amounts for all periods are presented below in accordance with the requirements of SFAS 128.

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ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands)			
Numerator:				
Numerator for basic net income (loss) per share - Net income (loss)	$ 224,199	$ 168,779	$ 381,339	$ 316,060
Interest on subordinated notes convertible into common shares, net of related tax effect	2,460	2,505	4,920	5,010
Numerator for diluted net income (loss) per common share	$ 226,659	$ 171,284	$ 386,259	$ 321,070
Denominator:				
Denominator for basic net income (loss) per common share – weighted-average common shares outstanding	447,217	444,597	446,750	444,263
Dilutive impact of options outstanding	1,800	1,264	1,800	1,205
Dilutive impact of subordinated notes convertible into common shares	7,265	7,265	7,265	7,265
Denominator for diluted net income (loss) per share – weighted-average diluted common shares outstanding	456,282	453,126	455,815	452,733
Net income (loss) per share:				
Basic net income (loss)	$ 0.50	$ 0.38	$ 0.85	$ 0.71
Diluted net income (loss)	$ 0.50	$ 0.38	$ 0.85	$ 0.71
Shares of Class A common stock issuable upon conversion of:				
5 3/4% Convertible Subordinated Notes due 2008	-	23,100	-	23,100
3% Convertible Subordinated Note due 2010	6,866	6,866	6,866	6,866
3% Convertible Subordinated Note due 2011	399	399	399	399

As of June 30, 2007 and 2006, there were options to purchase 1.4 million and 9.1 million shares of Class A common stock outstanding, respectively, not included in the above denominator as their effect is antidilutive.

Vesting of options and rights to acquire shares of our Class A common stock granted pursuant to our long-term incentive plans is contingent upon meeting certain long-term goals which have not yet been achieved. As a consequence, the following are not included in the diluted EPS calculation:

	As of June 30,	
	2007	2006
	(In thousands)	
Performance based options	10,312	10,900
Restricted performance units	685	615
Total	10,997	11,515

New Accounting Pronouncements

Accounting for Uncertainty in Income Taxes

We adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109" ("FIN 48"), on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

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ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

In addition to filing federal income tax returns, we and one or more of our subsidiaries file income tax returns in all states that impose an income tax and a small number of foreign jurisdictions where we have immaterial operations. We are subject to U.S. federal, state and local income tax examinations by tax authorities for the years beginning in 1996 due to the carryover of previously incurred net operating losses. As of June 30, 2007, no taxing authority has proposed any significant adjustments to our tax positions. We have no significant current tax examinations in process.

As a result of the implementation of FIN 48, we recognized a less than $1 million credit to "Accumulated earnings (deficit)." We have $55 million in unrecognized tax benefits that, if recognized, would affect the effective tax rate. We do not expect that the unrecognized tax benefit will change significantly within the next 12 months.

Accrued interest on tax positions are recorded as a component of interest expense and penalties in other income (expense). During the six months ended June 30, 2007, we recorded approximately $1 million in interest and penalty expense to earnings. Accrued interest and penalties was $2 million at June 30, 2007.

The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), which permits entities to choose to measure financial instruments and certain other items at fair value. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. We are currently evaluating the impact the adoption of SFAS 159 will have on our financial position and results of operations.

3. Stock-Based Compensation

Stock Incentive Plans

We maintain stock incentive plans to attract and retain officers, directors and key employees. Awards under these plans include both performance and non-performance based equity incentives. As of June 30, 2007, we had options to acquire 21.7 million shares of our Class A common stock and 795,494 restricted stock awards outstanding under these plans. In general, stock options granted through June 30, 2007 have included exercise prices not less than the market value of our Class A common stock at the date of grant and a maximum term of ten years. While historically our Board of Directors has issued options that vest at the rate of 20% per year, some option grants have immediately vested. As of June 30, 2007, we had 65.8 million shares of our Class A common stock authorized for future grant under our stock incentive plans.

Our stock option activity (including performance and non-performance based options) for the six months ended June 30, 2007 was as follows:

	For the Six Months Ended June 30, 2007	
	Options	Weighted-Average Exercise Price
Options outstanding, beginning of period	22,741,833	$ 25.67
Granted	1,184,250	43.42

Exercised	(1,040,338)	24.19
Forfeited and cancelled	(1,138,300)	16.74
Options outstanding, end of period	21,747,445	27.17
Exercisable at end of period	6,600,245	32.41

We realized $9 million and $2 million of tax benefits from share options exercised during the six months ended June 30, 2007 and 2006, respectively. Based on the average market value of our Class A common stock for the six months ended June 30, 2007, the aggregate intrinsic value for the options outstanding was $388 million. Of that amount, options with an aggregate intrinsic value of $87 million were exercisable at the end of the period.

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As of June 30, 2007, the grant date fair value of restricted stock awards (performance and non-performance based) outstanding was as follows:

	For the Six Months Ended June 30, 2007	
	Restricted Stock Awards *	Weighted-Average Grant Date Fair Value
Restricted stock awards outstanding, beginning of period	855,298	$ 30.88
Granted	39,580	43.43
Exercised	(20,000)	30.16
Forfeited and cancelled	(79,384)	31.15
Restricted stock awards outstanding, end of period	795,494	31.49

* As of June 30, 2007, the restricted stock awards included 685,494 restricted performance units outstanding pursuant to our 2005 long-term, performance-based stock incentive plan (the "2005 LTIP"). Vesting of these restricted performance units is contingent upon meeting a long-term goal which management has determined is not probable as of June 30, 2007.

Long-Term Performance-Based Plans

In February 1999, we adopted a long-term, performance-based stock incentive plan (the "1999 LTIP") within the terms of our 1995 Stock Incentive Plan. The 1999 LTIP provided stock options to key employees which vest over five years at the rate of 20% per year. Exercise of the options is also contingent on the Company achieving an industry-related subscriber goal prior to December 31, 2008.

In January 2005, we adopted the 2005 LTIP within the terms of our 1999 Stock Incentive Plan. The 2005 LTIP provides stock options and restricted performance 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 options is also contingent on achieving a Company specific subscriber goal within the ten-year term of each award issued under the 2005 LTIP.

Contingent compensation related to the 1999 LTIP and the 2005 LTIP will not be recorded in our financial statements unless and until management concludes achievement of the corresponding goal is probable. Given the competitive nature of our business, small variations in subscriber churn, gross subscriber addition rates and certain other factors can significantly impact subscriber growth. Consequently, while we did not believe achievement of either of the goals was probable as of June 30, 2007, that assessment could change with respect to either goal at any time. In accordance with Statement of Financial Accounting Standards No. 123R (As Amended), "Share-Based Payment" ("SFAS 123R"), if all of the awards under each plan were vested and each goal had been met, we would have recorded total non-cash, stock-based compensation expense of $42 million and $93 million under the 1999 LTIP and the 2005 LTIP, respectively. If the goals are met and there are unvested options at that time, the vested amounts would be expensed immediately in our Condensed Consolidated Statements of Operations, with the unvested portion recognized ratably over the remaining vesting period. As of June 30, 2007, if we had determined each goal was probable, we would have

expensed $39 million for the 1999 LTIP and $16 million for the 2005 LTIP.

Of the 21.7 million options outstanding under our stock incentive plans as of June 30, 2007, options to purchase 5.4 million shares and 4.9 million shares were outstanding pursuant to the 1999 LTIP and the 2005 LTIP, respectively. These options were granted with exercise prices at least equal to the market value of the underlying shares on the dates they were issued. The weighted-average exercise price of these options is $10.62 under our 1999 LTIP and $30.25 under our 2005 LTIP. The fair value of options granted during the six months ended June 30, 2007 pursuant to the 2005 LTIP, estimated at the date of the grant using a Black-Scholes option pricing model, was $19.78 per option share. Further, pursuant to the 2005 LTIP, there were also 685,494 outstanding restricted performance units as of June 30, 2007 with a weighted-average grant date fair value of $31.49.

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Stock-Based Compensation

Total non-cash, stock-based compensation expense, net of related tax effect, is shown in the following table for the three and six months June 30, 2007 and 2006, and was allocated to the same expense categories as the base compensation for key employees who participate in our stock option plans:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands)			
Subscriber-related expenses	$ 130	$ 151	$ 306	$ 260
Satellite and transmission expenses	93	87	220	153
General and administrative	3,354	2,629	6,509	4,528
Total non-cash, stock based compensation	$ 3,577	$ 2,867	$ 7,035	$ 4,941

As of June 30, 2007, our total unrecognized compensation cost related to our non-performance based unvested stock options was $53 million. This cost is based on an assumed future forfeiture rate of approximately 6.5% per year and will be recognized over a weighted-average period of approximately three years. Share-based compensation expense is recognized based on awards ultimately expected to vest and is reduced for estimated forfeitures. SFAS 123R requires forfeitures to be 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.

The fair value of each option grant for the three and six months ended June 30, 2007 and 2006 was estimated at the date of the grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
Risk-free interest rate	4.98%	5.18%	4.55%	4.93%
Volatility factor	20.15%	24.71%	20.37%	25.05%
Expected term of options in years	5.5	5.7	5.9	6.2
Weighted-average fair value of options granted	$ 13.29	$ 10.70	$ 13.63	$ 10.95

We do not currently plan to pay dividends on our common stock, and therefore the dividend yield percentage is set at zero for all periods. We will continue to evaluate the assumptions used to derive the estimated fair value of options for our stock as new events or changes in circumstances become known.

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4. Inventories

Inventories consist of the following:

	As of	
	June 30, 2007	December 31, 2006
	(In thousands)	
Finished goods - DBS	$ 141,633	$ 132,604
Raw materials	102,158	50,039
Work-in-process - service repair and refurbishment	45,948	51,870
Work-in-process - new	12,711	14,203
Consignment	4,452	1,669
Inventory allowance	(17,557)	(12,878)
Inventories, net	$ 289,345	$ 237,507

5. Investment Securities

Marketable Investment Securities

We currently classify all marketable investment securities as available-for-sale. We adjust the carrying value of our available-for-sale securities to fair value and report the related temporary unrealized gains and losses as a separate component of "Accumulated other comprehensive income (loss)" within "Total stockholders' equity (deficit)," net of related deferred income tax. Declines in the fair value of a marketable investment security which are estimated to be "other than temporary" are recognized in the Condensed Consolidated Statements of Operations, thus establishing a new cost basis for such investment. We evaluate our marketable investment securities portfolio on a quarterly basis to determine whether declines in the fair value of these securities are other than temporary. This quarterly evaluation consists of reviewing, among other things, the fair value of our marketable investment securities compared to the carrying amount, the historical volatility of the price of each security and any market and company specific factors related to each security. Generally, absent specific factors to the contrary, declines in the fair value of investments below cost basis for a continuous period of less than six months are considered to be temporary. Declines in the fair value of investments for a continuous period of six to nine months are evaluated on a case by case basis to determine whether any company or market-specific factors exist which would indicate that such declines are other than temporary. Declines in the fair value of investments below cost basis for a continuous period greater than nine months are considered other than temporary and are recorded as charges to earnings, absent specific factors to the contrary.

As of June 30, 2007 and December 31, 2006, we had unrealized gains net of related tax effect of $44 million and $42 million, respectively, as a part of "Accumulated other comprehensive income (loss)" within "Total stockholders' equity (deficit)." During the six months ended June 30, 2007 and 2006, we did not record any charge to earnings for other than temporary declines in the fair value of our marketable investment securities. In addition, during the six months ended June 30, 2007 and 2006, we recognized in our Condensed Consolidated Statements of Operations realized and unrealized net gains on marketable investment securities of $10 million and $80 million, respectively.

The fair value of our strategic marketable investment securities aggregated $323 million and $321 million as of June 30, 2007 and December 31, 2006, respectively. During the six months ended June 30, 2007, our strategic investments have experienced and continue to experience volatility. If the fair value of our strategic marketable investment securities portfolio does not remain above cost basis or if we become aware of any market or company specific factors that indicate that the carrying value of certain of our securities is impaired, we may be required to record charges to earnings in future periods equal to the amount of the decline in fair value.

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Other Investment Securities

We also have several strategic investments in certain non-marketable equity securities which are included in "Other noncurrent assets, net" on our Condensed Consolidated Balance Sheets. Generally, we account for our unconsolidated equity investments under either the equity method or cost method of accounting. Because these equity securities are generally not publicly traded, it is not practical to regularly estimate the fair value of the investments; however, these investments are 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. Such factors may include, but are not limited to, cash flow concerns, material litigation, violations of debt covenants and changes in business strategy. The fair value of these equity investments is not estimated unless there are identified changes in circumstances that may indicate an impairment exists and these changes are likely to have a significant adverse effect on the fair value of the investment. As of June 30, 2007 and December 31, 2006, we had $226 million and $189 million aggregate carrying amount of non-marketable and unconsolidated strategic equity investments, respectively, of which $116 million and $98 million is accounted for under the cost method, respectively. This total also includes the common share component of our strategic investment in a foreign public company, discussed below, which is accounted for under the equity method. During the six months ended June 30, 2007 and 2006, we did not record any charge to earnings for other than temporary declines in the fair value of our non-marketable equity investment securities, other than discussed below.

We also have a strategic investment in non-public preferred stock, public common stock and convertible debt of a foreign public company which is included in "Other noncurrent assets, net" on our Condensed Consolidated Balance Sheets. The debt is convertible into the issuer's publicly traded common shares. We account for the convertible debt at fair value with changes in fair value reported each period as unrealized gains or losses in "Other" income or expense in our Condensed Consolidated Statements of Operations. We estimate the fair value of the convertible debt using certain assumptions and judgments in applying a discounted cash flow analysis and the Black-Scholes option pricing model including the fair market value of the underlying common stock price as of that date. As of June 30, 2007 and December 31, 2006, the fair value of the convertible debt was $20 million and $23 million, respectively, based on the trading price of the issuer's shares on that date. Additionally, during the six months ended June 30, 2007 and 2006, we recognized a pre-tax unrealized loss of $2 million and $18 million for the change in the fair value of the convertible debt, respectively. During the second quarter of 2006, we converted a portion of the convertible debt to public common shares and determined that we have the ability to significantly influence the operating decisions of the issuer. Consequently, we account for the common share component of our investment under the equity method of accounting. As a result of our change to equity method accounting, we evaluate the common share component of this investment on a quarterly basis to determine whether there has been a decline in the value that is other than temporary. Because the shares are publicly traded, this quarterly evaluation considers the fair market value of the common shares in addition to the other factors described above for equity method investments. During the six months ended June 30 2007, in accordance with our impairment policy, we recorded a $20 million charge to earnings for an "other than temporary" decline in the fair value of this investment and established a new cost basis for this security. The "Cumulative translation adjustment" associated with this investment as of the date of the impairment will remain in "Accumulated other comprehensive income (loss)" within "Total stockholders' equity (deficit)" on our Condensed Consolidated Balance Sheets until the investment is sold or otherwise liquidated; at which time, it will be released into our Condensed Statement of Operations.

Our ability to realize value from our strategic investments in companies that are not publicly traded is dependent on the success of their business 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.

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Restricted Cash and Marketable Investment Securities

As of June 30, 2007 and December 31, 2006, restricted cash and marketable investment securities included amounts set aside for our letters of credit and $101 million in escrow related to our litigation with Tivo. As of December 31, 2006, restricted cash and marketable investment securities also included amounts set aside as collateral for investments in marketable securities.

6. Satellites

We presently utilize 15 satellites in geostationary orbit approximately 22,300 miles above the equator. Of these 15 satellites, 11 are owned and four are leased. Each of the owned satellites had an original minimum useful life of at least 12 years. Three of the leased satellites are accounted for as capital leases pursuant to Statement of Financial Accounting Standards No. 13, "Accounting for Leases" ("SFAS 13") and are depreciated over the terms of the satellite service agreements. Our satellite fleet is a major component of our EchoStar DBS System. While we believe that overall our satellite fleet is generally in good condition, during 2007 and prior periods, certain satellites in our fleet have experienced anomalies, some of which have had a significant adverse impact on their commercial operation. We currently do not carry insurance for any of our owned in-orbit satellites. We believe we generally have in-orbit satellite capacity sufficient to recover, in a relatively short time frame, transmission of most of our critical programming in the event one of our in-orbit satellites were to fail. We could not, however, recover certain local markets, international and other niche programming in the event of such failure, with the extent of disruption dependent on the specific satellite experiencing the failure. Further, programming continuity cannot be assured in the event of multiple satellite losses.

Recent developments with respect to certain of our satellites are discussed below.

EchoStar II

EchoStar II was launched during September 1996 and currently operates at the 148 degree orbital location. The satellite can operate up to 16 transponders at 130 watts per channel. During February 2007, the satellite experienced an anomaly which prevented its north solar array from rotating. Functionality was restored through a backup system. The design life of the satellite has not been affected and the anomaly is not expected to result in the loss of power to the satellite. However, if the backup system fails, a partial loss of power would result which could impact the useful life or commercial operation of the satellite. See discussion of evaluation of impairment in "*Long-Lived Satellite Assets*" below.

EchoStar V

EchoStar V was launched during September 1999 and currently operates at the 129 degree orbital location. The satellite was originally designed with a minimum 12-year design life. Momentum wheel failures in prior years, together with relocation of the satellite between orbital locations, resulted in increased fuel consumption, as previously disclosed. These issues have not impacted commercial operation of the satellite, but have reduced the remaining spacecraft life to less than two years as of June 30, 2007. Prior to 2007, EchoStar V also experienced anomalies resulting in the loss of seven solar array strings. In June 2007, the satellite lost an additional solar array string. The solar array anomalies have not impacted commercial operation of the satellite to date. Since the satellite only has a remaining life of less than two years, the solar array failures (which would normally have resulted in a reduction in the

number of transponders to which power can be provided in later years), are not expected to reduce the current remaining life of the satellite. However, there can be no assurance that future anomalies will not cause further losses which could impact commercial operation, or the remaining life, of the satellite. See discussion of evaluation of impairment in "*Long-Lived Satellite Assets*" below.

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Long-Lived Satellite Assets

We account for impairments of long-lived satellite assets in accordance with the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 requires a long-lived asset or asset group to be tested for recoverability whenever events or changes in circumstance indicate that its carrying amount may not be recoverable. Based on the guidance under SFAS 144, we evaluate our satellite fleet for recoverability as one asset group. While certain of the anomalies discussed above, and previously disclosed, may be considered to represent a significant adverse change in the physical condition of an individual satellite, based on the redundancy designed within each satellite and considering the asset grouping, these anomalies (none of which caused a loss of service to subscribers for an extended period) are not considered to be significant events that would require evaluation for impairment recognition pursuant to the guidance under SFAS 144. Unless and until a specific satellite is abandoned or otherwise determined to have no service potential, the net carrying amount related to the satellite would not be written off.

7. FCC Authorizations and Intangible Assets

During the six months ended June 30, 2007, we participated in an FCC Auction for licenses in the 1.4 GHz band and were the winning bidder for several licenses totaling $57 million. As of June 30, 2007, this amount was recorded as a deposit in "Other current assets" on our Condensed Consolidated Balance Sheets. This amount will be reclassified to "FCC authorizations" upon formal transfer of the licenses, which is subject to regulatory approval.

As of June 30, 2007 and December 31, 2006, our identifiable intangibles subject to amortization consisted of the following:

	As of			
	June 30, 2007		December 31, 2006	
	Intangible Assets	Accumulated Amortization	Intangible Assets	Accumulated Amortization
	(In thousands)			
Contract-based	$ 188,346	$ (52,721)	$ 189,426	$ (45,924)
Customer relationships	73,298	(59,305)	73,298	(50,142)
Technology-based	33,500	(6,943)	33,500	(5,655)
Total	$ 295,144	$ (118,969)	$ 296,224	$ (101,721)

Amortization of these intangible assets, recorded on a straight line basis over an average finite useful life primarily ranging from approximately four to 20 years, was $9 million for each of the three months ended June 30, 2007 and 2006. Amortization was $18 million for each of the six months ended June 30, 2007 and 2006.

Estimated future amortization of our identifiable intangible assets as of June 30, 2007 is as follows (in thousands):

For the Years Ending December 31,	
2007 (remaining six months)	$ 18,203
2008	22,912
2009	18,081
2010	18,081

2011		18,081
2012		18,079
Thereafter		62,738
Total	$	176,175

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8. Long-Term Debt

5 3/4% Convertible Subordinated Notes due 2008

Effective February 15, 2007, we redeemed all of our outstanding 5 3/4% Convertible Subordinated Notes due 2008. In accordance with the terms of the indenture governing the notes, the $1.0 billion principal amount of the notes was redeemed at 101.643%, for a total of $1.016 billion. The premium paid of $16 million, along with unamortized debt issuance costs of $4 million, were recorded as charges to earnings during the first quarter of 2007.

Capital Lease Obligations

On April 11, 2007, Anik F3, a Telesat FSS satellite, was successfully launched and has commenced commercial operations at the 118.7 degree orbital location. We have leased all of the Ku band capacity on the satellite for a period of 15 years beginning in April 2007. In accordance with SFAS 13, we have accounted for this agreement as a capital lease asset by recording $223 million as the estimated fair value of the satellite and recording a capital lease obligation in the amount of $198 million.

As of June 30, 2007 and December 31, 2006, we had $775 million and $552 million capitalized for the estimated fair value of satellites acquired under capital leases included in “Property and equipment, net,” with related accumulated depreciation of $140 million and $108 million, respectively. In our Condensed Consolidated Statements of Operations, we recognized $30 million and $28 million in depreciation expense on satellites acquired under capital lease agreements during the six months ended June 30, 2007 and 2006, respectively.

Future minimum lease payments under these capital lease obligations, together with the present value of the net minimum lease payments as of June 30, 2007 are as follows (in thousands):

For the Years Ending December 31,	
2007 (remaining six months)	$ 71,175
2008	134,351
2009	134,351
2010	134,351
2011	134,351
Thereafter	746,374
Total minimum lease payments	1,354,953
Less: Amount representing lease of the orbital location and estimated executory costs (primarily insurance and maintenance) including profit thereon, included in total minimum lease payments	(497,408)
Net minimum lease payments	857,545
Less: Amount representing interest	(272,497)
Present value of net minimum lease payments	585,048
Less: Current portion	(44,149)
Long-term portion of capital lease obligations	$ 540,899

9. Stockholders’ Equity (Deficit)

Common Stock Repurchases

During 2004, our Board of Directors authorized the repurchase of an aggregate of up to an additional $1.0 billion of our Class A common stock. We did not repurchase any of our Class A common stock pursuant to our repurchase program discussed above during the period from January 1, 2007 through June 30, 2007. The maximum dollar value of shares that may still be purchased under the plan through December 31, 2007 is $626 million.

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10. Commitments and Contingencies

Contingencies

Acacia

During 2004, Acacia Media Technologies ("Acacia") filed a lawsuit against us in the United States District Court for the Northern District of California. The suit also named DirecTV, Comcast, Charter, Cox and a number of smaller cable companies as defendants. Acacia is an intellectual property holding company which seeks to license the patent portfolio that it has acquired. The suit alleges infringement of United States Patent Nos. 5,132,992 (the '992 patent), 5,253,275 (the '275 patent), 5,550,863 (the '863 patent), 6,002,720 (the '720 patent) and 6,144,702 (the '702 patent). The '992, '863, '720 and '702 patents have been asserted against us.

The patents relate to various systems and methods related to the transmission of digital data. The '992 and '702 patents have also been asserted against several Internet content providers in the United States District Court for the Central District of California. During 2004 and 2005, the Court issued Markman rulings which found that the '992 and '702 patents were not as broad as Acacia had contended, and that certain terms in the '702 patent were indefinite. In April 2006, EchoStar and other defendants asked the Court to rule that the claims of the '702 patent are invalid and not infringed. That motion is pending. In June and September 2006, the Court held Markman hearings on the '992, '863, '720 and '275 patents, and issued a ruling during December 2006. We believe the decision is generally favorable to us, but we can not predict whether it will result in dismissal of the case.

Acacia's various patent infringement cases have been consolidated for pre-trial purposes in the United States District Court for the Northern District of California. We intend to vigorously defend this case. In the event that a Court ultimately determines that we infringe any of the 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 cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Broadcast Innovation, L.L.C.

In 2001, Broadcast Innovation, L.L.C. ("Broadcast Innovation") filed a lawsuit against us, DirecTV, Thomson Consumer Electronics and others in Federal District Court in Denver, Colorado. 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 and devices for providing the scrambling circuitry for a pay television system on removable cards. We examined these patents and believe that they are not infringed by any of our products or services. Subsequently, DirecTV and Thomson settled with Broadcast Innovation leaving us as the only defendant.

During 2004, the judge issued an order finding the '066 patent invalid. Also in 2004, the Court ruled 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 the '094 patent finding of invalidity and remanded the case back to the District Court. During June 2006, Charter filed a reexamination request with the United States Patent and Trademark Office. The Court has stayed the case pending reexamination. Our case remains 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 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 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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Distant Network Litigation

During October 2006, a District Court in Florida entered a permanent nationwide injunction prohibiting us from offering distant network channels to consumers effective December 1, 2006. Distant networks are ABC, NBC, CBS and Fox network channels which originate outside the community where the consumer who wants to view them, lives. We have turned off all of our distant network channels and are no longer in the distant network business. Termination of these channels resulted in, among other things, a small reduction in average monthly revenue per subscriber and free cash flow, and a temporary increase in subscriber churn. The plaintiffs in that litigation allege that we are in violation of the Court's injunction and have appealed a District Court decision finding that we are not in violation. We intend to vigorously defend this case. We cannot predict with any degree of certainty the outcome of the appeal or determine the extent of any potential liability or damages.

Enron Commercial Paper Investment

During October 2001, we received approximately $40 million from the sale of Enron commercial paper to a third party broker. That commercial paper was ultimately purchased by Enron. During November 2003, an action was commenced in the United States Bankruptcy Court for the Southern District of New York against approximately 100 defendants, including us, who invested in Enron's commercial paper. The complaint alleges that Enron's October 2001 purchase of its commercial paper was a fraudulent conveyance and voidable preference under bankruptcy laws. We dispute these allegations. We typically invest in commercial paper and notes which are rated in one of the four highest rating categories by at least two nationally recognized statistical rating organizations. At the time of our investment in Enron commercial paper, it was considered to be high quality and low risk. We intend to vigorously defend this case. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Finisar Corporation

Finisar Corporation ("Finisar") obtained a $100 million verdict in the United States District Court for the Eastern District of Texas against DirecTV for patent infringement. Finisar alleged that DirecTV's electronic program guide and other elements of its system infringe United States Patent No. 5,404,505 (the '505 patent).

In July 2006, we, together with NagraStar LLC, filed a Complaint for Declaratory Judgment in the United States District Court for the District of Delaware against Finisar that asks the Court to declare that they and we do not infringe, and have not infringed, any valid claim of the '505 patent. Trial is not currently scheduled. We intend to vigorously prosecute this case. In the event that a Court ultimately determines that we infringe this patent, we may be subject to substantial damages, which may include treble damages and/or an injunction that could require us to modify our system architecture. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Forgent

During 2005, Forgent Networks, Inc. ("Forgent") filed a lawsuit against us in the United States District Court for the Eastern District of Texas. The suit also named DirecTV, Charter, Comcast, Time Warner Cable, Cable One and Cox as defendants. The suit alleged infringement of United States Patent No. 6,285,746 (the '746 patent). The '746 patent discloses, among other things, a video teleconferencing system which utilizes digital telephone lines. Prior to trial, all

of the other defendants settled with Forgent. Forgent sought over $200 million in damages from EchoStar. On May 21, 2007, the jury unanimously ruled in favor of EchoStar, finding the ‘746 patent invalid. Forgent filed a motion for a new trial, which the District Court denied.

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ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

Global Communications

On April 19, 2007, Global Communications, Inc. ("Global") filed a patent infringement action against us in the United States District Court for the Eastern District of Texas. The suit alleges infringement of United States Patent No. 6,947,702 (the '702 patent). This patent, which involves satellite reception, was issued in September 2005. We intend to vigorously defend this case. In the event that a Court ultimately determines that we infringe the '702 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 cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Katz Communications

On June 21, 2007, Ronald A. Katz Technology Licensing, L.P. ("Katz") filed a patent infringement action against us in the United States District Court for the Northern District of California. The suit alleges infringement of 19 patents owned by Katz. The patents relate to interactive voice response, or IVR, technology. 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 cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Retailer Class Actions

During 2000, lawsuits were filed by retailers in Colorado state and federal court attempting to certify nationwide classes on behalf of certain of our satellite hardware retailers. The plaintiffs are requesting the Courts declare certain provisions of, and changes to, alleged agreements between us and the retailers invalid and unenforceable, and to award damages for lost incentives and payments, charge backs, and other compensation. We are vigorously defending against the suits and have asserted a variety of counterclaims. The federal court action has been stayed during the pendency of the state court action. We filed a motion for summary judgment on all counts and against all plaintiffs. The plaintiffs filed a motion for additional time to conduct discovery to enable them to respond to our motion. The Court granted limited discovery which ended during 2004. The plaintiffs claimed we did not provide adequate disclosure during the discovery process. The Court agreed, and recently denied our motion for summary judgment as a result. The final impact of the Court's ruling cannot be fully assessed at this time. Trial has been set for August 2008. We intend to vigorously defend this case. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Superguide

During 2000, Superguide Corp. ("Superguide") filed suit against us, DirecTV, Thomson and others in the United States District Court for the Western District of North Carolina, Asheville Division, alleging infringement of United States Patent Nos. 5,038,211 (the '211 patent), 5,293,357 (the '357 patent) and 4,751,578 (the '578 patent) which relate to certain electronic program guide functions, including the use of electronic program guides to control VCRs. Superguide sought injunctive and declaratory relief and damages in an unspecified amount.

On summary judgment, the District Court ruled that none of the asserted patents were infringed by us. These rulings were appealed to the United States Court of Appeals for the Federal Circuit. During 2004, the Federal Circuit

affirmed in part and reversed in part the District Court's findings and remanded the case back to the District Court for further proceedings. In 2005, Superguide indicated that it would no longer pursue infringement allegations with respect to the '211 and '357 patents and those patents have now been dismissed from the suit. The District Court subsequently entered judgment of non-infringement in favor of all defendants as to the '211 and '357 patents and ordered briefing on Thomson's license defense as to the '578 patent. During December 2006, the District Court found that there were disputed issues of fact regarding Thomson's license defense, and ordered a trial solely addressed to that issue. That trial took place in March 2007. In July 2007, the District Court ruled in favor of Superguide. As a result, Superguide will be able to proceed with their infringement action against us, DirecTV and Thomson.

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ECHOSTAR COMMUNICATIONS CORPORATION
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(Unaudited)

We intend to vigorously defend this case. In the event that a Court ultimately determines that we infringe the '578 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 electronic programming guide and related 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.

Tivo Inc.

During April 2006, a Texas jury concluded that certain of our digital video recorders, or DVRs, infringed a patent held by Tivo. The Texas court subsequently issued an injunction prohibiting us from offering DVR functionality. A Court of Appeals has stayed that injunction during the pendency of our appeal.

In accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" ("SFAS 5"), we recorded a total reserve of $94 million in "Litigation expense" on our Condensed Consolidated Statement of Operations to reflect the jury verdict, supplemental damages and pre-judgment interest awarded by the Texas court through September 8, 2006. Based on our current analysis of the case, including the appellate record and other factors, we believe it is more likely than not that we will prevail on appeal. Consequently, we are not recording additional amounts for supplemental damages or interest subsequent to the September 8, 2006 judgment date. If the verdict is upheld on appeal, the $94 million amount would increase by approximately $35 million through the end of 2007.

If the verdict is upheld on appeal and we are not able to successfully implement alternative technology (including the successful defense of any challenge that such technology infringes Tivo's patent), we would owe substantial additional damages and we could also be prohibited from distributing DVRs, or be required to modify or eliminate certain user-friendly DVR features that we currently offer to consumers. In that event we would be at a significant disadvantage to our competitors who could offer this functionality and, while we would attempt to provide that functionality through other manufacturers, the adverse affect on our business could be material.

On July 30, 2007, the Patent and Trademark Office ("PTO") issued a "final office action" rejecting as invalid all of the hardware claims that Tivo asserted against us at trial and which the jury found we had infringed. The PTO did not reject the two software claims that Tivo asserted against us at trial and which the jury found we had infringed. Tivo can appeal the final office action. We believe that we do not infringe any of the claims asserted against us.

Trans Video

In August 2006, Trans Video Electronic, Ltd. ("Trans Video") filed a patent infringement action against us in the United States District Court for the Northern District of California. The suit alleges infringement of United States Patent Nos. 5,903,621 (the '621 patent) and 5,991,801 (the '801 patent). The patents relate to various methods related to the transmission of digital data by satellite. On May 14, 2007, we reached a settlement which did not have a material impact on our results of operations.

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.

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ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

11. Depreciation and Amortization Expense

Depreciation and amortization expense consists of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands)			
Equipment leased to customers	$ 215,322	$ 169,639	$ 422,001	$ 317,548
Satellites	61,189	59,421	120,233	115,151
Furniture, fixtures, equipment and other	55,881	35,021	98,719	67,538
Identifiable intangible assets subject to amortization	9,102	9,172	18,239	18,343
Buildings and improvements	2,438	1,638	4,859	2,882
Total depreciation and amortization	$ 343,932	$ 274,891	$ 664,051	$ 521,462

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

12. Segment Reporting

Financial Data by Business Unit

Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131") establishes standards for reporting information about operating segments in annual financial statements of public business enterprises and requires that those enterprises report selected information about operating segments in interim financial reports issued to stockholders. Operating segments are components of an enterprise about which separate financial information is available and regularly evaluated by the chief operating decision maker(s) of an enterprise. Total assets by segment have not been specified because the information is not available to the chief operating decision-maker. Under this definition we currently operate as two business units. The "All Other" category consists of revenue and net income (loss) from other operating segments for which the disclosure requirements of SFAS 131 do not apply.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands)			
Revenue:				
DISH Network	$ 2,701,601	$ 2,346,816	$ 5,285,388	$ 4,588,206
ETC	34,010	77,333	69,585	131,025
All other	29,819	47,552	64,460	56,307
Eliminations	(5,422)	(5,546)	(14,440)	(9,992)
Total revenue	$ 2,760,008	$ 2,466,155	$ 5,404,993	$ 4,765,546
Net income (loss):				
DISH Network	$ 229,006	$ 141,583	$ 386,410	$ 296,583

ETC	(3,574)	14,949	(9,240)	9,547
All other	(1,233)	12,247	4,169	9,930
Total net income (loss)	$ 224,199	$ 168,779	$ 381,339	$ 316,060

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ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

13. Related Party

We own 50% of NagraStar L.L.C. ("NagraStar"), a joint venture that is our exclusive provider of encryption and related security systems intended to assure that only paying customers have access to our programming. Although we are not required to consolidate NagraStar, we do have the ability to significantly influence its operating policies; therefore, we account for our investment in NagraStar under the equity method of accounting. During the six months ended June 30, 2007 and 2006, we purchased $31 million and $34 million of security access devices from NagraStar, respectively. As of June 30, 2007 and December 31, 2006, amounts payable to NagraStar totaled $4 million and $3 million, respectively. Additionally, as of June 30, 2007, we were committed to purchase $30 million of security access devices from NagraStar during 2007.

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

EXPLANATION OF KEY METRICS AND OTHER ITEMS

Subscriber-related revenue. "Subscriber-related revenue" consists principally of revenue from basic, movie, local, pay-per-view, and international subscription television services, equipment rental fees, additional outlet fees from subscribers with multiple receivers, digital video recorder ("DVR") fees, advertising sales, fees earned from our DishHOME Protection Plan, equipment upgrade fees, high definition ("HD") programming and other subscriber revenue. Therefore, not all of the amounts we include in "Subscriber-related revenue" are recurring on a monthly basis. All prior period amounts were reclassified to conform to the current period presentation.

Equipment sales. "Equipment sales" include sales of non-DISH Network digital receivers and related components to an international DBS service provider and to other international customers. "Equipment sales" also includes unsubsidized sales of DBS accessories to retailers and other distributors of our equipment domestically and to DISH Network subscribers.

"Other" sales. "Other" sales consist principally of satellite transmission revenue.

Subscriber-related expenses. "Subscriber-related expenses" principally include programming expenses, costs incurred in connection with our in-home service and call center operations, overhead costs associated with our installation business, copyright royalties, billing costs, residual commissions paid to our distributors, refurbishment and repair costs related to EchoStar receiver systems, subscriber retention and other variable subscriber expenses. All prior period amounts were reclassified to conform to the current period presentation.

Satellite and transmission expenses. "Satellite and transmission expenses" include costs associated with the operation of our digital broadcast centers, the transmission of local channels, satellite telemetry, tracking and control services, satellite and transponder leases, and other related services.

Cost of sales – equipment. "Cost of sales – equipment" principally includes costs associated with non-DISH Network digital receivers and related components sold to an international DBS service provider and to other international customers. "Cost of sales – equipment" also includes unsubsidized sales of DBS accessories to retailers and other distributors of our equipment domestically and to DISH Network subscribers.

Cost of sales – other. "Cost of sales – other" principally includes costs related to satellite transmission services.

Subscriber acquisition costs. In addition to leasing receivers, we generally subsidize installation and all or a portion of the cost of EchoStar receiver systems in order to attract new DISH Network subscribers. Our "Subscriber acquisition costs" include the cost of EchoStar receiver systems sold to retailers and other distributors of our equipment, the cost of receiver systems sold directly by us to subscribers, net costs related to our promotional incentives, and costs related to installation and acquisition advertising. We exclude the value of equipment capitalized under our lease program for new subscribers from "Subscriber acquisition costs."

SAC. Management believes subscriber acquisition cost measures are commonly used by those evaluating companies in the multi-channel video programming distribution ("MVPD") industry. We are not aware of any uniform standards for calculating the "average subscriber acquisition costs per new subscriber activation," or SAC, and we believe presentations of SAC may not be calculated consistently by different companies in the same or similar businesses. Our SAC is calculated as "Subscriber acquisition costs," plus the value of equipment capitalized under our lease program for new subscribers, divided by gross subscriber additions. We include all the costs of acquiring

subscribers (i.e. subsidized and capitalized equipment) as our management believes it is a more comprehensive measure of how much we are spending to acquire subscribers. We also include all new DISH Network subscribers in our calculation, including DISH Network subscribers added with little or no subscriber acquisition costs.

General and administrative expenses. "General and administrative expenses" consists primarily of employee-related costs associated with administrative services such as legal, information systems and accounting and finance, including non-cash, stock-based compensation expense. It also includes outside professional fees (i.e. legal, information systems and accounting services) and other items associated with facilities and administration.

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

Interest expense. "Interest expense" primarily includes interest expense, prepayment premiums and amortization of debt issuance costs associated with our senior debt and convertible subordinated debt securities (net of capitalized interest) and interest expense associated with our capital lease obligations.

"Other" income (expense). The main components of "Other" income and expense are unrealized gains and losses from changes in fair value of non-marketable strategic investments accounted for at fair value, equity in earnings and losses of our affiliates, gains and losses realized on the sale of investments, and impairment of marketable and non-marketable investment securities.

Earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is defined as "Net income (loss)" plus "Interest expense" net of "Interest income," "Taxes" and "Depreciation and amortization."

DISH Network subscribers. We include customers obtained through direct sales, and through our retail networks and other distribution relationships, in our DISH Network subscriber count. We also provide DISH Network service to hotels, motels and other commercial accounts. For certain of these commercial accounts, we divide our total revenue for these commercial accounts by an amount approximately equal to the retail price of our most widely distributed programming package, America's Top 100 (but taking into account, periodically, price changes and other factors), and include the resulting number, which is substantially smaller than the actual number of commercial units served, in our DISH Network subscriber count.

Average monthly revenue per subscriber ("ARPU"). We are not aware of any uniform standards for calculating ARPU and believe presentations of ARPU may not be calculated consistently by other companies in the same or similar businesses. We calculate average monthly revenue per subscriber, or ARPU, by dividing average monthly "Subscriber-related revenues" for the period (total "Subscriber-related revenue" during the period divided by the number of months in the period) by our average DISH Network subscribers for the period. Average DISH Network subscribers are calculated for the period by adding the average DISH Network subscribers for each month and dividing by the number of months in the period. Average DISH Network subscribers for each month are calculated by adding the beginning and ending DISH Network subscribers for the month and dividing by two.

Subscriber churn rate/subscriber turnover. We are not aware of any uniform standards for calculating subscriber churn rate and believe presentations of subscriber churn rates may not be calculated consistently by different companies in the same or similar businesses. We calculate percentage monthly subscriber churn by dividing the number of DISH Network subscribers who terminate service during each month by total DISH Network subscribers as of the beginning of that month. We calculate average subscriber churn rate for any period by dividing the number of DISH Network subscribers who terminated service during that period by the average number of DISH Network subscribers subject to churn during the period, and further dividing by the number of months in the period. Average DISH Network subscribers subject to churn during the period are calculated by adding the DISH Network subscribers as of the beginning of each month in the period and dividing by the total number of months in the period.

Free cash flow. We define free cash flow as "Net cash flows from operating activities" less "Purchases of property and equipment," as shown on our Condensed Consolidated Statements of Cash Flows.

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

RESULTS OF OPERATIONS

Three Months Ended June 30, 2007 Compared to the Three Months Ended June 30, 2006.

	For the Three Months Ended June 30,		Variance	
	2007	2006	Amount	%
Statements of Operations Data	(In thousands)			
Revenue:				
Subscriber-related revenue	$ 2,676,230	$ 2,332,227	$ 344,003	14.7
Equipment sales	77,348	114,742	(37,394)	(32.6)
Other	6,430	19,186	(12,756)	(66.5)
Total revenue	2,760,008	2,466,155	293,853	11.9
Costs and Expenses:				
Subscriber-related expenses	1,354,265	1,190,313	163,952	13.8
% of Subscriber-related revenue	**50.6%**	**51.0%**		
Satellite and transmission expenses	40,759	33,623	7,136	21.2
% of Subscriber-related revenue	**1.5%**	**1.4%**		
Cost of sales - equipment	59,418	84,456	(25,038)	(29.6)
% of Equipment sales	**76.8%**	**73.6%**		
Cost of sales - other	657	1,931	(1,274)	(66.0)
Subscriber acquisition costs	376,408	373,239	3,169	0.8
General and administrative	142,915	143,818	(903)	(0.6)
% of Total revenue	**5.2%**	**5.8%**		
Litigation expense	-	14,243	(14,243)	(100.0)
Depreciation and amortization	343,932	274,891	69,041	25.1
Total costs and expenses	2,318,354	2,116,514	201,840	9.5
Operating income (loss)	441,654	349,641	92,013	26.3
Other Income (Expense):				
Interest income	28,411	31,501	(3,090)	(9.8)
Interest expense, net of amounts capitalized	(96,662)	(111,960)	15,298	13.7
Other	(16,139)	(11,256)	(4,883)	(43.4)
Total other income (expense)	(84,390)	(91,715)	7,325	8.0
Income (loss) before income taxes	357,264	257,926	99,338	38.5
Income tax (provision) benefit, net	(133,065)	(89,147)	(43,918)	(49.3)
Effective tax rate	**37.2%**	**34.6%**		
Net income (loss)	$ 224,199	$ 168,779	$ 55,420	32.8
Other Data:				
DISH Network subscribers, as of period end (in millions)	13.585	12.460	1.125	9.0
DISH Network subscriber additions, gross (in millions)	0.850	0.824	0.026	3.2

DISH Network subscriber additions, net (in millions)	0.170	0.195	(0.025)	(12.8)
Average monthly subscriber churn rate	1.68%	1.70%	(0.02%)	(1.2)
Average monthly revenue per subscriber ("ARPU")	$ 66.06	$ 62.91	$ 3.15	5.0
Average subscriber acquisition cost per subscriber ("SAC")	$ 645	$ 683	$ (38)	(5.6)
EBITDA	$ 769,447	$ 613,276	$ 156,171	25.5

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

DISH Network subscribers. As of June 30, 2007, we had approximately 13.585 million DISH Network subscribers compared to approximately 12.460 million subscribers at June 30, 2006, an increase of 9.0%. DISH Network added approximately 850,000 gross new subscribers for the three months ended June 30, 2007, compared to approximately 824,000 gross new subscribers during the same period in 2006, an increase of 26,000 gross new subscribers. The increase in gross new subscribers resulted in large part from the effectiveness of our HD and other programming and advanced product promotions during the quarter. A substantial majority of our gross new subscribers are acquired through our equipment lease program.

DISH Network added approximately 170,000 net new subscribers for the three months ended June 30, 2007, compared to approximately 195,000 net new subscribers during the same period in 2006, a decrease of 12.8%. This decrease primarily resulted from a similar subscriber churn rate compared to the prior year on a larger subscriber base. As the size of our subscriber base increases, even if our subscriber churn rate remains constant or declines, increasing numbers of gross new DISH Network subscribers are required to sustain net subscriber growth. Our average monthly subscriber churn rate fluctuates from period to period due to seasonality. Typically, subscribers churn at a higher rate during the second and third quarters each year than during the first and fourth quarters.

Our subscriber growth and our subscriber churn may be negatively impacted by a number of other factors, including but not limited to, adverse economic developments, trends in the housing/mortgage markets, the timing of customer commitment expirations associated with certain promotions, and increases in the theft of our signal or our competitors' signals. Furthermore, our gross new subscribers, our net new subscriber additions, and our entire subscriber base are negatively impacted when existing and new competitors offer more attractive alternatives, including, among other things, video services bundled with broadband and other telecommunications services, better priced or more attractive programming packages or more compelling consumer electronic products and services, including DVRs, video on demand services, receivers with multiple tuners, HD programming, or HD and standard definition local channels. We also expect to face increasing competition from content and other providers who distribute video services directly to consumers over the Internet.

AT&T, Inc. ("AT&T") and other telecommunications providers offer DISH Network programming bundled with broadband, telephony and other services. During May 2007, AT&T management stated that AT&T intends to select a single satellite TV provider for its entire territory by the end of this year. Our net new subscriber additions and certain of our other key operating metrics could be adversely affected if AT&T or other telecommunication providers de-emphasize or discontinue selling our services and we are not able to develop comparable alternative distribution channels.

Subscriber-related revenue. DISH Network "Subscriber-related revenue" totaled $2.676 billion for the three months ended June 30, 2007, an increase of $344 million or 14.7% compared to the same period in 2006. This increase was directly attributable to continued DISH Network subscriber growth and the increase in "ARPU" discussed below.

ARPU. Monthly average revenue per subscriber was $66.06 during the three months ended June 30, 2007 versus $62.91 during the same period in 2006. The $3.15 or 5.0% increase in ARPU is primarily attributable to price increases in February 2007 and 2006 on some of our most popular programming packages, higher equipment rental fees resulting from increased penetration of our equipment leasing programs, increased penetration of HD programming, fees for DVRs, and revenue from increased availability of standard and HD local channels by satellite.

Equipment sales. For the three months ended June 30, 2007, "Equipment sales" totaled $77 million, a decrease of $37 million or 32.6% compared to the same period during 2006. This decrease principally resulted from a decline in sales

of non-DISH Network digital receivers and related components to international customers and by a decrease in domestic sales of DBS accessories.

Subscriber-related expenses. "Subscriber-related expenses" totaled $1.354 billion during the three months ended June 30, 2007, an increase of $164 million or 13.8% compared to the same period in 2006. The increase in "Subscriber-related expenses" was primarily attributable to the increase in the number of DISH Network subscribers. "Subscriber-related expenses" represented 50.6% and 51.0% of "Subscriber-related revenue" during the three months ended June 30, 2007 and 2006, respectively. The decrease in this expense to revenue ratio primarily resulted from a decline in costs associated with our call center operations. This decrease was partially offset by higher in-home service, refurbishment and repair costs for EchoStar receiver systems associated with increased penetration of our equipment lease programs and higher bad debt expense resulting from an increase in the number of subscribers who we deactivated for non-payment of their bill.

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

In the normal course of business, we enter into various contracts with programmers to provide content. Our programming contracts generally require us to make payments based on the number of subscribers to which the respective content is provided. Consequently, our programming expenses will continue to increase to the extent we are successful in growing our subscriber base. In addition, because programmers continue to raise the price of content, our "Subscriber-related expenses" as a percentage of "Subscriber-related revenue" could materially increase absent corresponding price increases in our DISH Network programming packages.

Cost of sales – equipment. "Cost of sales – equipment" totaled $59 million during the three months ended June 30, 2007, a decrease of $25 million or 29.6% compared to the same period in 2006. This decrease primarily resulted from a decline in the sale of non-DISH Network digital receivers and related components to international customers,a decrease in costs associated with domestic sales of DBS accessories and a decline in charges for defective, slow moving and obsolete inventory. "Cost of sales - equipment" represented 76.8% and 73.6% of "Equipment sales," during the three months ended June 30, 2007 and 2006, respectively. The increase in the expense to revenue ratio principally related to a decline in margins on domestic sales of DBS accessories and on sales of non-DISH Network digital receivers and related components sold to international customers, partially offset by lower 2007 charges for defective, slow moving and obsolete inventory.

Subscriber acquisition costs. "Subscriber acquisition costs" totaled $376 million for the three months ended June 30, 2007, an increase of $3 million or 0.8% compared to the same period in 2006. The increase in "Subscriber acquisition costs" was attributable to an increase in gross new subscribers, partially offset by a higher number of DISH Network subscribers participating in our equipment lease program for new subscribers and a decrease in SAC discussed below.

SAC. SAC was $645 during the three months ended June 30, 2007 compared to $683 during the same period in 2006, a decrease of $38, or 5.6%. This decrease was primarily attributable to the redeployment benefits of our equipment lease program for new subscribers, discussed below, and lower average equipment costs and acquisition marketing.

Our principal method for reducing the cost of subscriber equipment, which is included in SAC, is to lease our receiver systems to new subscribers rather than selling systems to them at little or no cost. Upon termination of service, subscribers are required to return the leased equipment to us or be charged for the equipment. Leased equipment that is returned to us and which we redeploy to new lease customers results in reduced capital expenditures, and thus reduced SAC.

The percentage of our new subscribers choosing to lease rather than purchase equipment continued to increase for the three months ended June 30, 2007 compared to the same period in 2006. During the three months ended June 30, 2007 and 2006, the amount of equipment capitalized under our lease program for new subscribers totaled $172 million and $190 million, respectively. This decrease in capital expenditures under our lease program for new subscribers resulted primarily from an increase in redeployment of equipment returned by disconnecting lease program subscribers, a reduction in accessory costs, lower hardware costs per receiver and fewer receivers per installation as the number of dual tuner receivers we install continues to increase. Capital expenditures resulting from our equipment lease program for new subscribers have been, and we expect will continue to be, partially mitigated by, among other things, the redeployment of equipment returned by disconnecting lease program subscribers. However, to remain competitive we will have to upgrade or replace subscriber equipment periodically as technology changes, and the associated costs may be substantial. To the extent technological changes render a portion of our existing equipment obsolete, we would be unable to redeploy all returned equipment and would realize less benefit from the SAC reduction associated with redeployment of that returned lease equipment.

Our SAC calculation does not include the benefit of payments we received in connection with equipment not returned to us from disconnecting lease subscribers and returned equipment that is made available for sale rather than being redeployed through our lease program. During the three months ended June 30, 2007 and 2006, these amounts totaled $22 million and $30 million, respectively.

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

Our "Subscriber acquisition costs," both in aggregate and on a per new subscriber activation basis, may materially increase in the future to the extent that we introduce more aggressive promotions if we determine that they are necessary to respond to competition, or for other reasons. See further discussion under *"Liquidity and Capital Resources – Subscriber Retention and Acquisition Costs."*

General and administrative expenses. "General and administrative expenses" totaled $143 million during the three months ended June 30, 2007, a decrease of $1 million or 0.6% compared to the same period in 2006. This decrease was primarily attributable to lower accruals for legal settlements in 2007 compared to 2006, partially offset by an increase in outside professional fees. "General and administrative expenses" represented 5.2% and 5.8% of "Total revenue" during the three months ended June 30, 2007 and 2006, respectively. The decrease in the ratio of those expenses to "Total revenue" was primarily attributable to the previously discussed revenue growth and decreases in "General and administrative expenses" discussed above.

Litigation expense. We recorded $14 million of additional "Litigation expense" during the three months ended June 30, 2006 as a result of the jury verdict in the Tivo lawsuit. Based on our current analysis of the case, including the appellate record and other factors, we believe it is more likely than not that we will prevail on appeal. See Note 10 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Depreciation and amortization. "Depreciation and amortization" expense totaled $344 million during the three months ended June 30, 2007, a $69 million or 25.1% increase compared to the same period in 2006. The increase in "Depreciation and amortization" expense was primarily attributable to depreciation of equipment leased to subscribers resulting from increased penetration of our equipment lease programs, the write-off of costs associated with discontinued software development projects, and additional depreciation related to satellites and other depreciable assets placed in service to support the DISH Network.

Interest expense, net of amounts capitalized. "Interest expense" totaled $97 million during the three months ended June 30, 2007, a decrease of $15 million or 13.7% compared to the same period in 2006. This decrease primarily resulted from a net decrease in interest expense related to redemptions and issuances of debt during 2006 and 2007.

Other. "Other" expense totaled $16 million during the three months ended June 30, 2007, an increase of $5 million compared to $11 million during the same period in 2006. The increase in "Other" expense primarily resulted from a $20 million second quarter charge to earnings for other than temporary declines in fair value of our common stock investment in a foreign public company, partially offset by a decrease in net unrealized and realized losses during 2007 compared to 2006. See Note 5 in the Notes to the Condensed Consolidated Financial Statements for further discussion regarding our impairment policy for non-marketable and marketable investment securities.

Earnings before interest, taxes, depreciation and amortization. EBITDA was $769 million during the three months ended June 30, 2007, an increase of $156 million or 25.5% compared to the same period in 2006. The following table reconciles EBITDA to the accompanying financial statements.

	For the Three Months Ended June 30,	
	2007	**2006**
	(In thousands)	
EBITDA	$ 769,447	$ 613,276
Less:		

Interest expense, net		68,251		80,459
Income tax provision, net		133,065		89,147
Depreciation and amortization		343,932		274,891
Net income (loss)	$	224,199	$	168,779

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

EBITDA is not a measure determined in accordance with accounting principles generally accepted in the United States, or GAAP, and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. EBITDA is used as a measurement of operating efficiency and overall financial performance and we believe it to be a helpful measure for those evaluating companies in the MVPD industry. 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.

Income tax (provision) benefit, net. Our income tax provision was $133 million during the three months ended June 30, 2007, an increase of $44 million or 49.3% compared to the same period in 2006. The increase in the provision was primarily related to the improvement in "Income (loss) before income taxes" and an increase in the effective state tax rate. During the three months ended June 30, 2006, our effective tax rate was favorably impacted by the utilization of state net operating loss carryforwards.

Net income (loss). Net income was $224 million during the three months ended June 30, 2007, an increase of $55 million compared to $169 million for the same period in 2006. The increase was primarily attributable to the changes in revenue and expenses discussed above.

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

Six Months Ended June 30, 2007 Compared to the Six Months Ended June 30, 2006.

	For the Six Months Ended June 30,		Variance	
	2007	2006	Amount	%
Statements of Operations Data	(In thousands)			
Revenue:				
Subscriber-related revenue	$ 5,228,293	$ 4,527,337	$ 700,956	15.5
Equipment sales	153,615	199,471	(45,856)	(23.0)
Other	23,085	38,738	(15,653)	(40.4)
Total revenue	5,404,993	4,765,546	639,447	13.4
Costs and Expenses:				
Subscriber-related expenses	2,682,886	2,297,640	385,246	16.8
% of Subscriber-related revenue	**51.3%**	**50.8%**		
Satellite and transmission expenses	75,678	72,365	3,313	4.6
% of Subscriber-related revenue	**1.4%**	**1.6%**		
Cost of sales - equipment	119,764	153,253	(33,489)	(21.9)
% of Equipment sales	**78.0%**	**76.8%**		
Cost of sales - other	3,067	3,295	(228)	(6.9)
Subscriber acquisition costs	777,493	732,194	45,299	6.2
General and administrative	300,202	273,265	26,937	9.9
% of Total revenue	**5.6%**	**5.7%**		
Litigation expense	-	88,235	(88,235)	(100.0)
Depreciation and amortization	664,051	521,462	142,589	27.3
Total costs and expenses	4,623,141	4,141,709	481,432	11.6
Operating income (loss)	781,852	623,837	158,015	25.3
Other Income (Expense):				
Interest income	61,843	53,470	8,373	15.7
Interest expense, net of amounts capitalized	(216,162)	(241,567)	25,405	10.5
Other	(17,975)	53,004	(70,979)	NM
Total other income (expense)	(172,294)	(135,093)	(37,201)	(27.5)
Income (loss) before income taxes	609,558	488,744	120,814	24.7
Income tax (provision) benefit, net	(228,219)	(172,684)	(55,535)	(32.2)
Effective tax rate	**37.4%**	**35.3%**		
Net income (loss)	$ 381,339	$ 316,060	$ 65,279	20.7
Other Data:				
DISH Network subscribers, as of period end (in millions)	13.585	12.460	1.125	9.0
DISH Network subscriber additions, gross (in millions)	1.740	1.618	0.122	7.5
DISH Network subscriber additions, net (in millions)	0.480	0.420	0.060	14.3
Average monthly subscriber churn rate	1.57%	1.64%	(0.07%)	(4.3)

Average monthly revenue per subscriber ("ARPU")	$ 65.12	$ 61.60	$ 3.52	5.7
Average subscriber acquisition cost per subscriber ("SAC")	$ 654	$ 690	$ (36)	(5.2)
EBITDA	$ 1,427,928	$ 1,198,303	$ 229,625	19.2

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

Subscriber-related revenue. DISH Network "Subscriber-related revenue" totaled $5.228 billion for the six months ended June 30, 2007, an increase of $701 million or 15.5% compared to the same period in 2006. This increase was directly attributable to continued DISH Network subscriber growth and the increase in "ARPU" discussed below.

ARPU. Monthly average revenue per subscriber was $65.12 during the six months ended June 30, 2007 versus $61.60 during the same period in 2006. The $3.52 or 5.7% increase in ARPU is primarily attributable to price increases in February 2007 and 2006 on some of our most popular programming packages, higher equipment rental fees resulting from increased penetration of our equipment leasing programs, increased penetration of HD programming, fees for DVRs, and revenue from increased availability of standard and HD local channels by satellite.

Equipment sales.For the six months ended June 30, 2007, "Equipment sales" totaled $154 million, a decrease of $46 million or 23.0% compared to the same period during 2006. This decrease principally resulted from a decline in sales of non-DISH Network digital receivers and related components to international customers.

Subscriber-related expenses."Subscriber-related expenses" totaled $2.683 billion during the six months ended June 30, 2007, an increase of $385 million or 16.8% compared to the same period in 2006. The increase in "Subscriber-related expenses" was primarily attributable to the increase in the number of DISH Network subscribers. "Subscriber-related expenses" represented 51.3% and 50.8% of "Subscriber-related revenue" during the six months ended June 30, 2007 and 2006, respectively. The increase in this expense to revenue ratio primarily resulted from increases in: (i) programming costs, (ii) in-home service, refurbishment and repair costs for EchoStar receiver systems associated with increased penetration of our equipment lease programs, and (iii) bad debt expense resulting from an increase in the number of subscribers who we deactivated for non-payment of their bill. These increases were partially offset by a decline in costs associated with our call center operations.

Cost of sales – equipment."Cost of sales – equipment" totaled $120 million during the six months ended June 30, 2007, a decrease of $33 million or 21.9% compared to the same period in 2006. This decrease primarily resulted from a decline in the sale of non-DISH Network digital receivers and related components to international customers and in charges for defective, slow moving and obsolete inventory, partially offset by an increase in costs associated with domestic sales of DBS accessories. "Cost of sales – equipment" represented 78.0% and 76.8% of "Equipment sales," during the six months ended June 30, 2007 and 2006, respectively. The increase in the expense to revenue ratio principally related to a decline in margins on domestic sales of DBS accessories and on sales of non-DISH Network digital receivers and related components sold to international customers, partially offset by lower 2007 charges for defective, slow moving and obsolete inventory.

Subscriber acquisition costs. "Subscriber acquisition costs" totaled approximately $777 million for the six months ended June 30, 2007, an increase of $45 million or 6.2% compared to the same period in 2006. The increase in "Subscriber acquisition costs" was attributable to an increase in gross new subscribers, partially offset by a higher number of DISH Network subscribers participating in our equipment lease program for new subscribers and a decrease in SAC discussed below.

SAC. SAC was approximately $654 during the six months ended June 30, 2007 compared to $690 during the same period in 2006, a decrease of $36, or 5.2%. This decrease was primarily attributable to the redeployment benefits of our equipment lease program for new subscribers, discussed below, and lower average equipment costs and acquisition marketing.

During the six months ended June 30, 2007 and 2006, the amount of equipment capitalized under our lease program for new subscribers totaled approximately $361 million and $385 million, respectively. This decrease in capital expenditures under our lease program for new subscribers resulted primarily from an increase in redeployment of equipment returned by disconnecting lease program subscribers, a reduction in accessory costs, lower hardware costs per receiver and fewer receivers per installation as the number of dual tuner receivers we install continues to increase.

Our SAC calculation does not include the benefit of payments we received in connection with equipment not returned to us from disconnecting lease subscribers and returned equipment that is made available for sale rather than being redeployed through our lease program. During the six months ended June 30, 2007 and 2006, these amounts totaled approximately $37 million and $56 million, respectively.

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

General and administrative expenses. "General and administrative expenses" totaled $300 million during the six months ended June 30, 2007, an increase of $27 million or 9.9% compared to the same period in 2006. This increase was primarily attributable to an increase in: (i) outside professional fees, (ii) personnel expenses including non-cash, stock-based compensation expense, and (iii) administrative costs to support the growth of the DISH Network. These increases were partially offset by lower accruals for legal settlements in 2007 compared to 2006. "General and administrative expenses" represented 5.6% and 5.7% of "Total revenue" during the six months ended June 30, 2007 and 2006, respectively. The decrease in the ratio of those expenses to "Total revenue" was primarily attributable to the previously discussed revenue growth and decreases in "General and administrative expenses" discussed above.

Litigation expense. We recorded $88 million of "Litigation expense" during the six months ended June 30, 2006 as a result of the jury verdict in the Tivo lawsuit. Based on our current analysis of the case, including the appellate record and other factors, we believe it is more likely than not that we will prevail on appeal. See Note 10 in the Notes to our Condensed Consolidated Financial Statements for further discussion.

Depreciation and amortization. "Depreciation and amortization" expense totaled $664 million during the six months ended June 30, 2007, an increase of $143 million or 27.3% compared to the same period in 2006. The increase in "Depreciation and amortization" expense was primarily attributable to depreciation of equipment leased to subscribers resulting from increased penetration of our equipment lease programs, the write-off of costs associated with discontinued software development projects, and additional depreciation related to satellites and other depreciable assets placed in service to support the DISH Network.

Interest expense, net of amounts capitalized. "Interest expense" totaled $216 million during the six months ended June 30, 2007, a decrease of $25 million or 10.5% compared to the same period in 2006. This decrease primarily resulted from a net decrease in interest expense related to redemptions and issuances of debt during 2006 and 2007.

Other. "Other" expense totaled $18 million during the six months ended June 30, 2007, a decrease of $71 million compared to "Other" income of $53 million during the same period in 2006. The decrease in "Other" primarily resulted from a $20 million charge to earnings for other than temporary declines in fair value of our common stock investment in a foreign public company and a decrease in net unrealized and realized gains during 2007 compared to 2006.

Earnings before interest, taxes, depreciation and amortization. EBITDA was $1.428 billion during the six months ended June 30, 2007, an increase of $230 million or 19.2% compared to the same period in 2006. The following table reconciles EBITDA to the accompanying financial statements:

	For the Six Months Ended June 30,	
	2007	**2006**
	(In thousands)	
EBITDA	$ 1,427,928	$ 1,198,303
Less:		
Interest expense, net	154,319	188,097
Income tax provision, net	228,219	172,684
Depreciation and amortization	664,051	521,462
Net income (loss)	$ 381,339	$ 316,060

EBITDA is not a measure determined in accordance with accounting principles generally accepted in the United States, or GAAP, and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. EBITDA is used as a measurement of operating efficiency and overall financial performance and we believe it to be a helpful measure for those evaluating companies in the MVPD industry. 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.

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

Income tax (provision) benefit, net. Our income tax provision was $228 million during the six months ended June 30, 2007, an increase of $56 million or 32.2% compared to during the same period in 2006. The increase in the provision was primarily related to the improvement in "Income (loss) before income taxes" and an increase in the effective state tax rate. During the six months ended June 30, 2006, our effective tax rate was favorably impacted by the utilization of state net operating loss carryforwards.

Net income (loss). Net income was $381 million during the six months ended June 30, 2007, an increase of $65 million compared to $316 million for the same period in 2006. The increase was primarily attributable to the changes in revenue and expenses discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents and 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. Our restricted and unrestricted cash, cash equivalents and marketable investment securities as of June 30, 2007 totaled $2.572 billion, including $172 million of restricted cash and marketable investment securities, compared to $3.206 billion, including $173 million of restricted cash and marketable investment securities as of December 31, 2006. The $634 million decrease in restricted and unrestricted cash, cash equivalents and marketable investment securities was primarily related to the redemption of our 5 3/4% Convertible Subordinated Notes due 2008, partially offset by the free cash flow generated during the period discussed below.

The following discussion highlights our free cash flow and cash flow activities during the six months ended June 30, 2007 compared to the same period in 2006.

Free Cash Flow

We define free cash flow as "Net cash flows from operating activities" less "Purchases of property and equipment," as shown on our Condensed Consolidated Statements of Cash Flows. We believe free cash flow is an important liquidity metric because it measures, during a given period, the amount of cash generated that is available to repay debt obligations, make investments, fund acquisitions and for certain other activities. Free cash flow is not a measure determined in accordance with GAAP and should not be considered a substitute for "Operating income," "Net income," "Net cash flows from operating activities" or any other measure determined in accordance with GAAP. Since free cash flow includes investments in operating assets, we believe this non-GAAP liquidity measure is useful in addition to the most directly comparable GAAP measure - "Net cash flows from operating activities."

During the six months ended June 30, 2007 and 2006, free cash flow was significantly impacted by changes in operating assets and liabilities as shown in the "Net cash flows from operating activities" section of our Condensed Consolidated Statements of Cash Flows included herein. Operating asset and liability balances can fluctuate significantly from period to period and there can be no assurance that free cash flow will not be negatively impacted by material changes in operating assets and liabilities in future periods, since these changes depend upon, among other things, management's timing of payments and control of inventory levels, and cash receipts. In addition to fluctuations resulting from changes in operating assets and liabilities, free cash flow can vary significantly from period to period depending upon, among other things, subscriber growth, subscriber revenue, subscriber churn, subscriber acquisition

costs including amounts capitalized under our equipment lease programs, operating efficiencies, increases or decreases in purchases of property and equipment and other factors.

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

The following table reconciles free cash flow to "Net cash flows from operating activities."

	For the Six Months Ended June 30,	
	2007	2006
	(In thousands)	
Free cash flow	$ 449,371	$ 537,519
Add back:		
Purchases of property and equipment	740,095	611,716
Net cash flows from operating activities	$ 1,189,466	$ 1,149,235

The $88 million decline in free cash flow during the six months ended June 30, 2007 compared to the same period in 2006 resulted from an increase in "Purchases of property and equipment" of $128 million, or 21.0%, partially offset by an increase in "Net cash flows from operating activities" of $40 million, or 3.5%. The increase in "Purchases of property and equipment" during the six months ended June 30, 2007 compared to the same period in 2006 was primarily attributable to an increase in expenditures for satellite construction and equipment under our existing subscriber lease program, partially offset by a decline in overall corporate capital expenditures and in spending for equipment under our new subscriber lease program. The increase in "Net cash flows from operating activities" was primarily attributable to a $318 million increase in net income, adjusted to exclude non-cash changes in: (i) "Depreciation and amortization" expense, (ii) "Realized and unrealized losses (gains) on investments," and (iii) "Deferred tax expense (benefit)," partially offset by a $282 million decrease in cash resulting from changes in operating assets and liabilities.

Our future capital expenditures could increase or decrease depending on the strength of the economy, strategic opportunities or other factors.

Subscriber Turnover

Our percentage monthly subscriber churn for the six months ended June 30, 2007 was 1.57%, compared to 1.64% for the same period in 2006. Our future subscriber churn may be negatively impacted by a number of other factors, including but not limited to, adverse economic developments, trends in the housing/mortgage markets, the timing of customer commitment expirations associated with certain promotions, and more aggressive/attractive promotions, products and services from competitors. Competitor bundling of video services with 2-way high-speed Internet access and telephone services may also contribute more significantly to churn over time. Additionally, certain of our promotions allow consumers with relatively lower credit scores to become subscribers, and these subscribers typically churn at a higher rate. However, these subscribers are also acquired at a lower cost resulting in a smaller economic loss upon disconnect. There can be no assurance that these and other factors will not contribute to relatively higher churn than we have experienced historically. Furthermore, our average monthly subscriber churn rate fluctuates from period to period due to seasonality. Typically, subscribers churn at a higher rate during the second and third quarters each year than during the first and fourth quarters.

Additionally, as the size of our subscriber base increases, even if our subscriber churn rate remains constant or declines, increasing numbers of gross new DISH Network subscribers are required to sustain net subscriber growth.

AT&T and other telecommunications providers offer DISH Network programming bundled with broadband, telephony and other services. During May 2007, AT&T management stated that AT&T intends to select a single satellite TV provider for its entire territory by the end of this year. Our net new subscriber additions and certain of our

other key operating metrics could be adversely affected if AT&T or other telecommunication providers de-emphasize or discontinue selling our services and we are not able to develop comparable alternative distribution channels.

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

Increases in theft of our signal, or our competitors' signals, also could cause subscriber churn to increase in future periods. We use microchips embedded in credit card-sized access cards, called "smart cards," or security chips in our EchoStar receiver systems to control access to authorized programming content. Our signal encryption has been compromised by theft of service and could be further compromised in the future. We continue to respond to compromises of our encryption system with security measures intended to make signal theft of our programming more difficult. During 2005, we completed the replacement of our smart cards. While the smart card replacement did not fully secure our system, we continue to implement software patches and other security measures to help protect our service. There can be no assurance that our security measures will be effective in reducing theft of our programming signals. If we are required to replace existing smart cards and/or security chips, the cost could exceed $100 million.

Subscriber Acquisition and Retention Costs

Our subscriber acquisition and retention costs can vary significantly from period to period which can in turn cause significant variability to our "Net income (loss)" and free cash flow between periods. Our "Subscriber acquisition costs," SAC and "Subscriber-related expenses" may materially increase to the extent that we introduce more aggressive promotions in the future if we determine they are necessary to respond to competition, or for other reasons.

Capital expenditures resulting from our equipment lease program for new subscribers have been, and we expect will continue to be, partially mitigated by, among other things, the redeployment of equipment returned by disconnecting lease program subscribers. However, to remain competitive we will have to upgrade or replace subscriber equipment periodically as technology changes, and the associated costs may be substantial. To the extent technological changes render a portion of our existing equipment obsolete, we would be unable to redeploy all returned equipment and would realize less benefit from the SAC reduction associated with redeployment of that returned lease equipment.

Several years ago, we began deploying satellite receivers capable of exploiting 8PSK modulation technology. Since that technology is now standard in all of our new satellite receivers, our cost to migrate programming channels to that technology in the future will be substantially lower than if it were necessary to replace all existing consumer equipment. As we continue to implement 8PSK technology, bandwidth efficiency will improve, significantly increasing the number of programming channels we can transmit over our existing satellites as an alternative or supplement to the acquisition of additional spectrum or the construction of additional satellites. New channels we add to our service using only that technology may allow us to further reduce conversion costs and create additional revenue opportunities. We have also implemented MPEG-4 technology in all satellite receivers for new customers who subscribe to our HD programming packages and are converting all existing HD satellite receivers to the same technology. This technology should result in further bandwidth efficiencies over time. We have not yet determined the extent to which we will convert the EchoStar DBS System to these new technologies, or the period of time over which the conversions will occur. Provided that EchoStar X continues to operate normally and other planned satellites are successfully deployed, this increased satellite capacity and our 8PSK transition will afford us greater flexibility in delaying and reducing the costs otherwise required to convert our subscriber base to MPEG-4.

While we may be able to generate increased revenue from such conversions, the deployment of equipment including new technologies will increase the cost of our consumer equipment, at least in the short-term. Our expensed and capitalized subscriber acquisition and retention costs will increase to the extent we subsidize those costs for new and existing subscribers. These increases may be mitigated to the extent we successfully redeploy existing receivers and implement other equipment cost reduction strategies.

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

In an effort to reduce subscriber turnover, we offer existing subscribers a variety of options for upgraded and add on equipment. We generally lease receivers and subsidize installation of EchoStar receiver systems under these subscriber retention programs. As discussed above, we will have to upgrade or replace subscriber equipment periodically as technology changes. As a consequence, our retention costs, which are included in "Subscriber-related expenses," and our capital expenditures related to our equipment lease program for existing subscribers, will increase, at least in the short-term, to the extent we subsidize the costs of those upgrades and replacements. Our capital expenditures related to subscriber retention programs could also increase in the future to the extent we increase penetration of our equipment lease program for existing subscribers, if we introduce other more aggressive promotions, if we offer existing subscribers more aggressive promotions for HD receivers or EchoStar receivers with other enhanced technologies, or for other reasons.

Cash necessary to fund retention programs and total subscriber acquisition costs are expected to be satisfied from existing cash and marketable investment securities balances and cash generated from operations to the extent available. We may, however, decide to raise additional capital in the future to meet these requirements. If we decided to raise capital today, a variety of debt and equity funding sources would likely be available to us. However, there can be no assurance that additional financing will be available on acceptable terms, or at all, if needed in the future.

Obligations and Future Capital Requirements

Our obligations, including satellite-related obligations, purchase commitments and operating leases, did not change materially during the six months ended June 30, 2007.

We expect that our future working capital, capital expenditure and debt service requirements will be satisfied primarily from existing cash and marketable investment securities balances and cash generated from operations. Our ability to generate positive future operating and net cash flows is dependent upon, among other things, our ability to retain existing DISH Network subscribers. There can be no assurance we will be successful in executing our business plan. The amount of capital required to fund our future working capital and capital expenditure needs will vary, depending on, among other things, the rate at which we acquire new subscribers and the cost of subscriber acquisition and retention, including capitalized costs associated with our new and existing subscriber equipment lease programs. The amount of capital required will also depend on the levels of investment necessary to support possible strategic initiatives including our plans to expand our national and local HD offering. Our capital expenditures will vary depending on the number of satellites leased or under construction at any point in time. Our working capital and capital expenditure requirements could increase materially in the event of, among other factors, increased competition for subscription television customers, significant satellite failures, or general economic downturn. These factors could require that we raise additional capital in the future.

From time to time we evaluate opportunities for strategic investments or acquisitions that may complement our current services and products, enhance our technical capabilities, improve or sustain our competitive position, or otherwise offer growth opportunities. We may make investments in or partner with others to expand our business into mobile and portable video, data and voice services. Future material investments or acquisitions may require that we obtain additional capital, assume third party debt or other long-term obligations. Also, the plan to repurchase our Class A common stock extends through December 31, 2007, which could require that we raise additional capital. The maximum dollar value of shares that may still be purchased under the plan is $626 million. There can be no assurance that we could raise all required capital or that required capital would be available on acceptable terms.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks Associated With Financial Instruments

As of June 30, 2007, our restricted and unrestricted cash, cash equivalents and marketable investment securities had a fair value of $2.572 billion. Of that amount, a total of $2.249 billion was invested in: (a) cash; (b) debt instruments of the U.S. Government and its agencies; (c) commercial paper and 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 (d) instruments with similar risk characteristics to the commercial paper described above. The primary purpose of these investing activities has been to preserve principal until the cash is required to, among other things, fund operations, make strategic investments and expand the business. Consequently, the size of this portfolio fluctuates significantly as cash is received and used in our business.

Our restricted and unrestricted cash, cash equivalents and marketable investment securities had an average annual return for the six months ended June 30, 2007 of 5.4%. A hypothetical 10% decrease in interest rates would result in a decrease of approximately $12 million in annual interest income. The value of certain of the investments in this portfolio can be impacted by, among other things, the risk of adverse changes in securities and economic markets, as well as the risks related to the performance of the companies whose commercial paper and other instruments we hold. However, the high quality of these investments (as assessed by independent rating agencies) reduces these risks. The value of these investments can also be impacted by interest rate fluctuations.

At June 30, 2007, all of the $2.249 billion was invested in fixed or variable rate instruments or money market type accounts. While an increase in interest rates would ordinarily adversely impact the fair value of fixed and variable rate investments, we normally hold these investments to maturity. Consequently, neither interest rate fluctuations nor other market risks typically result in significant realized gains or losses to this portfolio. A decrease in interest rates has the effect of reducing our future annual interest income from this portfolio, since funds would be re-invested at lower rates as the instruments mature.

Included in our marketable investment securities portfolio balance is debt and equity of public companies we hold for strategic and financial purposes. As of June 30, 2007, we held strategic and financial debt and equity investments of public companies with a fair value of $323 million. We may make additional strategic and financial investments in debt and other equity securities in the future. 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, 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. A hypothetical 10% adverse change in the price of our public strategic debt and equity investments would result in approximately a $32 million decrease in the fair value of that portfolio.

We currently classify all marketable investment securities as available-for-sale. We adjust the carrying value of our available-for-sale securities to fair value and report the related temporary unrealized gains and losses as a separate component of “Accumulated other comprehensive income (loss)” within “Total stockholders’ equity (deficit),” net of related deferred income tax. Declines in the fair value of a marketable investment security which are estimated to be “other than temporary” are recognized in the Condensed Consolidated Statements of Operations, thus establishing a new cost basis for such investment. We evaluate our marketable investment securities portfolio on a quarterly basis to determine whether declines in the fair value of these securities are other than temporary. This quarterly evaluation consists of reviewing, among other things, the fair value of our marketable investment securities compared to the carrying amount, the historical volatility of the price of each security and any market and company specific factors related to each security. Generally, absent specific factors to the contrary, declines in the fair value of investments

below cost basis for a continuous period of less than six months are considered to be temporary. Declines in the fair value of investments for a continuous period of six to nine months are evaluated on a case by case basis to determine whether any company or market-specific factors exist which would indicate that such declines are other than temporary. Declines in the fair value of investments below cost basis for a continuous period greater than nine months are considered other than temporary and are recorded as charges to earnings, absent specific factors to the contrary.

As of June 30, 2007, we had unrealized gains net of related tax effect of $44 million as a part of "Accumulated other comprehensive income (loss)" within "Total stockholders' equity (deficit)." During the six months ended June 30, 2007, we did not record any charge to earnings for other than temporary declines in the fair value of our marketable investment securities. In addition, during the six months ended June 30, 2007, we recognized in our Condensed Consolidated Statements of Operations realized and unrealized net gains on marketable investment securities of $10 million. During the six months ended June 30, 2007, our strategic investments have experienced and continue to experience volatility. If the fair value of our strategic marketable investment securities portfolio does not remain above cost basis or if we become aware of any market or company specific factors that indicate that the carrying value of certain of our securities is impaired, we may be required to record charges to earnings in future periods equal to the amount of the decline in fair value.

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

We also have several strategic investments in certain non-marketable equity securities which are included in "Other noncurrent assets, net" on our Condensed Consolidated Balance Sheets. Generally, we account for our unconsolidated equity investments under either the equity method or cost method of accounting. Because these equity securities are generally not publicly traded, it is not practical to regularly estimate the fair value of the investments; however, these investments are 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. Such factors may include, but are not limited to, cash flow concerns, material litigation, violations of debt covenants and changes in business strategy. The fair value of these equity investments is not estimated unless there are identified changes in circumstances that may indicate an impairment exists and these changes are likely to have a significant adverse effect on the fair value of the investment. As of June 30, 2007, we had $226 million aggregate carrying amount of non-marketable and unconsolidated strategic equity investments, of which $116 million is accounted for under the cost method. This total also includes the common share component of our strategic investment in a foreign public company, discussed below, which is accounted for under the equity method. During the six months ended June 30, 2007, we did not record any charge to earnings for other than temporary declines in the fair value of our non-marketable equity investment securities, other than discussed below.

We also have a strategic investment in non-public preferred stock, public common stock and convertible debt of a foreign public company which is included in "Other noncurrent assets, net" on our Condensed Consolidated Balance Sheets. The debt is convertible into the issuer's publicly traded common shares. We account for the convertible debt at fair value with changes in fair value reported each period as unrealized gains or losses in "Other" income or expense in our Condensed Consolidated Statements of Operations. We estimate the fair value of the convertible debt using certain assumptions and judgments in applying a discounted cash flow analysis and the Black-Scholes option pricing model including the fair market value of the underlying common stock price as of that date. As of June 30, 2007, the fair value of the convertible debt was $20 million based on the trading price of the issuer's shares on that date. Additionally, during the six months ended June 30, 2007, we recognized a pre-tax unrealized loss of $2 million for the change in the fair value of the convertible debt. During the second quarter of 2006, we converted a portion of the convertible debt to public common shares and determined that we have the ability to significantly influence the operating decisions of the issuer. Consequently, we account for the common share component of our investment under the equity method of accounting. As a result of our change to equity method accounting, we evaluate the common share component of this investment on a quarterly basis to determine whether there has been a decline in the value that is other than temporary. Because the shares are publicly traded, this quarterly evaluation considers the fair market value of the common shares in addition to the other factors described above for equity method investments. During the six months ended June 30 2007, in accordance with our impairment policy, we recorded a $20 million charge to earnings for an "other than temporary" decline in the fair value of this investment and established a new cost basis for this security. The "Cumulative translation adjustment" associated with this investment as of the date of the impairment will remain in "Accumulated other comprehensive income (loss)" within "Total stockholders' equity (deficit)" on our Condensed Consolidated Balance Sheets until the investment is sold or otherwise liquidated; at which time, it will be released into our Condensed Statement of Operations.

Our ability to realize value from our strategic investments in companies that are not publicly traded is dependent on the success of their business 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.

As of June 30, 2007, we had fixed-rate debt, mortgages and other notes payable of $5.560 billion on our Condensed Consolidated Balance Sheets. We estimated the fair value of this debt to be approximately $5.458 billion using

quoted market prices for our publicly traded debt, which constitutes approximately 90% of our debt, and an analysis based on certain assumptions discussed below for our private debt. In completing our analysis for our private debt, we evaluate market conditions, related securities, various public and private offerings, and other publicly available information. In performing this analysis, we make various assumptions regarding credit spreads, volatility, and the impact of these factors on the value of the notes. The fair value of our debt is affected by fluctuations in interest rates. A hypothetical 10% decrease in assumed interest rates would increase the fair value of our debt by approximately $170 million. To the extent interest rates increase, our costs of financing would increase at such time as we are required to refinance our debt. As of June 30, 2007, a hypothetical 10% increase in assumed interest rates would increase our annual interest expense by approximately $35 million.

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

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

Acacia

During 2004, Acacia Media Technologies (“Acacia”) filed a lawsuit against us in the United States District Court for the Northern District of California. The suit also named DirecTV, Comcast, Charter, Cox and a number of smaller cable companies as defendants. Acacia is an intellectual property holding company which seeks to license the patent portfolio that it has acquired. The suit alleges infringement of United States Patent Nos. 5,132,992 (the ‘992 patent), 5,253,275 (the ‘275 patent), 5,550,863 (the ‘863 patent), 6,002,720 (the ‘720 patent) and 6,144,702 (the ‘702 patent). The ‘992, ‘863, ‘720 and ‘702 patents have been asserted against us.

The patents relate to various systems and methods related to the transmission of digital data. The ‘992 and ‘702 patents have also been asserted against several Internet content providers in the United States District Court for the Central District of California. During 2004 and 2005, the Court issued Markman rulings which found that the ‘992 and ‘702 patents were not as broad as Acacia had contended, and that certain terms in the ‘702 patent were indefinite. In April 2006, EchoStar and other defendants asked the Court to rule that the claims of the ‘702 patent are invalid and not infringed. That motion is pending. In June and September 2006, the Court held Markman hearings on the ‘992, ‘863, ‘720 and ‘275 patents, and issued a ruling during December 2006. We believe the decision is generally favorable to us, but we can not predict whether it will result in dismissal of the case.

Acacia’s various patent infringement cases have been consolidated for pre-trial purposes in the United States District Court for the Northern District of California. We intend to vigorously defend this case. In the event that a Court ultimately determines that we infringe any of the 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 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

Broadcast Innovation, L.L.C.

In 2001, Broadcast Innovation, L.L.C. ("Broadcast Innovation") filed a lawsuit against us, DirecTV, Thomson Consumer Electronics and others in Federal District Court in Denver, Colorado. 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 and devices for providing the scrambling circuitry for a pay television system on removable cards. We examined these patents and believe that they are not infringed by any of our products or services. Subsequently, DirecTV and Thomson settled with Broadcast Innovation leaving us as the only defendant.

During 2004, the judge issued an order finding the '066 patent invalid. Also in 2004, the Court ruled 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 the '094 patent finding of invalidity and remanded the case back to the District Court. During June 2006, Charter filed a reexamination request with the United States Patent and Trademark Office. The Court has stayed the case pending reexamination. Our case remains 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 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 cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Distant Network Litigation

During October 2006, a District Court in Florida entered a permanent nationwide injunction prohibiting us from offering distant network channels to consumers effective December 1, 2006. Distant networks are ABC, NBC, CBS and Fox network channels which originate outside the community where the consumer who wants to view them, lives. We have turned off all of our distant network channels and are no longer in the distant network business. Termination of these channels resulted in, among other things, a small reduction in average monthly revenue per subscriber and free cash flow, and a temporary increase in subscriber churn. The plaintiffs in that litigation allege that we are in violation of the Court's injunction and have appealed a District Court decision finding that we are not in violation. We intend to vigorously defend this case. We cannot predict with any degree of certainty the outcome of the appeal or determine the extent of any potential liability or damages.

Enron Commercial Paper Investment

During October 2001, we received approximately $40 million from the sale of Enron commercial paper to a third party broker. That commercial paper was ultimately purchased by Enron. During November 2003, an action was commenced in the United States Bankruptcy Court for the Southern District of New York against approximately 100 defendants, including us, who invested in Enron's commercial paper. The complaint alleges that Enron's October 2001 purchase of its commercial paper was a fraudulent conveyance and voidable preference under bankruptcy laws. We dispute these allegations. We typically invest in commercial paper and notes which are rated in one of the four highest rating categories by at least two nationally recognized statistical rating organizations. At the time of our investment in Enron commercial paper, it was considered to be high quality and low risk. We intend to vigorously defend this case. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Finisar Corporation

Finisar Corporation ("Finisar") obtained a $100 million verdict in the United States District Court for the Eastern District of Texas against DirecTV for patent infringement. Finisar alleged that DirecTV's electronic program guide and other elements of its system infringe United States Patent No. 5,404,505 (the '505 patent).

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PART II – OTHER INFORMATION – Continued

In July 2006, we, together with NagraStar LLC, filed a Complaint for Declaratory Judgment in the United States District Court for the District of Delaware against Finisar that asks the Court to declare that they and we do not infringe, and have not infringed, any valid claim of the '505 patent. Trial is not currently scheduled. We intend to vigorously prosecute this case. In the event that a Court ultimately determines that we infringe this patent, we may be subject to substantial damages, which may include treble damages and/or an injunction that could require us to modify our system architecture. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Forgent

During 2005, Forgent Networks, Inc. ("Forgent") filed a lawsuit against us in the United States District Court for the Eastern District of Texas. The suit also named DirecTV, Charter, Comcast, Time Warner Cable, Cable One and Cox as defendants. The suit alleged infringement of United States Patent No. 6,285,746 (the '746 patent). The '746 patent discloses, among other things, a video teleconferencing system which utilizes digital telephone lines. Prior to trial, all of the other defendants settled with Forgent. Forgent sought over $200 million in damages from EchoStar. On May 21, 2007, the jury unanimously ruled in favor of EchoStar, finding the '746 patent invalid. Forgent filed a motion for a new trial, which the District Court denied.

Global Communications

On April 19, 2007, Global Communications, Inc. ("Global") filed a patent infringement action against us in the United States District Court for the Eastern District of Texas. The suit alleges infringement of United States Patent No. 6,947,702 (the '702 patent). This patent, which involves satellite reception, was issued in September 2005. We intend to vigorously defend this case. In the event that a Court ultimately determines that we infringe the '702 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 cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Katz Communications

On June 21, 2007, Ronald A. Katz Technology Licensing, L.P. ("Katz") filed a patent infringement action against us in the United States District Court for the Northern District of California. The suit alleges infringement of 19 patents owned by Katz. The patents relate to interactive voice response, or IVR, technology. 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 cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Retailer Class Actions

During 2000, lawsuits were filed by retailers in Colorado state and federal court attempting to certify nationwide classes on behalf of certain of our satellite hardware retailers. The plaintiffs are requesting the Courts declare certain provisions of, and changes to, alleged agreements between us and the retailers invalid and unenforceable, and to award damages for lost incentives and payments, charge backs, and other compensation. We are vigorously defending against the suits and have asserted a variety of counterclaims. The federal court action has been stayed during the pendency of the state court action. We filed a motion for summary judgment on all counts and against all plaintiffs. The plaintiffs filed a motion for additional time to conduct discovery to enable them to respond to our

motion. The Court granted limited discovery which ended during 2004. The plaintiffs claimed we did not provide adequate disclosure during the discovery process. The Court agreed, and recently denied our motion for summary judgment as a result. The final impact of the Court's ruling cannot be fully assessed at this time. Trial has been set for August 2008. We intend to vigorously defend this case. 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

Superguide

During 2000, Superguide Corp. ("Superguide") filed suit against us, DirecTV, Thomson and others in the United States District Court for the Western District of North Carolina, Asheville Division, alleging infringement of United States Patent Nos. 5,038,211 (the '211 patent), 5,293,357 (the '357 patent) and 4,751,578 (the '578 patent) which relate to certain electronic program guide functions, including the use of electronic program guides to control VCRs. Superguide sought injunctive and declaratory relief and damages in an unspecified amount.

On summary judgment, the District Court ruled that none of the asserted patents were infringed by us. These rulings were appealed to the United States Court of Appeals for the Federal Circuit. During 2004, the Federal Circuit affirmed in part and reversed in part the District Court's findings and remanded the case back to the District Court for further proceedings. In 2005, Superguide indicated that it would no longer pursue infringement allegations with respect to the '211 and '357 patents and those patents have now been dismissed from the suit. The District Court subsequently entered judgment of non-infringement in favor of all defendants as to the '211 and '357 patents and ordered briefing on Thomson's license defense as to the '578 patent. During December 2006, the District Court found that there were disputed issues of fact regarding Thomson's license defense, and ordered a trial solely addressed to that issue. That trial took place in March 2007. In July 2007, the District Court ruled in favor of Superguide. As a result, Superguide will be able to proceed with their infringement action against us, DirecTV and Thomson.

We intend to vigorously defend this case. In the event that a Court ultimately determines that we infringe the '578 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 electronic programming guide and related 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.

Tivo Inc.

During April 2006, a Texas jury concluded that certain of our digital video recorders, or DVRs, infringed a patent held by Tivo. The Texas court subsequently issued an injunction prohibiting us from offering DVR functionality. A Court of Appeals has stayed that injunction during the pendency of our appeal.

In accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies" ("SFAS 5"), we recorded a total reserve of $94 million in "Litigation expense" on our Condensed Consolidated Statement of Operations to reflect the jury verdict, supplemental damages and pre-judgment interest awarded by the Texas court through September 8, 2006. Based on our current analysis of the case, including the appellate record and other factors, we believe it is more likely than not that we will prevail on appeal. Consequently, we are not recording additional amounts for supplemental damages or interest subsequent to the September 8, 2006 judgment date. If the verdict is upheld on appeal, the $94 million amount would increase by approximately $35 million through the end of 2007.

If the verdict is upheld on appeal and we are not able to successfully implement alternative technology (including the successful defense of any challenge that such technology infringes Tivo's patent), we would owe substantial additional damages and we could also be prohibited from distributing DVRs, or be required to modify or eliminate certain user-friendly DVR features that we currently offer to consumers. In that event we would be at a significant disadvantage to our competitors who could offer this functionality and, while we would attempt to provide that functionality through other manufacturers, the adverse affect on our business could be material.

On July 30, 2007, the Patent and Trademark Office ("PTO") issued a "final office action" rejecting as invalid all of the hardware claims that Tivo asserted against us at trial and which the jury found we had infringed. The PTO did not reject the two software claims that Tivo asserted against us at trial and which the jury found we had infringed. Tivo can appeal the final office action. We believe that we do not infringe any of the claims asserted against us.

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PART II – OTHER INFORMATION – Continued

Trans Video

In August 2006, Trans Video Electronic, Ltd. ("Trans Video") filed a patent infringement action against us in the United States District Court for the Northern District of California. The suit alleges infringement of United States Patent Nos. 5,903,621 (the '621 patent) and 5,991,801 (the '801 patent). The patents relate to various methods related to the transmission of digital data by satellite. On May 14, 2007, we reached a settlement which did not have a material impact on our results of operations.

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/A for 2006 includes a detailed discussion of our risk factors. During the six months ended June 30, 2007, there were no material changes in risk factors as previously disclosed.

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

Issuer Purchases of Equity Securities

The following table provides information regarding purchases of our Class A common stock from April 1, 2007 through June 30, 2007.

Period	Total Number of Shares Purchased (a)	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 (b)
		(In thousands, except share data)		
April 1 - April 30, 2007	-	$ -	-	$ 625,811
May 1 - May 31, 2007	-	$ -	-	$ 625,811
June 1 - June 30, 2007	-	$ -	-	$ 625,811
Total	-	$ -	-	$ 625,811

(a) During the period from April 1, 2007 through June 30, 2007, we did not repurchase any of our Class A common stock pursuant to our repurchase program. The maximum dollar value of shares that may still be purchased under the plan through December 31, 2007 is $626 million.

(b) Our Board of Directors authorized the purchase of up to $1.0 billion of our Class A common stock on August 9, 2004. Prior to 2007, we purchased a total of 13.6 million shares for a total of $374 million. During 2006, our

Board of Directors approved extending this repurchase program to expire on the earlier of December 31, 2007 or when an aggregate amount of $1.0 billion of stock has been purchased. 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.

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PART II – OTHER INFORMATION – Continued

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

The following matters were voted upon at the annual meeting of our shareholders held on May 8, 2007:

a. The election of James DeFranco, Michael T. Dugan, Cantey Ergen, Charles W. Ergen, Steven R. Goodbarn, Gary S. Howard, David K. Moskowitz, Tom A. Ortolf, C. Michael Schroeder and Carl E. Vogel as directors to serve until the 2008 annual meeting of shareholders; and
b. Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007.

All matters voted on at the annual meeting were approved. The voting results were as follows:

	Votes			
	For	Against/ Withheld	Abstain	Broker Non-Votes
Election as directors:				
James DeFranco	2,528,405,463	38,528,904	-	-
Michael T Dugan	2,502,654,547	64,279,820	-	-
Cantey Ergen	2,515,602,921	51,331,446	-	-
Charles W Ergen	2,519,260,940	47,673,427	-	-
Steven R Goodbarn	2,562,585,718	4,348,649	-	-
Gary S Howard	2,562,582,345	4,352,022	-	-
David K Moskowitz	2,527,932,269	39,002,098	-	-
Tom A Ortolf	2,562,330,050	4,604,317	-	-
C Michael Schroeder	2,562,579,027	4,355,340	-	-
Carl E Vogel	2,527,932,636	39,001,731	-	-
Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2007	2,565,896,279	991,672	46,415	-

Item 6. EXHIBITS

(a)Exhibits.

31.1 Section 302 Certification by Chairman and Chief Executive Officer.

31.2 Section 302 Certification by Executive Vice President and Chief Financial Officer.

32.1 Section 906 Certification by Chairman and Chief Executive Officer.

32.2 Section 906 Certification by Executive Vice President and Chief Financial Officer.

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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 COMMUNICATIONS CORPORATION

By: /s/ *Charles W. Ergen*
Charles W. Ergen
Chairman and Chief Executive Officer
(Duly Authorized Officer)

By: /s/ *Bernard L. Han*
Bernard L. Han
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 9, 2007