EchoStar CORP
Form 10-K
March 02, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM ________ TO ________.

Commission file number: 001-33807
EchoStar Corporation
(Exact name of registrant as specified in its charter)

Nevada	**26-1232727**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
90 Inverness Circle E. **Englewood, Colorado**	**80112**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (303) 706-4000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Class A common stock, $0.001 par value	The Nasdaq Stock Market LLC

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

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

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting	Smaller reporting company o

company)

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

As of June 30, 2008, the aggregate market value of Class A common stock held by non-affiliates of the Registrant was $1.3 billion based upon the closing price of the Class A common stock as reported on the Nasdaq Global Select Market as of the close of business on that date.

As of February 20, 2009, the Registrant s outstanding common stock consisted of 38,919,198 shares of Class A common stock and 47,687,039 shares of Class B common stock, each $0.001 par value.

DOCUMENTS INCORPORATED BY REFERENCE

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

Portions of the Registrant s definitive Proxy Statement to be filed in connection with its 2009 Annual Meeting of Shareholders are incorporated by reference in Part III.

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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 statemer must remember that our expectations may not be achieved, even though we believe they are reasonable. We do not guarantee that any future transactions or events described herein will happen as described or that they will happen at all. You should read this report completely and with the understanding that actual future results may be materially different from what we expect. Whether actual events or results will conform with our expectations and predictions is subject to a number of risks and uncertainties.

For further discussion see *Item 1A. Risk Factors.* The risks and uncertainties include, but are not limited to, the following:

General Risks Affecting Our Business

Weakening economic conditions, including the recent downturn in financial markets and reduced consumer spending, may adversely affect our ability to grow or maintain our business.

We currently depend on DISH Network Corporation, or DISH Network, and Bell TV, formerly Bell ExpressVu, for substantially all of our revenue. The loss of, or a significant reduction in orders from or a decrease in selling prices of digital set-top boxes, transponder leasing, digital broadcast operations and/or other services to DISH Network or Bell TV would significantly reduce our revenue and adversely impact our results of operations.

Adverse developments in DISH Network s business, such as the recent termination of its distribution relationship with AT&T, may adversely affect us.

We currently have substantial unused satellite capacity, and our results of operations would be materially adversely affected if we are not able to utilize more of this capacity.

As a result of our Spin-off from DISH Network, our financial statements for prior years do not reflect all the assets and lines of business that are reflected in our 2008 financial statements, potentially making it more difficult to compare growth and other metrics in 2008 with prior periods.

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

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

We may experience significant financial losses on our existing investments.

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

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

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

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

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

We rely on key personnel and the loss of their services or the inability to attract and retain them may negatively affect our businesses.

Risks Affecting Our Digital Set-Top Box Business

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

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Our business may suffer if direct-to-home satellite service providers, who currently comprise our customer base, do not compete successfully with existing and emerging alternative platforms for delivering digital television, including cable television operators, terrestrial broadcasters, and internet protocol television.

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

We may be exposed to the risk of inflation which could have a material adverse effect on our results of operations.

The average selling price of our digital set-top boxes may decrease, which could negatively impact our financial position and results of operations.

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

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

The digital set-top box business is extremely competitive.

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

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

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

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

Our future growth depends on market acceptance of high definition, or HD, television.

If we are unsuccessful in defending Tivo s litigation against us, we could be prohibited from offering DVR technology that would in turn put us at a significant disadvantage to our competitors.

Risks Affecting Our Satellite Services Business

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

Our satellites are subject to significant operational and atmospheric risks that could limit our ability to utilize these satellites.

Our satellites have minimum design lives of 12 years, but could fail or suffer reduced capacity before then.

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

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

Our business depends substantially on FCC licenses that can expire or be revoked or modified and applications that may not be granted.

We may not be aware of certain foreign government regulations.

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

We currently have no commercial insurance coverage on the satellites we own and could face significant impairment charges if one of our satellites fails.

Risks Relating to the Spin-Off

We have potential conflicts of interest with DISH Network.

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Risks Relating to our Common Stock and the Securities Market

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

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

We are controlled by one principal shareholder who is our Chairman, President and Chief Executive Officer.

We do not intend to pay dividends for the foreseeable future.

We may face other risks described from time to time in periodic and current reports we file with the Securities and Exchange Commission, or 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 Corporation and its subsidiari unless the context otherwise requires. DISH Network refers to DISH Network Corporation and its subsidiaries, unless the context otherwise requires.

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PART I

Item 1. BUSINESS

OVERVIEW

EchoStar is a newly formed company which had not conducted independent operations prior to its separation (Spin-off) from DISH Network on January 1, 2008. DISH Network and EchoStar now operate as separate publicly-traded companies, and neither entity has any ownership interest in the other. However, a substantial majority of the voting power of the shares of both companies is owned beneficially by Charles W. Ergen, our Chairman, President and Chief Executive Officer.

We currently operate two primary business units:

- *Digital Set-Top Box Business* which designs, develops and distributes digital set-top boxes and related products and technology, including our Slingbox placeshifting technology discussed below, primarily for satellite TV service providers, telecommunication and cable companies and directly to consumers via retail outlets. Most of our digital set-top boxes are sold to DISH Network, but we also sell a significant number of digital set-top boxes to Bell TV in Canada and other international customers. Our Digital Set-Top Box business also provides digital broadcast operations including satellite uplinking/downlinking, transmission services, signal processing, conditional access management and other services provided primarily to DISH Network. We currently employ over 700 engineers in our Digital Set-Top Box business.

- *Satellite Services Business* which uses our eight owned and leased in-orbit satellites and related FCC licenses to lease capacity on a full time and occasional-use basis to enterprise, broadcast news and government organizations. We currently lease capacity primarily to DISH Network, and secondarily to government entities, Internet service providers, broadcast news organizations and private enterprise customers.

Our experience with digital set-top boxes and satellite delivery systems enables us to provide end-to-end pay TV delivery systems incorporating our satellite and backhaul capacity, customized digital set-top boxes and related components, and network design and management. On November 24, 2008, we entered into a joint venture to provide a direct-to-home, or DTH, service in Mexico through several arrangements that provide us with an approximate 24% indirect economic interest in DISH Mexico, S. de R.L. de C.V., or DISH Mexico. In accordance with the terms of the arrangements, we provide certain broadcast services and transponder services and may sell hardware such as digital set-top boxes and related equipment to DISH Mexico. Subject to a number of conditions, including regulatory approvals and compliance with various other arrangements, we committed to provide approximately $112 million of value over an initial ten year period. Of the total commitment, approximately $42 million is expected to be paid in cash and the remaining amounts may be satisfied in the form of cash, certain services or equipment. As of December 31, 2008, we had invested approximately $8 million of cash and contributed equipment in DISH Mexico.

We were organized in October 2007 as a corporation under the laws of the State of Nevada. Our Class A common stock is publicly traded on the Nasdaq Global Select Market under the symbol SATS. Our principal executive offices are located at 90 Inverness Circle E., Englewood, Colorado 80112 and our telephone number is (303) 706-4000.

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BUSINESS STRATEGIES

Expand Digital Set-Top Box business to additional customers. Historically, many of our potential customers viewed us as a competitor due to our affiliation with DISH Network. Our separation from DISH Network was intended in part to enhance our opportunities to sell digital set-top boxes to a broader group of pay TV distributors in the United States as well as internationally. There can be no assurance, however, that we will be successful in entering into any of these commercial relationships (particularly if we continue to be perceived as affiliated with DISH Network as a result of common ownership and related management).

Leverage satellite capacity and related infrastructure. Our Satellite Services business benefits from excess satellite and fiber capacity. While DISH Network is our primary customer for satellite services, we believe market opportunities exist to lease our capacity to a broader customer base, including providers of pay TV service, satellite-delivered IP, corporate communications and government services.

Offer end-to-end pay TV delivery systems. We intend to leverage our more than 700 engineers to customize infrastructure solutions for a broad base of customers. For example, as recently demonstrated by our DISH Mexico joint venture, we are offering customers end-to-end pay TV delivery systems incorporating our satellite and backhaul capacity, customized digital set-top boxes and network design and management.

Capitalize on change in regulations. Changes in federal law and regulations applicable to the set-box industry may create opportunities for us to expand our business. For instance, the Federal Communications Commission, or FCC, requires cable providers to use removable security modules to provide conditional access security for television content. The FCC intended for this regulation to spur competition in the retail set-top box market, providing an even playing field between leased cable set-top boxes and retail-bought, cable-ready TVs and set-top box equipment. We believe this new regulation may create an opportunity for us to compete on a more level field in the domestic market for cable set-top boxes.

Exploit international opportunities. We believe that direct-to-home satellite service is particularly well-suited for countries without extensive cable infrastructure, and we intend to continue to try to secure new investments and customer relationships with international direct-to-home satellite service providers.

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

Act on the set-top box replacement cycle. The broader adoption of high definition television by consumers will require more advanced compression and security technologies within set-top boxes. This may launch a replacement cycle, particularly among direct-to-home and cable providers with substantial bases of legacy equipment, which may create additional market opportunities for us.

Significantly expand our marketing and sales capabilities. Historically, our sales and marketing efforts have been limited in scope and focused on international opportunities because the majority of our products and services were provided to DISH Network pursuant to purchase orders, as opposed to long term contracts. In addition, we historically did not actively seek opportunities with other multi-channel video providers in light of our relationship with DISH Network, which is a competitor to many of these video providers. Therefore, to successfully implement our business strategy, we are significantly expanding our marketing and sales capabilities both domestically and internationally. In particular, we are expanding our marketing and sales capabilities and efforts with domestic pay TV providers other than DISH Network.

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DIGITAL SET-TOP BOX BUSINESS

Our Products

Digital Set-Top Boxes. Our digital set-top boxes permit consumers to watch, control and record television programming through digital video recorder, or DVR, technology integrated with satellite receivers. Certain of our digital set-top boxes are also capable of incorporating Internet-protocol television, or IPTV, functionality, which allows consumers to download movies, music and other content via the Internet through an Ethernet connection.

As part of the Spin-off from DISH Network, we acquired Sling Media, Inc., a leading innovator in the digital-lifestyle space, to complement our existing product line. Slingbox contains a patented placeshifting technology that allows consumers to watch and control their home digital video and audio content anywhere in the world via a broadband internet connection.

Our current digital set-top box offerings includes:

Slingboxes: From our wholly owned subsidiary, Sling Media, we produce and sell at retail channels a variety of Slingbox products, including the Slingbox, Slingbox PRO HD, SlingCatcher and Slingbox Solo.

SlingLoaded HD-DVR digital set-top boxes: These devices combine HD-DVR digital set-top boxes with Sling Media s Slingbox technology, creating the first high definition digital video recorder that incorporates placeshifting technology into a single device. This placeshifting set-top box has up to 1,000 hours of recording time, incorporates a touch-pad remote control and new user interface, and allows users to increase their DVR storage capacity through the use of external hard drives. This digital set-top box is scheduled to be released in the first half of 2009 for our first customer, DISH Network.

Standard-definition (SD) basic digital set-top boxes: These devices allow consumers who subscribe to television service from multi-channel video distributors to access encrypted digital video and audio content and make use of a variety of applications. These applications include an on-screen interactive program guide, pay-per-view offerings, the ability to support V-chip type parental control technology, games and shopping.

SD-DVR digital set-top boxes: In addition to the functionality of a SD basic digital set-top box, these devices enable subscribers to pause, stop, reverse, fast forward, record and replay live or recorded digital television content using a built-in hard drive capable of storing up to 200 hours of content. They also include the ability to support video-on-demand, or VOD, services.

High-Definition (HD) digital set-top boxes: These devices enable subscribers to access the enhanced picture quality and sound of high-definition content, in addition to the functionality of a SD digital set-top box.

HD-DVR digital set-top boxes: These devices combine the functionality of HD digital set-top box and a DVR digital set-top box into a single device. In general, our most-advanced HD-DVR digital set-top boxes are capable of storing up to 350 hours of SD, or 55 hours of HD, content, contain IPTV functionality, and allow users to greatly increase their DVR storage capacity through the use of external hard drives.

In addition to digital set-top boxes, we also design and develop related products such as satellite dishes, remote controls, Sling modems, digital-to-analog converter boxes, which will allow consumers to view, record and play back local over-the-air analog and digital broadcasts on analog TV sets, and other devices and accessories.

Digital Broadcast Operations. We operate a number of digital broadcast centers in the United States. Our principal digital broadcast centers are located in Cheyenne, Wyoming, and Gilbert, Arizona. We also have six regional digital broadcast centers that allow us to maximize the use of the spot beam capabilities of our satellites and our customers satellites. Programming and other data is received at these centers by fiber or satellite, it is then processed, compressed, and encrypted and then it is uplinked to our satellites and our customers satellites for transmission to consumers. In addition, we have the capability to aggregate content at our digital broadcast centers and offer transport services for over 300 channels of MPEG-4 IP encapsulated standard-definition and high-definition programming from our satellite located at the 85 degree orbital location. We

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intend to offer these wholesale programming transport services to telecommunication companies, rural cable operators, local exchange carriers and wireless broadband providers.

Our Customers

Historically, the primary customer of our Digital Set-Top Box business has been DISH Network. For the fiscal years ended December 31, 2008, 2007 and 2006, DISH Network accounted for approximately 86.5%, 83.8% and 84.1% of our total revenue, respectively. In addition, Bell TV, a direct-to-home satellite service provider in Canada, accounted for 8.4%, 10.7% and 12.2%, respectively, of our total revenue for the fiscal years ended December 31, 2008, 2007 and 2006. We also currently sell our digital set-top boxes to other international direct-to-home satellite service providers, although these customers do not account for a significant amount of our total revenue.

In the near term, we expect to rely on DISH Network to remain the primary customer of our Digital Set-Top Box business and the primary source of our total revenue. We have entered into commercial agreements with DISH Network pursuant to which we are obligated to sell digital set-top boxes and related products to DISH Network at our cost plus a fixed margin until December 31, 2009. However, DISH Network is under no obligation to purchase our digital set-top boxes or related products during or after this period.

A substantial majority of our international revenue during each of the years ended December 31, 2008, 2007, and 2006, was attributable to sales of digital set-top boxes to Bell TV. In early 2009, we completed a multi-year contract extension with Bell TV that makes us the exclusive provider of digital set-top boxes to Bell TV, subject to certain limited exceptions. The agreement includes fixed pricing over the term of the agreement as well as providing future engineering development for enhanced Bell TV service offerings.

Our Competition

As we seek to establish ourselves in the digital set-top box industry as an independent business, we face substantial competition. Many of our primary competitors, such as Motorola, Inc. and Cisco Systems, Inc., which owns Scientific Atlanta, have established longstanding relationships with their customers. Although some of the competitors own the conditional access technology deployed by their customers, the FCC mandated removable security in digital cable systems, which allows us to compete for this type of business. In addition, we may face competition from international developers of digital set-top box systems that may be able to develop and manufacture products and services at costs that are substantially lower than ours. Our ability to compete in the digital set-top box industry will also depend heavily on our ability to successfully bring new technologies to market to keep pace with our competitors.

Our Manufacturers

Although we design, engineer and distribute digital set-top boxes and related products, we are not generally engaged in the manufacturing process. Rather, we outsource the manufacturing of our digital set-top boxes and related products to third party manufacturers who manufacture our products according to specifications supplied by us. We depend on a few manufacturers, and in some cases a single manufacturer, for the production of digital set-top boxes and related products. Although there can be no assurance, we do not believe that the loss of any single manufacturer would materially impact our business. Sanmina-SCI Corporation and Jabil Circuit, Inc. currently manufacture the majority of our digital set-top boxes.

SATELLITE SERVICES BUSINESS

We operate six owned and two leased in-orbit satellites. We also have one owned satellite and two leased satellites under construction.

Our transponder capacity is currently used by our customers for a variety of applications:

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Broadcasting Services. We lease satellite transponder capacity to satellite TV providers, broadcasters and programmers who use our satellites to deliver programming to U.S. households. Our satellites are also used for the transmission of live sporting events, Internet and disaster recovery, and satellite news gathering services.

Government Services. We lease satellite capacity and provide technical services to U.S. government agencies and contractors. We believe the U.S. government may increase its use of commercial satellites for Homeland Security, emergency response, continuing education, distance learning, and training.

Network Services. We lease satellite transponder capacity and provide terrestrial network services to corporations. These networks are dedicated private networks that allow delivery of video and data services for corporate communications. Our satellites can be used for point-to-point or point to multi-point communications.

Our Customers

We lease transponder capacity on our satellite fleet primarily to DISH Network, but also to a small number of government entities, Internet service providers, broadcast news organizations and private enterprise customers. Currently, due to our limited base of customers, we have a substantial amount of excess capacity. For the year ended December 31, 2008, DISH Network accounted for approximately 89.2% of our total satellite services revenue. We have entered into certain commercial agreements with DISH Network pursuant to which we are obligated to provide DISH Network with satellite services at fixed prices until December 31, 2009. However, DISH Network may terminate these agreements upon 60 days notice. While we expect to continue to provide satellite services to DISH Network, its satellite capacity requirements may change for a variety of reasons, including DISH Network s ability to launch its own satellites. Any termination or reduction in the services we provide to DISH Network may increase excess capacity on our satellites and require that we aggressively pursue alternative sources of revenue for this business. Our other satellite service sales are generally characterized by shorter-term contracts or spot market sales. Future costs associated with our excess capacity will negatively impact our margins if we do not generate revenue to offset these costs.

Our Competition

We compete against larger, well-established satellite service companies, such as Intelsat Corporation, SES Americom and Telesat Holdings, Inc., in an industry that is characterized by long-term leases and high switching costs. Therefore, it will be difficult to displace customers from their current relationships with our competitors. Intelsat and SES Americom maintain key North American orbital slots which may further limit competition and competitive pricing. In addition, our satellite service business could face significant competition from suppliers of terrestrial communications capacity.

While we believe that there may be opportunities to capture new business as a result of market trends such as the digital transition and the increased communications demands of homeland security initiatives, there can be no assurance that we will be able to effectively compete against our competitors due to their significant resources and operating history.

IMPAIRMENTS AND INVESTMENT LOSSES

During the year ended December 31, 2008, we recorded impairment charges and net losses on investments, as follows:

	For the Year Ended December 31, 2008	
	Pre-Tax	After-Tax
	(In thousands)	
Goodwill impairment	$ 247,253	$ 247,253
FCC authorization impairment	38,720	33,434
Satellite impairments:		
AMC-15	137,955	85,339

AMC-16	79,745	49,331
CMBStar	85,000	52,581
Casualty loss AMC-14	12,799	7,918
Unrealized gains (losses) on investments accounted for at fair value, net	352,227	352,227
Unrealized and realized gains (losses) on marketable investment securities and other investments	89,795	89,795
Other impairments	11,273	8,678
Total impairments and net losses on investments	$ 1,054,767	$ 926,556

Of these amounts, we recorded $772 million, pre-tax, and $654 million after-tax, during the fourth quarter 2008.

Goodwill and Indefinite-Lived Asset Impairments

In accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142), we assess the carrying value of goodwill and other indefinite-lived intangible assets for impairment annually, or more frequently whenever events occur and circumstances change indicating potential impairment.

During the fourth quarter of 2008, our market capitalization fell significantly below the carrying amount of our consolidated net assets.

Goodwill Impairment. The fair value of goodwill carried in our Digital Set-Top Box reporting unit was determined using a discounted cash flow model. The discounted cash flows were based on probability weighted financial forecasts developed by management. This model used Level 3 inputs as defined in Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). The implied fair value of goodwill was measured as the difference between the fair value of the Digital Set-Top Box reporting unit and the reporting unit s carrying value. Based on this assessment, during the fourth quarter of 2008, we recorded a $247 million impairment charge. This impairment was the result of the significant decline in the fair value of our Digital Set-Top Box reporting unit caused by the weakening economic conditions and the effect of those conditions on our expected cash flows.

FCC Authorization Impairment. Prior to September 30, 2008, we held certain FCC licenses with an aggregate carrying amount of $43 million in our All Other reporting unit, which consists of our other operations, including our corporate investment activities. During the third quarter of 2008, as a result of the weakening domestic economy, we determined that we no longer plan to invest additional amounts to exploit these assets. As a result of this change in the business environment and changes in our business plan for these assets, in the third quarter of 2008, we determined that we had a triggering event related to these FCC licenses. Based on this triggering event we performed an impairment review of these assets using Level 3 inputs, as defined by SFAS 157, in a discounted cash flow model to determine our estimated fair value. Based on this assessment, we recorded an impairment charge of $39 million.

Satellite Impairments

We account for impairments of long-lived 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), which 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.

AMC-15 and AMC-16 Impairments. In connection with the Spin-off, the satellite lease agreements for AMC-15 and AMC-16, two in-orbit satellites with substantial unused satellite capacity, were contributed to us by DISH Network. These assets are part of our Satellite Services business. Our business plan contemplated sufficient cash inflows to support the carrying amount of these satellites. However, during the fourth quarter of 2008, due to our inability to successfully generate planned cash inflows from business opportunities, together with a decrease in demand for satellite services as a result of the weakening economy we performed an impairment analysis in accordance with SFAS 144 and determined that the respective undiscounted cash flows would not recover the carrying amount of these satellites. We estimated the fair values of these satellites using a discounted cash flow model based on discrete financial forecasts developed by management. The discounted cash flow models used Level 3 inputs as defined by SFAS 157.

Based on the results of this analysis, the carrying value of AMC-15 and AMC-16 exceeded the fair value by $138 million and $80 million, respectively, and we recorded these amounts as impairment charges during the fourth quarter of 2008.

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CMBStar Impairment. In connection with the Spin-off, DISH Network contributed to us, a satellite under construction, CMBStar. We have suspended construction of the CMBStar satellite and during April 2008, we notified the State Administration of Radio, Film and Television of China that we were suspending construction of the CMBStar satellite pending, among other things, further analysis relating to efforts to meet the satellite performance criteria and/or confirmation that alternative performance criteria would be acceptable. During the second and third quarters of 2008, we continued to explore remedies and alternative uses for this satellite. During the fourth quarter of 2008, there were significant adverse changes in the business climate and we were unable to secure a commercial agreement for an alternative use. As a result, we performed an impairment analysis in accordance with SFAS 144 and determined that the undiscounted cash flows would not recover the carrying amount of this satellite. We determined the fair value of this satellite by evaluating the probable cash flows that we may receive from potential uses including what other purchasers in the market may have paid for a reasonably similar asset and the fair value we could realize should we deploy the satellite in a manner different from its original intended use (for example, we considered component resale values). The valuation model used Level 3 inputs as defined by SFAS 157.

Based on the results of this analysis, the carrying value of CMBStar exceeded its fair value by $85 million and we recorded an impairment charge. This asset is included in our All Other segment.

AMC-14 Casualty Loss. During March 2008, AMC-14 experienced a launch anomaly and failed to reach its intended orbit. SES Americom subsequently declared the AMC-14 satellite a total loss due to a lack of viable options to reposition the satellite to its proper geostationary orbit. Therefore, we have no obligation to make any future monthly lease payments to SES Americom with respect to the satellite. However, we did make up-front payments with respect to the satellite prior to launch and recorded capitalized interest and insurance costs related to the satellite. These amounts, net of insurance proceeds of $41 million, totaled $13 million and were written-off during the first quarter of 2008 and were attributed to our Satellite Services segment. The insurance proceeds were collected during the second quarter of 2008.

Losses on Investments

We disclosed in our 2007 Form 10-K, that we have a number of strategic investments some of which involve a high degree of risk and could expose us to significant financial losses. During 2008, equity and debt markets experienced significant declines in value and the market value of our strategic investments declined as well. During 2008, we recorded $352 million of unrealized losses on investments accounted for at fair value. Of this amount, $170 million was recorded during the fourth quarter 2008.

We also recorded $90 million of net unrealized and realized losses on investments primarily related to other-than-temporary impairments of marketable investments securities. Of this amount, $46 million was recorded during the fourth quarter 2008.

For further discussion of these impairments, please see Note 7 in the Notes to Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K.

OTHER BUSINESS OPPORTUNITIES

We intend to evaluate new strategic development opportunities both in the North America, Asia and in other international markets. We also plan to expand our business and support the development of new satellite-delivered services, such as mobile video services. The expertise we obtain through these strategic investments may also help us to improve and expand the services that we provide to our existing customers.

OUR SATELLITE FLEET

Our satellite fleet consists of both owned and leased satellites detailed in the table below.

Satellites	Launch Date	Degree Orbital Location	Original Useful Life/ Lease Term (In Years)
Owned:			
EchoStar III	October 1997	61.5	12
EchoStar IV	May 1998	77	12

EchoStar VI	July 2000	72.7	12
EchoStar VIII	August 2002	77	12
EchoStar IX	August 2003	121	12
EchoStar XII	July 2003	61.5	10
Leased:			
AMC-15	December 2004	105	10
AMC-16	January 2005	85	10
Under Construction:			
CMBStar (owned)	TBD		
Nimiq 5 (leased)	Late 2009	72.7	15
QuetzSat-1 (leased)	2011	77	10

While we believe that overall our satellite fleet is generally in good condition, during 2008 and prior periods certain satellites in our fleet have experienced anomalies, some of which have had a significant adverse impact on their commercial operation. There can be no assurance that future anomalies will not cause further losses, which could further impact the remaining life or commercial operation of any of these satellites. See discussion of evaluation of

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impairment in *Long-Lived Assets* in Note 7 in the Notes to Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K. In addition, there can be no assurance that we can recover critical transmission capacity in the event one or more of our in-orbit satellites were to fail. We do not carry insurance for any of the in-orbit satellites that we own, and we will bear the risk associated with any in-orbit satellite failures.

Owned Satellites

EchoStar III. EchoStar III was originally designed to operate a maximum of 32 DBS transponders in CONUS, which provides service to the entire continental United States, at approximately 120 watts per channel, switchable to 16 transponders operating at over 230 watts per channel, and was equipped with a total of 44 traveling wave tube amplifiers (TWTAs) to provide redundancy. As a result of past TWTA failures, only 18 transponders are currently available for use. Due to redundancy switching limitations and specific channel authorizations, we can only use EchoStar III to operate on 15 of our FCC authorized frequencies at the 61.5 degree location. While we do not expect a large number of additional TWTAs to fail in any year, and the failures have not reduced the original minimum 12-year design life of the satellite, it is likely that additional TWTA failures will occur from time to time in the future, and such failures could further impact commercial operation of the satellite.

EchoStar IV. EchoStar IV currently operates at the 77 degree orbital location, which is licensed by the government of Mexico. The satellite was originally designed to operate a maximum of 32 DBS transponders in CONUS at approximately 120 watts per channel, switchable to 16 transponders operating at over 230 watts per channel. As a result of past TWTA failures, only six transponders are currently available for use and the satellite has been fully depreciated. There can be no assurance that further material degradation, or total loss of use, of EchoStar IV will not occur in the immediate future. Based on a recent analysis of the remaining fuel life, EchoStar IV is not expected to be in operation beyond 2009.

EchoStar VI. EchoStar VI was originally equipped with 108 solar array strings, approximately 102 of which are required to assure full power availability for the original minimum 12-year useful life of the satellite. Prior to 2008, EchoStar VI experienced anomalies resulting in the loss of 22 solar array strings, reducing the number of functional solar array strings to 86. While the useful life of the satellite has not been affected, commercial operability has been reduced. The satellite was designed to operate 32 DBS transponders in CONUS at approximately 125 watts per channel, switchable to 16 transponders operating at approximately 225 watts per channel. The power reduction resulting from the solar array failures currently limits us to operation of a maximum of 25 transponders in standard power mode, or 12 transponders in high power mode. The number of transponders to which power can be provided is expected to decline in the future at the rate of approximately one transponder every three years.

EchoStar VIII. EchoStar VIII was designed to operate 32 DBS transponders in CONUS at approximately 120 watts per channel, switchable to 16 transponders operating at approximately 240 watts per channel. EchoStar VIII also includes spot-beam technology. This satellite has experienced several anomalies since launch, but none have impacted commercial operation or reduced the 12-year estimated useful life of the satellite. However, there can be no assurance that future anomalies will not cause further losses which could materially impact its commercial operation, or result in a total loss of the satellite. EchoStar VIII was moved to the 77 degree orbital location during 2008.

EchoStar IX. EchoStar IX was designed to operate 32 fixed satellite service (FSS) Ku-band transponders in CONUS at approximately 110 watts per channel, along with transponders that can provide services in the Ka-Band (a Ka-band payload). The satellite also includes a C-band payload which is owned by a third party. Prior to 2008, EchoStar IX experienced anomalies resulting in the loss of three solar array strings and the loss of one of its three momentum wheels, two of which are utilized during normal operations. A spare wheel was switched in at the time. These anomalies have not impacted the 12-year estimated useful life or the commercial operation of the satellite.

EchoStar XII. EchoStar XII was designed to operate 13 DBS transponders at 270 watts per channel in CONUS mode, or 22 spot beams using a combination of 135 and 65 watt TWTAs. We currently operate the satellite in spot beam/CONUS hybrid mode. EchoStar XII has a total of 24 solar array circuits, approximately 22 of which are required to assure full power for the original minimum 12-year design life of the satellite. Prior to 2008, eight solar array circuits on EchoStar XII have experienced anomalous behavior resulting in both temporary and permanent solar array circuit failures. Although the design life of the satellite has not been affected, these circuit failures have

resulted in a reduction in power to the satellite which will preclude us from using the full complement of transponders on EchoStar XII for the 12-year design life of the satellite.

Leased Satellites

AMC-15. AMC-15, an FSS satellite, commenced commercial operation during January 2005 and currently operates at the 105 degree orbital location. This SES Americom satellite is equipped with 24 Ku-band FSS transponders that operate at approximately 120 watts per channel and a Ka-band payload consisting of 12 spot beams.

AMC-16. AMC-16, an FSS satellite, commenced commercial operation during February 2005 and currently operates at the 85 degree orbital location. This SES Americom satellite is equipped with 24 Ku-band FSS transponders that operate at approximately 120 watts per channel and a Ka-band payload consisting of 12 spot beams. During the first quarter of 2008, SES Americom notified us that AMC-16 had experienced an anomaly and is no longer capable of operating at full capacity. Pursuant to the satellite services agreement, we are entitled to a reduction of our monthly recurring payment in the event of a partial loss of satellite capacity. Effective October 1, 2008, the monthly recurring payment was reduced and as a result our capital lease obligation and the corresponding asset value was lowered by approximately $5 million in 2008.

Satellites Under Construction

CMBStar. As previously discussed, we have suspended construction of the CMBStar satellite and recorded an $85 million impairment during the fourth quarter of 2008.

We also have contracts to lease the following two additional satellites currently under construction which are expected to be completed between 2009 and 2011.

Nimiq 5. Bell TV currently has the right to receive service on the entire communications capacity on Nimiq 5, a Canadian DBS satellite, pursuant to an agreement with Telesat Canada. In March 2008, we entered into a fifteen-year satellite service agreement with Bell TV to lease 16 DBS transponders on Nimiq 5. In March 2008, we also entered into a transponder service agreement with DISH Network pursuant to which DISH Network will receive service from us on all 16 of the DBS transponders that we have leased under our service agreement with Bell TV. Nimiq 5 is expected to be launched in the second half of 2009 and will operate at the 72.7 degree orbital location.

QuetzSat-1. In November 2008, we entered into a ten-year satellite service agreement with SES Latin America S.A. (SES) to lease all of the capacity on QuetzSat-1, a Mexican DBS satellite. In November 2008, we also entered into a transponder service agreement with DISH Network pursuant to which it will receive service from us on 24 of QuetzSat-1 s DBS transponders. The remaining eight DBS transponders on the QuetzSat-1 satellite are expected to be used by DISH Mexico, an EchoStar joint venture, to provide direct-to-home services in Mexico. QuetzSat-1 is expected to be launched in 2011 and is expected to operate at the 77 degree orbital location.

GOVERNMENT REGULATIONS

We are subject to comprehensive regulation by the FCC for our domestic operations. We are also regulated by other federal agencies, state and local authorities, the International Telecommunication Union (ITU) and certain international governments. Depending upon the circumstances, noncompliance with legislation or regulations promulgated by these entities could result in suspension or revocation of our licenses or authorizations, the termination or loss of contracts or the imposition of contractual damages, civil fines or criminal penalties.

The following summary of regulatory developments and legislation in the United States is not intended to describe all present and proposed government regulation and legislation affecting the satellite and digital set-top box equipment markets. Government regulations that are currently the subject of judicial or administrative proceedings,

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legislative hearings or administrative proposals could change our industry to varying degrees. We cannot predict either the outcome of these proceedings or any potential impact they might have on the industry or on our operations.

Regulations Applicable to Satellite Operations

FCC Jurisdiction over our Satellite Operations. The Communications Act gives the FCC broad authority to regulate the operations of satellite operators. Specifically, the Communications Act gives the FCC regulatory jurisdiction over the following areas relating to communications satellite operations:

- the assignment of satellite radio frequencies and orbital locations;
- licensing of satellites, earth stations, the granting of related authorizations, and evaluation of the fitness of a company to be a licensee;
- approval for the relocation of satellites to different orbital locations or the replacement of an existing satellite with a new satellite;
- ensuring compliance with the terms and conditions of such assignments and authorizations, including required timetables for construction and operation of satellites and other due diligence requirements;
- avoiding interference with other radio frequency emitters; and
- ensuring compliance with other applicable provisions of the Communications Act and FCC rules and regulations governing the operations of satellite communications providers.

In order to obtain FCC satellite licenses and authorizations, satellite operators must satisfy strict legal, technical and financial qualification requirements. Once issued, these licenses and authorizations are subject to a number of conditions including, among other things, satisfaction of ongoing due diligence obligations, construction milestones, and various reporting requirements. Applications for new or modified satellites and earth stations are necessary for further development and expansion of satellites services. Necessary federal approval of these applications may not be granted, or may not be granted in a timely manner.

Overview of Our Satellite Licenses and Authorizations. This overview describes our satellite licenses and authorizations.

Our satellites are located in orbital positions, or slots, that are designated by their western longitude. An orbital position describes both a physical location and an assignment of spectrum in the applicable frequency band. Each transponder on our satellites typically exploits one frequency channel. Two of our satellites also include spot-beam technology which enables us to provide services on a local or regional basis, but reduces the number of video channels that could otherwise be offered across the entire United States.

We have U.S. DBS licenses for 30 frequencies at the 61.5 degree orbital location, capable of providing service to the Eastern and Central United States. We are also currently operating on the two unassigned frequencies at the 61.5 degree orbital location under a conditional special temporary authorization. That authority requires periodic renewal. The licensing of those two channels is under FCC review, and also subject to an FCC moratorium on new DBS applications. The FCC has previously found that existing DBS providers will not be eligible for the two unassigned channels at the 61.5 degree orbital location. There is a pending reconsideration petition of that decision.

We also have the FCC authority to provide service at a Mexican DBS orbital slot at the 77 degree orbital location and at a Canadian DBS orbital slot at the 72.7 degree orbital location. In addition, we hold licenses or have entered into agreements to lease capacity on satellites at the following fixed satellite services orbital locations including:

- 500 MHz of Ku spectrum divided into 32 frequencies at the 121 degree orbital location, capable of providing service to CONUS, plus 500 MHz of Ka spectrum at the 121 degree orbital location capable of providing service into select spot beams;

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500 MHz of Ku spectrum divided into 24 frequencies at the 105 degree orbital location, currently capable of providing service to CONUS, Alaska and Hawaii, plus approximately 720 MHz of Ka spectrum capable of providing service into select spot beams; and

500 MHz of Ku spectrum divided into 24 frequencies at the 85 degree orbital location, currently capable of providing service to CONUS, plus approximately 720 MHz of Ka spectrum capable of providing service into select spot beams.

We also hold authorizations to construct additional satellites at other orbital locations. Specifically, we hold Ka-band licenses at the 97 and 113 degree orbital locations. More recently, we were granted authority for a tweener DBS satellite at the 86.5 degree orbital location. That authorization will be conditioned on final FCC licensing and service rules in the tweener proceeding, in which the FCC is examining permitting satellites to operate from orbital locations 4.5 degrees (half of the usual nine degrees) away from traditional DBS satellites. The FCC has also granted authorizations to Spectrum Five for a tweener satellite at the 114.5 degree orbital location.

Use of these licenses and conditional authorizations is subject to certain technical and due diligence requirements, including the requirement to construct and launch satellites according to specific milestones and deadlines. There can be no assurance that we will develop acceptable plans to meet these deadlines, or that we will be able to utilize these orbital slots.

Duration of our Satellite Licenses. Generally speaking, all of our satellite licenses are subject to expiration unless renewed by the FCC. The term of each of our DBS licenses is 10 years; satellite services licenses generally are for 15 year terms. In addition, our special temporary authorizations are granted for periods of only 180 days or less, subject to possible renewal by the FCC.

Opposition and other Risks to our Licenses. Several third parties have opposed, and we expect them to continue to oppose, some of our FCC satellite authorizations and pending requests to the FCC for extensions, modifications, waivers and approvals of our licenses. In addition, we may not have fully complied with all of the FCC reporting, filing and other requirements in connection with our satellite authorizations. Consequently, it is possible the FCC could revoke, terminate, condition or decline to extend or renew certain of our authorizations or licenses.

FCC Rulemaking Affecting our Licenses and Applications. A number of our other applications have been denied or dismissed without prejudice by the FCC, or remain pending. We cannot be sure that the FCC will grant any of our satellite applications, or that the authorizations, if granted, will not be subject to onerous conditions. Moreover, the cost of building, launching and insuring a satellite can be as much as $300 million or more, and we cannot be sure that we will be able to construct and launch all of the satellites for which we have requested authorizations. The FCC has also imposed a bond requirement of up to $3 million for each of our fixed satellite services satellite licenses, all or part of which would be forfeited by a licensee that does not meet its diligence milestones for a particular satellite.

Reverse Band (17/24 GHz BSS) Spectrum. In May 2007, the FCC adopted licensing and service rules for the 17/24 GHz BSS or reverse band spectrum, which could create substantial additional capacity for satellite providers. It could also result in additional satellite competition from new entrants. Under FCC rules, we are eligible for up to five orbital locations. Our final application filed during the first quarter 2008 included the following five orbital locations: 110.4 degree west longitude, 107 degree west longitude, 79 degree west longitude, 75 degree west longitude and 61.15 degree west longitude. We cannot predict when, or whether, the FCC will grant our applications. Other applicants selected orbital locations that might limit the utility of this new spectrum for our operations, *i.e.,* splitting the available frequencies at an orbital location with another applicant or applicants. Our ability to take advantage of U.S. spectrum may also be constrained by satellite licensees from other nations that may have international priority over U.S. licensees. The FCC has also imposed a bond requirement of up to $3 million for each Reverse Band satellite, all or part of which would be forfeited by a licensee that does not meet its diligence milestones for a particular satellite.

Interference from Other Services Sharing Satellite Spectrum. The FCC has adopted rules that allow non-geostationary orbit satellite services to operate on a co-primary basis in the same frequency band as DBS and Ku-band-based fixed satellite services. The FCC has also authorized the use of terrestrial communication services (MVDDS) in the DBS band. MVDDS licenses were auctioned in 2004. Despite regulatory provisions to protect

DBS operations from harmful interference, there can be no assurance that operations by other satellites or terrestrial communication services in the DBS band will not interfere with our DBS operations and adversely affect our business.

International Satellite Competition and Interference. As noted above, we have received authority to provide service from a Mexican orbital slot at 77 degrees, and a Canadian orbital slot at 72.7 degrees. DIRECTV and DISH Network L.L.C. have received similar authority. The possibility that the FCC will allow service to the U.S. from additional foreign slots may permit additional competition against us from other satellite providers. For instance, DIRECTV recently obtained FCC authority to provide service to the United States from Canadian DBS orbital slots. It may also provide a means by which to increase our available satellite capacity in the United States. In addition, a number of administrations, such as Great Britain and The Netherlands, have requested to add orbital locations serving the U.S. close to our licensed slots. Such operations could cause harmful interference into our satellites and constrain our future operations at those slots if such tweener operations are approved by the FCC. The risk of harmful interference will depend upon the final rules adopted in the FCC s tweener proceeding.

The International Telecommunication Union. Our satellites also must conform to ITU requirements and regulations. We have cooperated, and continue to cooperate, with the FCC in the preparation of ITU filings and responses. Requests for modification that have been filed by the United States government for our satellites are pending or in various stages of completion. We cannot predict when the ITU will act upon them.

Regulations Applicable to Our Digital Set-Top Box Business

FCC Jurisdiction over Set-Top Box Operations. Our digital set-top boxes and similar devices must also comply with FCC technical standards and requirements. The FCC has specific Part 15 regulations for television broadcast receivers and television interface devices.

Plug and Play. Cable companies were required pursuant to the FCC s plug and play rules to separate the security functionality from their set-top boxes to increase competition and encourage the sale of set-top boxes in the retail market by July 1, 2007. Traditionally, cable service providers sold or leased set-top boxes with integrated security functionality to subscribers. DBS providers are not currently subject to the removable security requirements. The development of a retail market for cable set-top boxes could provide us with an opportunity to expand operations providing set-top box equipment to non-DBS households. The FCC has an open proceeding addressing the need to expand the scope of the cable plug and play rules, and the need for all-video provider set-top box solutions. The cable industry and consumer electronics companies have reached a tru2way commercial agreement to resolve many of the outstanding issues in this docket. EchoStar has become a signatory to that agreement with respect to cable set-top boxes. We cannot predict whether the FCC will impose rules on DBS providers that are based on cable plug and play rules or the private cable/consumer electronics tru2way commercial arrangement. If the FCC were to extend or expand its separate security rules or the concepts from the tru2way commercial agreement to include DBS providers, sales of our set-top boxes to DBS providers may be negatively impacted. Specifically, if a retail DBS set-top box market develops capable of accepting removable security modules, we risk reduced sales if competitors produce DBS set-top boxes.

Export Control Regulation

We are required to obtain import and export licenses from the United States government to receive and deliver components of direct-to-home satellite television systems. In addition, the delivery of satellites and the supply of certain related ground control equipment, technical data, and satellite communication/control services to destinations outside the United States is subject to strict export control and prior approval requirements from the United States government (including prohibitions on the sharing of certain satellite-related goods and services with China).

PATENTS AND TRADEMARKS

Many entities, including some of our competitors, have or may in the future obtain patents and other intellectual property rights that cover or affect products or services related to those that we offer. In general, if a court determines that one or more of our products infringes on intellectual property held by others, we may be required to cease developing or marketing those products, obtain licenses from the holders of the intellectual property at a material cost, or redesign those products in such a way as to avoid infringing the patent claims. If those intellectual property rights are held by a competitor, we may be unable to obtain the intellectual property at any price, which could adversely affect our competitive position.

We may not be aware of all intellectual property rights that our products may potentially infringe. In addition, patent applications in the United States are confidential until the Patent and Trademark Office issues a patent and, accordingly, our products may infringe claims contained in pending patent applications of which we are not aware. Further, the process of determining definitively whether a claim of infringement is valid often involves expensive and protracted litigation, even if we are ultimately successful on the merits.

We cannot estimate the extent to which we may be required in the future to obtain intellectual property licenses or the availability and cost of any such licenses. Those costs, and their impact on our results of operations, could be material. Damages in patent infringement cases may also be trebled in certain circumstances. To the extent that we are required to pay unanticipated royalties to third parties, these increased costs of doing business could negatively affect our liquidity and operating results. We are currently defending multiple patent infringement actions. We cannot be certain the courts will conclude these companies do not own the rights they claim, that our products do not infringe on these rights, that we would be able to obtain licenses from these persons on commercially reasonable terms or, if we were unable to obtain such licenses, that we would be able to redesign our products to avoid infringement. See Item 3 Legal Proceedings.

ENVIRONMENTAL REGULATIONS

We are subject to the requirements of federal, state, local and foreign environmental and occupational safety and health laws and regulations. These include laws regulating air emissions, water discharge and waste management. We attempt to maintain compliance with all such requirements. We do not expect capital or other expenditures for environmental compliance to be material in 2009 or 2010. Environmental requirements are complex, change frequently and have become more stringent over time. Accordingly, we cannot provide assurance that these requirements will not change or become more stringent in the future in a manner that could have a material adverse effect on our business.

GEOGRAPHIC AREA DATA AND TRANSACTIONS WITH MAJOR CUSTOMERS

For principal geographic area data and transactions with major customers for 2008, 2007 and 2006, see Note 15 in the Notes to the Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K.

EMPLOYEES

We have approximately 2,100 employees. In addition, DISH Network provides us with certain management and administrative services, which include the services of certain employees of DISH Network. See Certain Intercompany Agreements Management Services Agreement and Transition Services Agreement set forth in our Proxy Statement for the 2009 Annual Meeting of Shareholders under the caption Certain Relationships and Related Transactions.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act and accordingly file an annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the Securities and Exchange Commission (SEC). The public may read and copy any materials filed with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the operation of the Public Reference Room. As an electronic filer, our public filings are also maintained on the SEC s Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that website is http://www.sec.gov.

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WEBSITE ACCESS

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act also may be accessed free of charge through our website as soon as reasonably practicable after we have electronically filed such material with, or furnished it to, the SEC. The address of that website is http://www.echostar.com.

We have adopted a written code of ethics that applies to all of our directors, officers and employees, including our principal executive officer and senior financial officers, in accordance with the Sarbanes-Oxley Act of 2002 and the rules of the Securities and Exchange Commission promulgated thereunder. Our code of ethics is available on our corporate website at http://www.echostar.com. In the event that we make changes in, or provide waivers of, the provisions of this code of ethics that the SEC requires us to disclose, we intend to disclose these events on our website.

EXECUTIVE OFFICERS OF THE REGISTRANT

(furnished in accordance with Item 401 (b) of Regulation S-K, pursuant to General Instruction G(3) of Form 10-K)

The following sets forth the name, age and position held with EchoStar by each of our executive officers, the period during which each executive officer has served as such, and each executive officer s business experience during the past five years:

Name	Age	Position
Charles W. Ergen	56	Chairman, President, Chief Executive Officer and Director
R. Stanton Dodge	41	Executive Vice President, General Counsel and Secretary
Bernard L. Han	44	Executive Vice President and Chief Financial Officer
Mark W. Jackson	48	President, EchoStar Technologies L.L.C.
Dean A. Olmstead	53	President, EchoStar Satellite Services
Steven B. Schaver	54	President, EchoStar International Corporation

Charles W. Ergen. Mr. Ergen serves as our Chairman, President and Chief Executive Officer. Mr. Ergen is also the Chairman, President and Chief Executive Officer of DISH Network Corporation, a position that he has held since DISH Network s formation in 1980. During the past five years he has also held various executive officer and director positions with DISH Network s subsidiaries.

R. Stanton Dodge. Mr. Dodge is currently the Executive Vice President, General Counsel and Secretary of DISH Network and EchoStar and is responsible for all legal and government affairs of DISH Network, EchoStar and their subsidiaries. Mr. Dodge serves as our Executive Vice President, General Counsel and Secretary pursuant to a management services agreement between DISH Network and EchoStar that was entered into in connection with the Spin-off of EchoStar from DISH Network. Since joining DISH Network in November 1996, he has held various positions of increasing responsibility in DISH Network s legal department.

Bernard L. Han. Mr. Han was named Executive Vice President and Chief Financial Officer of DISH Network in September 2006 and is currently responsible for all accounting, finance and information technology functions of DISH Network and EchoStar. Mr. Han serves as our Executive Vice President and Chief Financial Officer pursuant to a management services agreement between DISH Network and EchoStar that was entered into in connection with the Spin-off. From October 2002 to May 2005, Mr. Han served as Executive Vice President and Chief Financial Officer of Northwest Airlines, Inc. Prior to October 2002, he held positions as Executive Vice President and Chief Financial Officer and Senior Vice President and Chief Marketing Officer at America West Airlines, Inc.

Mark W. Jackson. Mr. Jackson is currently the President of EchoStar Technologies L.L.C. and oversees all day to day operations of our Digital Set-Top Box business. Mr. Jackson served as the President of EchoStar Technologies Corporation from June 2004 through December 2007 and Senior Vice President from April 2000 until June 2004.

Dean A. Olmstead. Mr. Olmstead joined EchoStar as President of EchoStar Satellite Services in January 2008 and is responsible for all aspects of our Satellite Services business. From May 2006 until January 2008, Mr. Olmstead

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served as an advisor to Loral Space & Communications (Loral) on strategic and growth opportunities for Loral s satellite service businesses, which completed a merger with Telesat in October 2007, and he served on Loral s Board of Directors. From March 2005 to September 2006, he was President of Arrowhead Global Solutions, which was acquired by CapRock Communications in May 2007. From November 2001 to September 2004, Mr. Olmstead was President and CEO of SES Americom and a member of the SES Global Executive Committee, where he led SES expansion from Europe to become one of the top global providers of satellite communications.

Steven B. Schaver. Mr. Schaver was named President of EchoStar International Corporation in April 2000. Mr. Schaver served as DISH Network s Chief Financial Officer from February 1996 through August 2000 and served as DISH Network s Chief Operating Officer from November 1996 until April 2000.

There are no arrangements or understandings between any executive officer and any other person pursuant to which any executive officer was selected as such. Pursuant to the Bylaws of EchoStar, executive officers serve at the discretion of the Board of Directors.

Item 1A. RISK FACTORS

The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are unaware of or that we currently believe to be immaterial also may become important factors that affect us. If any of the following events occur, our business, financial condition or results of operation could be materially and adversely affected.

General Risks Affecting Our Business

Weakening economic conditions, including the recent downturn in financial markets and reduced consumer spending, may adversely affect our ability to grow or maintain our business.

Our ability to grow or maintain our business may be adversely affected by weakening economic conditions, including the effect of wavering consumer confidence, rising unemployment, tight credit markets, declines in financial markets and other factors that may adversely affect the digital set-top box business and providers of pay TV services, who are our primary customers. In particular, the continuing economic downturn may result in the following:

Decreased Demand. Consumers of pay TV may delay purchasing decisions or reduce or reallocate their discretionary spending, which may in turn decrease demand for programming packages from pay TV providers that include set top box equipment manufactured by us.

Increased Pricing Pressure. Increased pricing pressures on pay-TV companies, including DISH Network and Bell TV, our primary customers, may reduce demand for high-end set top boxes on which we earn higher gross margins. Furthermore, pay-TV companies may increasingly look to make purchases from foreign set-top box suppliers primarily located in Asia with lower-priced products as their customers become more cost-sensitive in making purchase decisions as a result of current economic conditions.

Excess Inventories and Satellite Capacity. There is an increased risk of excess and obsolete inventories as a result of possible lower demand for pay-TV services and the resultant lower demand for digital set-top boxes from pay-TV companies. We may also have excess satellite capacity resulting from possible decreased demand for pay-TV services and other services utilizing satellite transmission.

Increased Impairment Charges. During 2008 we recorded $613 million in impairment charges related to FCC authorizations, goodwill and certain satellites. A prolonged economic downturn could result in substantial future impairment charges relating to, among other things, satellites, FCC authorizations, and our debt and equity investments.

We currently depend on DISH Network Corporation, or DISH Network, and Bell TV, formerly Bell ExpressVu, for substantially all of our revenue. The loss of, or a significant reduction in orders from or a decrease in selling prices of digital set-top boxes, transponder leasing, digital broadcast operations and/or other services to DISH Network or Bell TV would significantly reduce our revenue and adversely impact our results of operations.

DISH Network accounted for approximately 86.5%, 83.8% and 84.1% of our revenue in the years ended December 31, 2008, 2007 and 2006, respectively. In addition, Bell TV accounted for approximately 8.4%, 10.7% and 12.2% of our revenue in the years ended December 31, 2008, 2007 and 2006, respectively. Any reduction in sales to DISH Network or Bell TV or in the prices they pay for the products and services they purchase from us could have a significant negative impact on our business. In addition, because substantially all of our revenue is tied to DISH Network and Bell TV, our success also depends to a significant degree on the continued success of DISH Network and Bell TV in attracting new subscribers and in marketing programming packages to subscribers that will require the purchase of new digital set-top boxes, and in particular, new digital set-top boxes at the high-end of our product range that incorporate high-definition and other advanced technology. Moreover, because our sales to DISH Network are made pursuant to standard purchase orders, DISH Network has no future obligation to purchase digital set-top boxes from us and existing orders may be cancelled or reduced on short notice. Cancellations or reductions of customer orders, which could rise in difficult economic times such as the current economic downturn and are unpredictable, could result in the loss of anticipated sales without allowing us sufficient time to reduce our inventory and operating expenses.

In addition, the timing of orders for digital set-top boxes from these two customers could vary significantly depending on equipment promotions these customers offer to their subscribers, changes in technology, and their use of remanufactured digital set-top boxes, which may cause our revenue to vary significantly quarter over quarter and could expose us to the risks of inventory shortages or excess inventory. These inventory risks are particularly acute during end product transitions in which a new generation of digital set-top boxes is being deployed and inventory of older generation digital set-top boxes is at a higher risk of obsolescence. This in turn could cause our operating results to fluctuate significantly. Any reduction of customer orders for digital set-top boxes caused by the slowdown of the economy may further accentuate such risks. Furthermore, because of the competitive nature of the digital set-top box business, the limited number of potential new customers and the short-term nature of our purchase orders with DISH Network, we could in the future be required to reduce the average selling-prices of our digital set-top boxes to DISH Network, which in turn would adversely affect our gross margins and profitability. Because DISH Network s current set-top box inventory is at higher-than-historical levels, we may see fewer orders for digital set-top boxes from DISH Network in the near term.

DISH Network is currently our primary customer of satellite services and digital broadcast operation services. Because these services are provided pursuant to contracts that generally expire on January 1, 2010, DISH Network will have no obligation to purchase satellite services or digital broadcast operation services from us after that date. Therefore, if we are unable to extend these contracts on similar terms with DISH Network, or if we are otherwise unable to obtain similar contracts from third parties after that date, there could be a significant adverse effect on our business, results of operations and financial position.

There are a relatively small number of potential new customers for our digital set-top boxes, satellite services and digital broadcast operations, and we expect this customer concentration to continue for the foreseeable future. Therefore, our operating results will likely continue to depend on sales to a relatively small number of customers, as well as the continued success of these customers. In addition, we may from time to time enter into customer agreements providing for exclusivity periods during which we may sell a specified product only to that customer. If we do not develop relationships with new customers, we may not be able to expand our customer base or maintain or increase our revenue.

Historically, many of our potential customers have perceived us as a competitor due to our affiliation with DISH Network. There can be no assurance that we will be successful in entering into any commercial relationships with potential customers who are competitors of DISH Network (particularly if we continue to be perceived as affiliated with DISH Network as a result of common ownership and management).

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Adverse developments in DISH Network s business, such as the recent termination of its distribution relationship with AT&T, may adversely affect us.

AT&T s distribution agreement with DISH Network terminated on January 31, 2009. AT&T has entered into a new distribution relationship with DirecTV. DISH Network s distribution relationship with AT&T had been a substantial contributor to our sales of digital set-top boxes to DISH Network over the past several years. For the year ended December 31, 2008, DISH Network disclosed in its annual report on Form 10-K that its relationship with AT&T accounted for approximately 17% of its gross subscriber additions for the year. If DISH Network s gross subscriber additions are adversely affected by the loss of its distribution relationship with AT&T, we may experience a decline in our sales of digital set-top boxes to DISH Network. Furthermore, DISH Network has in recent quarters experienced declining and negative subscriber growth. To the extent that this trend continues or intensifies as a result of deteriorating economic conditions in the United States or otherwise, sales of our digital set-top boxes to DISH Network may decline.

We currently have substantial unused satellite capacity, and our results of operations would be materially adversely affected if we are not able to utilize more of this capacity.

During 2008, we recorded $316 million of impairment charges relating to our AMC-14, AMC-15, AMC-16 and CMBStar satellites. While we are currently evaluating various opportunities to make profitable use of our satellite capacity (including, but not limited to, supplying satellite capacity for new international ventures), we do not have firm plans to utilize all of our satellite capacity. In addition, especially in light of a possible decrease in demand for satellite services as a result of the weakening economy, there can be no assurance that we can successfully develop the business opportunities we currently plan to pursue with this capacity. If we are unable to lease our excess satellite capacity, our margins would be negatively impacted and we may be required to record additional impairments related to our other satellites.

As a result of our Spin-off from DISH Network, our financial statements for prior years do not reflect all the assets and lines of business that are reflected in our 2008 financial statements, potentially making it more difficult to compare growth and other metrics in 2008 with prior periods.

The financial information included in this report for periods prior to the Spin-off does not reflect the financial condition, results of operations or cash flows we would have achieved as an independent publicly-traded company during those periods. This is primarily a result of the following factors:

- Our profits during the periods prior to the Spin-off do not accurately reflect our operations following the Spin-off as the majority of our operations in the periods prior to the Spin-off were in support of DISH Network and we provided our products and services to DISH Network at cost during those periods. We cannot assure you that we can achieve or sustain profitability, or that we can grow our business profitably or at all.

- The financial condition and results of operations of our Satellite Services business are not reflected in our historical financial information for the periods prior to the Spin-off, because our Satellite Services business was operated as an integral part of DISH Network s subscription television business and did not constitute a business in the historical financial statements of DISH Network.

- Sling Media was acquired shortly before the Spin-off, in October 2007, and it was operated for only a short period by us prior to the effective date of the Spin-off on January 1, 2008.

- Our financial results prior to the Spin-off reflect allocations of corporate expenses from DISH Network. Those allocations may be different from the comparable expenses we would have incurred had we operated as an independent publicly traded company.

- Our working capital requirements and capital required for our general corporate purposes were satisfied prior to the Spin-off as part of the corporate-wide cash management policies of DISH Network. Following the Spin-off, DISH Network ceased to provide us with funds to finance our working capital or other cash requirements.

There are significant differences between our cost structure, financing and business operations before and after the Spin-off.

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

Because our sales to DISH Network are primarily made pursuant to short-term contracts, DISH Network has no material obligations to continue to purchase our products and services. Therefore, our relationship with DISH Network could be terminated or substantially curtailed with little or no advance notice. Any material reduction in our sales to DISH Network would have a significant adverse effect on our business, results of operations and financial position.

Furthermore, because there are a relatively small number of potential customers for our products and services, if we lose DISH Network as a customer, it will be difficult for us to replace our historical revenues from DISH Network.

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

We may need to raise additional capital in the future to among other things, continue investing in our business, construct and launch new satellites, and to pursue acquisitions and other strategic transactions.

Recent developments in the financial markets such as the scarcity of capital have made it more difficult for borrowers to access capital markets at acceptable terms or at all. The recent reduction in our stock price combined with the instability in the equity markets has made it difficult for us to raise equity financing without incurring substantial dilution to our existing shareholders. In addition, weak market conditions may limit our ability to generate sufficient internal cash to fund investments, capital expenditures, acquisitions and other strategic transactions. We cannot predict with any certainty whether or not we will be impacted by the current adverse credit market. As a result, these conditions make it difficult for us to accurately forecast and plan future business activities because we may not have access to funding sources necessary for us to pursue organic and strategic business development opportunities.

We may experience significant financial losses on our existing investments.

We have entered into certain strategic transactions and investments in North America, Asia and elsewhere. These investments involve a high degree of risk and could diminish our ability to fund our stock buyback program and invest capital in our business. The current volatility in the financial markets and overall economic uncertainty increases the risk that the actual amounts realized in the future on our debt and equity investments will differ significantly from the fair values currently assigned to them. During 2008, we recognized $174 million of impairments on debt and equity securities. These investments could also expose us to further significant financial losses and may restrict our ability to make other investments or limit alternative uses of our capital resources. In particular, the laws, regulations and practices of certain countries may make it harder for our investments to be successful. If our investments suffer losses, whether or not as a result of the current financial market condition, our financial condition could be materially adversely affected. In addition, the companies in which we invest or with whom we partner may not be able to compete effectively or there may be insufficient demand for the services and products offered by these companies.

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

Our future success may depend on opportunities to buy other businesses or technologies or partner with other companies that could complement, enhance or expand our current business or products or that might otherwise offer us growth opportunities. We may pursue acquisitions, joint ventures or other business combination activities in order to complement or expand our business. In addition, we have entered, and may continue to enter, into strategic transactions and investments in the United States, Asia and elsewhere. Any such transactions that we are able to identify and complete may involve a number of risks, including, but not limited to, the following:

- the diversion of our management s attention from our existing business to integrate the operations and personnel of the acquired or combined business or joint venture;

- possible adverse effects on our operating results during the integration process;
- 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; and/or we are unable to achieve the intended objectives of the transaction.

New acquisitions, joint ventures and other transactions may require the commitment of significant capital that would otherwise be directed to investments in our existing businesses or be distributed to shareholders. Commitment of this capital may cause us to defer or suspend any share repurchases or capital expenditures that we otherwise may have made.

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

We have made and will continue to make significant investments in research, development, and marketing for new products, services and related technologies, including new digital set-top box designs, as well as entry into new business areas. Investments in new products, services, technologies and business areas are inherently speculative and commercial success thereof depends on numerous factors including innovativeness, quality of service and support, and effectiveness of sales and marketing. We may not achieve revenue or profitability from such investments for a number of years, if at all. Moreover, even if such products, services, technologies and business areas become profitable, their operating margins may be minimal.

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

We are subject to various legal proceedings and claims which arise in the ordinary course of business. Many entities, including some of our competitors, have or may in the future obtain patents and other intellectual property rights that cover or affect products or services related to those that we offer. In general, if a court determines that one or more of our products infringes on intellectual property held by others, we may be required to cease developing or marketing those products, to obtain licenses from the holders of the intellectual property at a material cost, or to redesign those products in such a way as to avoid infringing the patent claims. If those intellectual property rights are held by a competitor, we may be unable to obtain the intellectual property at any price, which could adversely affect our competitive position. Please see further discussion under *Item 1. Business   Patents and Trademarks* of this Annual Report on Form 10-K.

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

Prior to our Spin-off from DISH Network, our business was operated by DISH Network as part of its broader corporate organization, rather than as an independent company. DISH Network s senior management oversaw the strategic direction of our businesses and DISH Network performed various corporate functions for us, including, but not limited to:

- selected human resources related functions;
- accounting;
- tax administration;
- selected legal functions, as well as external reporting;
- treasury administration, investor relations, internal audit and insurance functions; and
- selected information technology and telecommunications services.

Because we are now an independent company, neither DISH Network nor any of its affiliates have any obligation to provide these functions to us other than those services that will be provided by DISH Network pursuant to the services agreement between us and DISH Network. See   Related Party Transactions with DISH Network   Services Agreement set forth in our Proxy Statement for the 2009 Annual Meeting of Shareholders under the caption Certain Relationships and Related Transactions. If, once this services agreement terminates, we do not have in place our own systems and business functions, we do not have agreements with other providers of these services or we are not able to make these changes cost effectively, we may not be able to operate our business effectively and our profitability may decline. If DISH Network does not continue to perform effectively the services that are called for under the services agreement, we may not be able to operate our business effectively. Although, DISH Network has no obligation to provide us services after expiration of the services agreement, we anticipate continuing to receive services from DISH Network following the initial terms of this agreement, and may enter into a subsequent services agreement if we determine that it is beneficial for us to do so.

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

Our businesses change rapidly as new technologies are developed. If we are unable to properly respond to technological developments, our existing products may become obsolete and demand for our products may decline. For example, if changes in technology allow digital television subscribers to use devices such as personal computers, cable ready televisions or network based digital video recording services in place of set-top boxes, our customers may not need to purchase our digital set-top boxes to provide their digital television subscribers with digital video recording and other digital set-top box features. Our competitors may also introduce technologies that compete favorably with our digital set-top boxes or that cause our digital set-top boxes to no longer be of significant benefit to our customers.

We and our suppliers may not be able to keep pace with technological developments. If we fail to timely introduce products and services with superior technologies, if the new technologies developed by us or our partners fail to achieve sustained acceptance in the marketplace or become obsolete, or if our competitors obtain or develop proprietary technologies that are perceived by the market as being superior to ours, we could suffer a material adverse effect on our future competitive position that could in turn decrease our revenues and earnings. Further, after we have incurred substantial research and development costs, one or more of the technologies under our development, or under development by one or more of our strategic partners, could become obsolete prior to its introduction.

Our response to technological development depends, to a significant degree, on the work by technically skilled employees. Competition for the services of such employees is intense. Although we have strived to attract and retain these employees, we may not succeed in this respect. If we are unable to attract and retain technically skilled employees, we may not be able to properly respond to changes in technologies and, as a result, our competitive position could be materially and adversely affected.

We rely on key personnel and the loss of their services or the inability to attract and retain them may negatively affect our businesses.

We believe that our future success will depend to a significant extent upon the performance of Charles W. Ergen, our Chairman, President and Chief Executive Officer and certain other executives. Mr. Ergen and certain of these executives will also continue to devote significant time to their employment at DISH Network. The loss of Mr. Ergen or of certain other key executives or their ability to devote sufficient time and effort to our business could have a material adverse effect on our business, financial condition and results of operations. Although all of our executives have certain agreements limiting their ability to work for or consult with competitors if they leave us, we do not have employment agreements with any of them.

Risks Affecting Our Digital Set-Top Box Business

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

Our historical revenues consist primarily of sales of our digital set-top boxes. In addition, we currently derive, and expect to continue to derive in the near term, nearly all of our revenue from sales of our digital set-top boxes to DISH Network and Bell TV. If the current economic downturn persists, demand for digital set-top boxes from our two significant customers could decrease and, consequently, our revenue and profitability could be adversely affected. Furthermore, continued market acceptance of our digital set-top boxes is critical to our future success. If we are not able to expand sales of our digital set-top boxes to other providers of digital television, including cable operators, which is harder to accomplish in an economic slowdown, our growth prospects will be limited, and our revenues will be substantially impacted if sales of our digital set-top boxes to providers of satellite-delivered digital television decline.

Our business may suffer if direct-to-home satellite service providers, who currently comprise our customer base, do not compete successfully with existing and emerging alternative platforms for delivering digital television, including cable television operators, terrestrial broadcasters, and internet protocol television.

Our existing customers are direct-to-home satellite video providers, which compete with cable television operators and terrestrial broadcasters for the same pool of viewers. As technologies develop, other means of delivering information and entertainment to television viewers are evolving. For example, some telecommunications companies, such as AT&T and Verizon Communications, are seeking to compete with terrestrial broadcasters, cable television network operators and direct-to-home satellite services by offering internet protocol television, which allows telecommunications companies to stream television programs through telephone lines or fiber optic lines. These telecommunications companies are upgrading their older copper wire telephone lines with high-bandwidth fiber optic lines in larger markets. These fiber lines provide significantly greater capacity, enabling the telecommunications companies to offer substantial HD programming content. In addition, cable operators are increasingly offering on-demand television services to compete against the programming packages offered by direct-to-home satellite video providers. To the extent that the terrestrial broadcasters, telecommunications companies and cable television network operators compete successfully against direct-to-home satellite services for viewers, the ability of our existing customer base to attract and retain subscribers may be adversely affected. As a result, demand for our satellite television digital set-top boxes could decline and we may not be able to sustain our current revenue levels.

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

Our products were initially designed for, and have been deployed mostly by, providers of satellite-delivered digital television. To date, we have not made any significant sales of our digital set-top boxes to cable operators. In addition, the cable set-top box market is highly competitive and we expect competition to intensify in the future. In particular, we believe that most cable set-top boxes are sold by a small number of well entrenched competitors who have long-standing relationships with cable operators. This competition may make it more difficult for us to sell cable set-top boxes, and may result in pricing pressure, low profit margins, high sales and marketing expenses and limited market share, any of which could, to a certain extent, adversely affect our business, operating results and financial condition.

We may be exposed to the risk of inflation which could have a material adverse effect on our results of operations.

The substantial majority of our revenues are derived from the sale of digital set-top boxes. A significant portion of the production costs of digital set-top boxes relate to the purchase of electronic components, the costs of which have historically fallen over time. To the extent that component pricing does not decline or is impacted by inflation, we may not be able to pass on the impact of increasing raw materials prices or labor and other costs, to our customers, and we may not be able to operate profitably. For example, we recently entered into a digital set-top box contract extension with Bell TV under which we supply digital set-top boxes to Bell TV at fixed prices over the duration of the contract. Under this fixed-price arrangement, we bear any risk of inflation because we could not pass increasing costs on to Bell TV.

The average selling price of our digital set-top boxes may decrease, which could negatively impact our financial position and results of operations.

It is possible that our ability to increase the average selling prices of our digital set-top boxes will be limited and that prices may decrease in the future in response to competitive pricing pressures, new product introductions by us or our competitors or other factors. If we are unable to increase or at least maintain the average selling prices of our digital set-top boxes, or if such selling prices decline, and we are unable to respond in a timely manner by developing and introducing new products and continually reducing our product costs, our revenues and gross margin may be negatively affected, which will harm our business and results of operations.

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

Our commercial success in selling our digital set-top boxes to cable television operators depends significantly on our ability to obtain licenses to use the conditional access systems deployed by these operators in our digital set-top boxes. In many cases, the intellectual property rights to these conditional access systems are owned by the set-top box manufacturer that currently provides the cable television operator with its set-top boxes. We cannot assure you that we will able to obtain required licenses on commercially favorable terms, if at all. If we do not obtain the necessary licenses, we may be delayed or prevented from pursuing the development of some potential products with cable television operators. Our failure to obtain a license to any technology that we may require to develop or commercialize our digital set-top boxes with cable television operators will significantly and negatively affect our business.

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

We believe that in order to grow our digital set-top box revenue and business and to build a large customer base, we must increase sales of our digital set-top boxes in international markets. We have limited experience selling our digital set-top boxes internationally. To succeed in these sales efforts, we believe we must hire additional sales personnel and develop and manage new relationships with cable operators and other providers of digital television in international markets. In addition, we may be subject to greater risks than our competitors as a result of such international expansion. We could be harmed financially and operationally by tariffs, taxes and other trade barriers that may be imposed on our products or services, or by political and economic instability in the countries in which we provide service. If we ever need to pursue legal remedies against our customers or our business partners located outside of the United States, it may be difficult for us to enforce our rights against them. Furthermore, we may be subject to currency risks with respect to payments from our international customers and our international customers may have difficulty obtaining U.S. currency and/or remitting payment due to currency exchange controls.

If we do not succeed in our efforts to sell to these target markets and customers and deal with these challenges in our international operations, the size of our total addressable market may be limited. This, in turn, would harm our ability to grow our customer base and revenue.

The digital set-top box business is extremely competitive.

Currently, there are many significant competitors in the set-top box business including several established companies who have sold set-top boxes to major cable operators in the United States for many years. These competitors include companies such as Motorola, Cisco Systems, which owns Scientific Atlanta, and Pace. In addition, a number of rapidly growing companies have recently entered the market, many of them with set-top box offerings similar to our existing satellite set-top box products. We also expect additional competition in the future from new and existing companies who do not currently compete in the market for set-top boxes. As the set-top box business evolves, our current and potential competitors may establish cooperative relationships among themselves or with third parties, including software and hardware companies that could acquire significant market share, which could adversely affect our business. We also face competition from set-top boxes that have been internally developed by digital video providers. Any of these competitive threats, alone or in combination with others, could seriously harm our business, operating results and financial condition.

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

The set-top box market is intensely competitive, and market leadership changes frequently as a result of new products, designs and pricing. We expect to face additional competition from companies, principally located in Asia, which offer low cost set-top boxes, including set-top boxes that are modeled after our products or products of our principal competitors. The entry of these new competitors may result in pricing pressure in the market. If market prices are substantially reduced by such new entrants, our business, financial condition or results of operations could be materially adversely affected. In particular, it may be difficult for us to make profitable sales in

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international markets where these new competitors are present and in which we have not previously made sales of set-top boxes.

If we do not continue to distinguish our products, particularly our retail products, through distinctive, technologically advanced features and design, as well as continue to build and strengthen our brand recognition, our business could be harmed as we may not be able to effectively compete on price alone against new low cost market entrants that are principally located in Asia. If we do not otherwise compete effectively, demand for our products could decline, our gross margins could decrease, we could lose market share, and our revenues and earnings could decline.

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

Our digital set-top boxes are highly complex and can have defects in design, manufacture or associated software. Set-top boxes often contain bugs that can unexpectedly interfere with their operation. Defects may also occur in components and products that we purchase from third-parties. There can be no assurance that we will be able to detect and fix all defects in the digital set-top boxes that we sell. We could incur significant expenses, lost revenue, and harm to our reputation if we fail to detect or effectively address such issues through design, testing or warranty repairs.

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

We are substantially dependent upon the ability of our customers to promote the delivery of premium programming packages that utilize technology incorporated into our digital set-top boxes, such as HD technology and IPTV, to generate future revenues.

However, our customers may be unsuccessful in promoting value-added services or may promote alternative packages, such as free programming packages, in lieu of promoting packages that utilize our high-end digital set-top box offerings. If our customers are unable to develop compelling reasons for their subscribers to continue to purchase our more advanced digital set-top boxes, it will be difficult for us to sustain our historical revenues. This risk is exacerbated by the weakening economic condition under which consumers become more cost-sensitive in their discretionary spending.

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

We obtain many components for our digital set-top boxes from a single supplier or a limited group of suppliers. Our reliance on a single or limited group of suppliers, particularly foreign suppliers, and our increasing reliance on subcontractors, involves several risks. These risks include a potential inability to obtain an adequate supply of required components, and reduced control over pricing, quality, and timely delivery of these components. We do not generally maintain long-term agreements with any of our suppliers or subcontractors. An inability to obtain adequate deliveries or any other circumstances requiring us to seek alternative sources of supply could affect our ability to ship our digital set-top boxes on a timely basis, which could damage our relationships with current and prospective customers and harm our business, resulting in a loss of market share, and reduce revenues and income.

We generally maintain low inventory levels and do not make binding long-term commitments to suppliers. As a result, it may be difficult in the future to obtain components required for our products or to increase the volume of components if demand for our products increases.

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

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Our future growth depends on market acceptance of HDTV.

Future demand for our digital set-top boxes will depend significantly on the growing market acceptance of high definition television, or HDTV. The effective delivery of HDTV will depend on digital television operators developing and building infrastructure to provide wide-spread HDTV programming. If the introduction or adoption of HDTV or the deployment of HDTV is not as widespread or as rapid as we or our customers expect, our revenue growth will be limited.

If we are unsuccessful in defending Tivo s litigation against us, we could be prohibited from offering DVR technology that would in turn put us at a significant disadvantage to our competitors.

During 2008, Tivo filed a motion for contempt alleging that our next-generation DVRs continue to infringe a patent held by Tivo. If we are unsuccessful in defending against Tivo s motion for contempt or any subsequent claim that our alternative technology infringes Tivo s patent, we could be prohibited from distributing DVRs or could 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. To the extent that DISH Network does not indemnify us, we could also be required to pay substantial additional damages.

Risks Affecting Our Satellite Services Business

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

In our Satellite Services business, we compete against larger, well-established satellite service companies, such as Intelsat, SES Americom and Telesat Holdings. Because the satellite services industry is relatively mature, our growth strategy depends largely on our ability to displace current incumbent providers, which often have the benefit of long-term contracts with customers. These long-term contracts and other factors result in relatively high switching costs for customers, making it more difficult for us to displace customers from their current relationships with our competitors. In addition, the supply of satellite capacity has increased in recent years, which makes it more difficult for us to sell our services in certain markets and to price our capacity at acceptable levels. Competition may cause downward pressure on prices and further reduce the utilization of our fleet capacity, both of which could have an adverse effect on our financial performance. Our Satellite Services business also competes with fiber optic cable and other terrestrial delivery systems, which may have a cost advantage, particularly in point-to-point applications where such delivery systems have been installed.

Our satellites are subject to significant operational and atmospheric risks that could limit our ability to utilize these satellites.

Satellites are subject to significant operational risks while in orbit. These risks include malfunctions, commonly referred to as anomalies, which have occurred in our satellites and the satellites of other operators as a result of various factors, such as satellite manufacturers errors, problems with the power systems or control systems of the satellites and general failures resulting from operating satellites in the harsh environment of space.

Although we work closely with the satellite manufacturers to determine and eliminate the cause of anomalies in new satellites and provide for redundancies of many critical components in the satellites, we may experience anomalies in the future, whether of the types described above or arising from the failure of other systems or components.

Any single anomaly or series of anomalies could materially and adversely affect our operations and revenues and our relationship with current customers, as well as our ability to attract new customers for our satellite services. In particular, future anomalies may result in the loss of individual transponders on a satellite, a group of transponders on that satellite or the entire satellite, depending on the nature of the anomaly. Anomalies may also reduce the expected useful life of a satellite, thereby reducing the revenue that could be generated by that satellite, or create additional expenses due to the need to provide replacement or back-up satellites.

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Meteoroid events pose a potential threat to all in-orbit satellites. The probability that meteoroids will damage those satellites increases significantly when the Earth passes through the particulate stream left behind by comets. Occasionally, increased solar activity also poses a potential threat to all in-orbit satellites.

Some decommissioned spacecraft are in uncontrolled orbits which pass through the geostationary belt at various points and present hazards to operational spacecraft, including our satellites. We may be required to perform maneuvers to avoid collisions and these maneuvers may prove unsuccessful or could reduce the useful life of the satellite through the expenditure of fuel to perform these maneuvers. The loss, damage or destruction of any of our satellites as a result of an electrostatic storm, collision with space debris, malfunction or other event could have a material adverse effect on our business, financial condition and results of operations.

Our satellites have minimum design lives of 12 years, but could fail or suffer reduced capacity before then.

Our ability to earn revenue depends on the usefulness of our satellites, each of which has a limited useful life. A number of factors affect the useful lives of the satellites, including, among other things, the quality of their construction, the durability of their component parts, the ability to continue to maintain proper orbit and control over the satellite s functions, the efficiency of the launch vehicle used, and the remaining on-board fuel following orbit insertion. Generally, the minimum design life of each of our satellites is 12 years. We can provide no assurance, however, as to the actual useful lives of the satellites.

In the event of a failure or loss of any of our satellites, we may relocate another satellite and use it as a replacement for the failed or lost satellite, which could have a material adverse effect on our business, financial condition and results of operations. Such a relocation would require FCC approval and, among other things, a showing to the FCC that the replacement satellite would not cause additional interference compared to the failed or lost satellite. We cannot be certain that we could obtain such FCC approval.

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

Satellite launches are subject to significant risks, including delays, launch failure, or incorrect orbital placement. Certain launch vehicles that may be used by us have either unproven track records or have experienced launch failures in the past. The risks of launch delay and failure are usually greater when the launch vehicle does not have a track record of previous successful flights. Launch failures result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take more than three years, and to obtain other launch opportunities. Such significant delays could materially and adversely affect our ability to generate revenues. If we decide not to procure launch insurance, or we decide to procure launch insurance but we are unable to do so or are unable to obtain launch insurance at rates we deem commercially reasonable, and a significant launch failure were to occur, it could have a material adverse effect on our ability to generate revenues and fund future satellite procurement and launch opportunities. In addition, the occurrence of launch failures whether on our satellites or those of others may significantly reduce the availability of launch insurance on our satellites or make launch insurance premiums uneconomical.

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

Our Satellite Services business is subject to varying degrees of regulation in the United States by the FCC, and other entities, and in foreign countries by similar entities. These regulations are subject to the political process and have been in constant flux over the past decade. Moreover, a substantial number of foreign countries in which we have, or may in the future make, an investment, regulate, in varying degrees, the ownership of satellites and the distribution and ownership of programming services and foreign investment in programming companies. Further material changes in law and regulatory requirements must be anticipated, and there can be no assurance that our business and the business of our affiliates will not be adversely affected by future legislation, new regulation or deregulation.

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Our business depends substantially on FCC licenses that can expire or be revoked or modified and applications that may not be granted.

If the FCC were to cancel, revoke, suspend or fail to renew any of our licenses or authorizations, it could have a material adverse effect on our business, financial condition and results of operations. Specifically, loss of a frequency authorization would reduce the amount of spectrum available to us, potentially reducing the amount of services available to our customers. The materiality of such a loss of authorizations would vary based upon, among other things, the location of the frequency used or the availability of replacement spectrum. In addition, Congress often considers and enacts legislation that could affect us, and FCC proceedings to implement the Communications Act and enforce its regulations are ongoing. We cannot predict the outcomes of these legislative or regulatory proceedings or their effect on our business.

We may not be aware of certain foreign government regulations.

Because regulatory schemes vary by country, we may be subject to regulations in foreign countries of which we are not presently aware. If that were to be the case, we could be subject to sanctions by a foreign government that could materially and adversely affect our ability to operate in that country. We cannot assure you that any current regulatory approvals held by us are, or will remain, sufficient in the view of foreign regulatory authorities, or that any additional necessary approvals will be granted on a timely basis or at all, in all jurisdictions in which we wish to operate new satellites, or that applicable restrictions in those jurisdictions will not be unduly burdensome. The failure to obtain the authorizations necessary to operate satellites internationally could have a material adverse effect on our ability to generate revenue and our overall competitive position.

We, our customers and companies with whom we do business may be required to have authority from each country in which we or they provide services or provide our customers use of our satellites. Because regulations in each country are different, we may not be aware if some of our customers and/or companies with which we do business do not hold the requisite licenses and approvals.

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

There are a limited number of manufacturers that are able to design and build satellites according to the technical specifications and standards of quality we require, including Astrium Satellites, Boeing Satellite Systems, Lockheed Martin, Loral and Thales Alenia Space. There are also a limited number of agencies able to launch such satellites, including International Launch Services, Arianespace, United Launch Alliance and Sea Launch Company. The loss of any of our manufacturers or launch agencies could result in the delay of the design, building or launch of our satellites. Even if alternate suppliers for such services are available, we may have difficulty identifying them in a timely manner, we may incur significant additional expense in changing suppliers, and this could result in difficulties or delays in the design, manufacturing or launch of our satellites. Any delays in the design, building or launch of our satellites could have a material adverse effect on our business, financial condition and results of operations.

We currently have no commercial insurance coverage on the satellites we own and could face significant impairment charges if one of our satellites fails.

Generally, we do not carry launch or in-orbit insurance on the satellites we use. We currently do not carry in-orbit insurance on any of our satellites and do not use commercial insurance to mitigate the potential financial impact of in-orbit failures because we believe that the cost of insurance premiums is uneconomical relative to the risk of satellite failure. If one or more of our in-orbit satellites fail, we could be required to record significant impairment charges.

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Risks Relating to the Spin-Off

We have potential conflicts of interest with DISH Network.

Questions relating to conflicts of interest may arise between DISH Network and us in a number of areas relating to our past and ongoing relationships. Areas in which conflicts of interest between DISH Network and us could arise include, but are not limited to, the following:

Cross officerships, directorships and stock ownership. We continue to have significant overlap in directors and executive officers with DISH Network, which may lead to conflicting interests. Certain of our executive officers, including Charles W. Ergen, our Chairman, President and Chief Executive Officer, also serve as executive officers of DISH Network. Three of these individuals provide us services pursuant to a management services agreement we entered into with DISH Network. Our board of directors includes persons who are members of the board of directors of DISH Network, including Mr. Ergen, who serves as the Chairman of DISH Network and us. The executive officers and the members of our board of directors who overlap with DISH Network have fiduciary duties to DISH Network s shareholders. Pursuant to the management services agreement, three of these officers are paid by DISH Network even if their duties include work for EchoStar. Therefore, these individuals may have actual or apparent conflicts of interest with respect to matters involving or affecting each company. For example, there is potential for a conflict of interest when we or DISH Network look at acquisitions and other corporate opportunities that may be suitable for both companies. In addition, many of our directors and officers own DISH Network stock and options to purchase DISH Network stock, which they acquired or were granted prior to the Spin-off, including Mr. Ergen, who beneficially owns approximately 42.0% of the total equity and controls approximately 58.0% of the voting power of DISH Network. Mr. Ergen s beneficial ownership of DISH Network excludes 88,496,990 shares of DISH Network Class A Common Stock issuable upon conversion of shares of DISH Network Class B Common Stock currently held by certain trusts established by Mr. Ergen for the benefit of his family. These trusts beneficially own approximately 33.0% of our total equity securities and possess approximately 34.0% of the total voting power of DISH Network. These ownership interests could create actual, apparent or potential conflicts of interest when these individuals are faced with decisions that could have different implications for our company and DISH Network.

Intercompany agreements related to the Spin-off. We entered into agreements with DISH Network pursuant to which it provides us certain management, administrative, accounting, tax, legal and other services, for which we pay DISH Network an amount equal to DISH Network s cost plus a fixed margin. In addition, we entered into a number of intercompany agreements covering matters such as tax sharing and our responsibility for certain liabilities previously undertaken by DISH Network for certain of our businesses. We also entered into certain commercial agreements with DISH Network pursuant to which we are, among other things, obligated to sell at specified prices, digital set-top boxes and related equipment to DISH Network. The terms of these agreements were established while we were a wholly-owned subsidiary of DISH Network and were not the result of arm s length negotiations. The allocation of assets, liabilities, rights, indemnifications and other obligations between DISH Network and us under the separation and ancillary agreements we entered into with DISH Network do not necessarily reflect what two unaffiliated parties might have agreed to. Had these agreements been negotiated with unaffiliated third parties, their terms may have been more favorable, or less favorable, to us. In addition, conflicts could arise in the interpretation or any extension or renegotiation of these existing agreements.

Future intercompany transactions. In the future, DISH Network or its affiliates may enter into transactions with us or our subsidiaries or other affiliates. Although the terms of any such transactions will be established based upon negotiations between DISH Network and us and, when appropriate, subject to the approval of the independent directors on our board or a committee of disinterested directors, there can be no assurance that the terms of any such transactions will be as favorable to us or our subsidiaries or affiliates as may otherwise be obtained in arm s length negotiations.

Business opportunities. DISH Network retains its interests in various U.S. and international companies that have subsidiaries or controlled affiliates that own or operate domestic or foreign services that may compete with services offered by our businesses. We may also compete with DISH Network when we participate in auctions for spectrum or orbital slots for our satellites.

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We may not be able to resolve any potential conflicts, and, even if we do so, the resolution may be less favorable to us than if we were dealing with an unaffiliated party.
We do not have any agreements with DISH Network that restrict us from selling our products to competitors of DISH Network, nor do we have any agreement that prevents DISH Network from purchasing products from our competitors. We also do not have any agreements with DISH Network that would prevent us from competing with each other.
In addition, the corporate opportunity policy set forth in our articles of incorporation addresses potential conflicts of interest for officers and directors of DISH Network who are also officers or directors of us. This policy could restrict our ability to take advantage of certain corporate opportunities.

Risks Relating to our Common Stock and the Securities Market

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

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 has concluded that our internal control over financial reporting was effective as of December 31, 2008, 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), investors, customers and business partners could lose confidence in the accuracy of our financial reports, which could in turn have a material adverse effect on our business, investor confidence in our financial results may weaken, and our stock price may suffer.

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

Certain provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a change in control of our company that a shareholder may consider favorable. These provisions include the following:

- a capital structure with multiple classes of common stock: a Class A that entitles the holders to one vote per share, a Class B that entitles the holders to ten votes per share, a Class C that entitles the holders to one vote per share, except upon a change in control of our company in which case the holders of Class C are entitled to ten votes per share and a non-voting Class D;

- a provision that authorizes the issuance of blank check preferred stock, which could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;

- a provision limiting who may call special meetings of shareholders; and

- a provision establishing advance notice requirements for nominations of candidates for election to our board of directors or for proposing matters that can be acted upon by shareholders at shareholder meetings.

In addition, pursuant to our certificate of incorporation we have a significant amount of authorized and unissued stock which would allow our board of directors to issue shares to persons friendly to current management, thereby protecting the continuity of management, or which could be used to dilute the stock ownership of persons seeking to obtain control of us.

We are controlled by one principal shareholder who is our Chairman, President and Chief Executive Officer.

Charles W. Ergen, our Chairman, President and Chief Executive Officer, beneficially owns approximately 53.0% of our total equity securities and possesses approximately 87.0% of the total voting power. Thus, Mr. Ergen has the ability to elect a majority of our directors and to control all other matters requiring the approval of our shareholders. As a result of Mr. Ergen s voting power, we are a controlled company as defined in the Nasdaq listing rules and, therefore, are not subject to Nasdaq requirements that would otherwise require us to have (i) a majority of independent directors; (ii) a nominating committee composed solely of independent directors; (iii) compensation of

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our executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors; and (iv) director nominees selected, or recommended for the Board s selection, either by a majority of the independent directors or a nominating committee composed solely of independent directors.

Mr. Ergen also beneficially owns approximately 42.0% of the total equity and 58.0% of the total voting power of DISH Network and continues to be the Chairman, President and Chief Executive Officer of DISH Network, which directly and through its subsidiaries continues to be our largest customer, accounting for a substantial majority of our revenues. Mr. Ergen s beneficial ownership of DISH Network excludes 88,496,990 shares of DISH Network Class A Common Stock issuable upon conversion of shares of DISH Network Class B Common Stock currently held by certain trusts established by Mr. Ergen for the benefit of his family. These trusts beneficially own approximately 33.0% of our total equity securities and possess approximately 34.0% of the total voting power.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases.

We may face other risks described from time to time in periodic and current reports we file with the SEC.

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Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The following table sets forth certain information concerning our principal properties related to our Digital Set-Top Box business (STB) and our Satellite Services business (ESS). We operate various facilities in the United States and abroad. We believe that our facilities are well maintained and are sufficient to meet our current and projected needs.

Description/Use/Location	Segment(s) Using Property	Approximate Square Footage	Owned	Leased
Corporate headquarters, engineering offices and service center, Englewood, Colorado	STB/Other	144,000	X	
Administrative offices, Englewood, Colorado	All	61,000	X	
Engineering offices, Englewood, Colorado	STB	63,000	X	
EchoStar Data Networks engineering offices, Atlanta, Georgia	STB	50,000		X
Digital broadcast operations center, Cheyenne, Wyoming	STB/ESS	153,000	X	
Digital broadcast operations center, Gilbert, Arizona	STB/ESS	124,000	X	
Regional digital broadcast operations center, Monee, Illinois	STB	37,000	X	
Regional digital broadcast operations center, New Braunfels, Texas	STB	26,000	X	
Regional digital broadcast operations center, Quicksburg, Virginia	STB/ESS	26,000	X	
Regional digital broadcast operations center, Spokane, Washington	STB/ESS	26,000	X	
Regional digital broadcast operations center, Black Hawk, South Dakota	STB	10,000	X	
Regional digital broadcast operations center, Orange, New Jersey	STB	7,500	X	
Micro digital broadcast operations center, Atlanta, Georgia	STB	1,500		X
Micro digital broadcast operations center, St. Louis, Missouri	STB	1,600		X
Micro digital broadcast operations center, Jackson, Mississippi	STB	1,600		X
Spacecraft autotrack operations center, Baker, Montana	ESS	150		X
Engineering offices and warehouse, Almelo, The Netherlands	STB	55,000	X	
Engineering offices, Steeton, England	STB	43,000	X	
Sling corporate headquarters and data center, San Francisco, California	STB	24,000		X
Sling sales office, New York, New York	STB	14,500		X
Engineering office, Ukraine	STB	1,000		X

Under the terms of the Spin-off, we lease portions of certain of our owned facilities to DISH Network. See Related Party Transactions with DISH Network Real Estate Lease Agreements set forth in our Proxy Statement for the 2009 Annual Meeting of Shareholders under the caption Certain Relationships and Related Transactions. Also, see further discussion under Item 1. Business Satellite Services Business Our Customers in this Annual Report on Form 10-K.

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Item 3. LEGAL PROCEEDINGS

In connection with the Spin-off, we entered into a separation agreement with DISH Network, which provides for, among other things, the division of liability resulting from litigation. Under the terms of the separation agreement, we have assumed liability for any acts or omissions that relate to our business whether such acts or omissions occurred before or after the Spin-off. Certain exceptions are provided, including for intellectual property related claims generally, whereby we will only be liable for our acts or omissions that occurred following the Spin-off. Therefore, we have been indemnified by DISH Network for any potential liability or damages resulting from intellectual property claims relating to the period prior to the effective date of the Spin-off.

Acacia

During 2004, Acacia Media Technologies, (Acacia) filed a lawsuit against us and DISH Network 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 an acquired patent portfolio. 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 patents relate to certain systems and methods for transmission of digital data. 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. The Court issued additional claim construction rulings on December 14, 2006, March 2, 2007, October 19, 2007, and February 13, 2008. On March 12, 2008, the Court issued an order outlining a schedule for filing dispositive invalidity motions based on its claim constructions. Acacia has agreed to stipulate to invalidity based on the Court s claim constructions in order to proceed immediately to the Federal Circuit on appeal. The Court, however, has permitted us to file additional invalidity motions.

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 are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Broadcast Innovation, L.L.C.

In 2001, Broadcast Innovation, L.L.C. (Broadcast Innovation) filed a lawsuit against DISH Network, 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 are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Datasec

During April 2008, Datasec Corporation (Datasec) sued us, DISH Network and DirecTV Corporation in the United States District Court for the Central District of California, alleging infringement of U.S. Patent No. 6,075,969 (the 969 patent). The 969 patent was issued in 2000 to inventor Bruce Lusignan, and is entitled Method for Receiving Signals from a Constellation of Satellites in Close Geosynchronous Orbit. In September 2008, Datasec voluntarily dismissed its case without prejudice.

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, DISH Network, 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. The District Court has stayed our action until the Federal Circuit has resolved DirecTV s appeal. During April 2008, the Federal Circuit reversed the judgment against DirecTV and ordered a new trial. Our case is stayed until the DirecTV action is resolved.

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 are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Global Communications

On April 19, 2007, Global Communications, Inc. (Global) filed a patent infringement action against DISH Network 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. On October 24, 2007, the United States Patent and Trademark Office granted our request for reexamination of the 702 patent and issued an Office Action finding that all of the claims of the 702 patent were invalid. At the request of the parties, the District Court stayed the litigation until the reexamination proceeding is concluded and/or other Global patent applications issue.

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 are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Guardian Media

On December 22, 2008, Guardian Media Technologies LTD (Guardian) filed suit against us, EchoStar Technologies L.L.C., and several other defendants in the United States District Court for the Central District of California alleging infringement of United States Patent Nos. 4,930,158 (the 158 patent) and 4,930,160 (the 160 patent). The 158 patent is entitled Selective Video Playing System and the 160 patent is entitled Automatic Censorship of Video Programs. Both patents are expired and relate to certain parental lock features.

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. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Multimedia Patent Trust

On February 13, 2009, Multimedia Patent Trust (MPT) filed suit against us, DISH Network and several other defendants in the United States District Court for the Southern District of California alleging infringement of United States Patent Nos. 4,958,226 entitled Conditional Motion Compensated Interpolation Of Digital Motion Video, 5,227,878 entitled Adaptive Coding and Decoding of Frames and Fields of Video, 5,136,377 entitled Adaptive Non-linear Quantizer, 5,500,678 entitled Optimized Scanning of Transform Coefficients in Video Coding, and 5,563,593 entitled Video Coding with Optimized Low Complexity Variable Length Codes. The patents relate to encoding and compression 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. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Personalized Media Communications

In February 2008, Personalized Media Communications, Inc. filed suit against us, DISH Network and Motorola, Inc. in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent Nos. 4,694,490 (the 490 patent), 5,109,414 (the 414 patent), 4,965,825 (the 825 patent), 5,233,654 (the 654 patent), 5,335,277 (the 277 patent), and 5,887,243 (the 243 patent), all of which were issued to John Harvey and James Cuddihy as named inventors. The 490 patent, the 414 patent, the 825 patent, the 654 patent and the 277 patent are defined as the Harvey Patents. The Harvey Patents are entitled Signal Processing Apparatus and Methods. The lawsuit alleges, among other things, that our DBS system receives program content at broadcast reception and satellite uplinking facilities and transmits such program content, via satellite, to remote satellite receivers. The lawsuit further alleges that we infringe the Harvey Patents by transmitting and using a DBS signal specifically encoded to enable the subject receivers to function in a manner that infringes the Harvey Patents, and by selling services via DBS transmission processes which infringe the Harvey Patents.

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

Superguide

During 2000, Superguide Corp. (Superguide) filed suit against us. DISH Network, 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. We were indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. In October 2008, a settlement was reached with Superguide which did not impact our results of operations.

Technology Development Licensing

On January 22, 2009, Technology Development and Licensing LLC (TechDev) filed suit against us and DISH Network in the United States District Court for the Northern District of Illinois alleging infringement of United States Patent No. 35, 952 (the 952 patent). The 952 patent is entitled Television Receiver Having Memory Control for Tune-By-Label Feature, and relates to certain favorite channel features.

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. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Tivo Inc.

On January 31, 2008, the U.S. Court of Appeals for the Federal Circuit affirmed in part and reversed in part the April 2006 jury verdict concluding that certain of our digital video recorders, or DVRs, infringed a patent held by Tivo. In its decision, the Federal Circuit affirmed the jury s verdict of infringement on Tivo s software claims, upheld the award of damages from the District Court, and ordered that the stay of the District Court s injunction against us, which was issued pending appeal, be dissolved when the appeal becomes final. The Federal Circuit, however, found that we did not literally infringe Tivo s hardware claims, and remanded such claims back to the District Court for further proceedings. On October 6, 2008, the Supreme Court denied our petition for certiorari. As a result, approximately $105 million was released by DISH Network from an escrow account to Tivo.

In addition, we have developed and deployed next-generation DVR software to our customers DVRs. This improved software is fully operational and has been automatically downloaded to current customers (our alternative technology). We have formal legal opinions from outside counsel that conclude that our alternative technology does not infringe, literally or under the doctrine of equivalents, either the hardware or software claims of Tivo s patent. Tivo has filed a motion for contempt alleging that we are in violation of the Court s injunction. We have vigorously opposed the motion arguing that the Court s injunction does not apply to DVRs that have received our alternative technology, that our alternative technology does not infringe Tivo s patent, and that we are in compliance with the injunction. An evidentiary hearing on Tivo s motion for contempt was held on February 17-19, 2009 and the Court will rule after receiving the parties post-trial briefs. In January 2009, the Patent and Trademark Office (PTO) granted our Petition for Re-Examination of the software claims of Tivo s 389 patent, which are the subject of Tivo s current motion for contempt. The PTO found that there is a substantial new question of patentability as to the software claims in light of prior patents that appear to render Tivo s 389 patent invalid as obvious.

If we are unsuccessful in defending against Tivo s motion for contempt or any subsequent claim that our alternative technology infringes Tivo s patent, we could be prohibited from distributing DVRs, or could 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. We could also have to pay substantial additional damages. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. Although we believe that we do not infringe under any of the claims asserted against us and DISH Network, we cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Other

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

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

No items were submitted to a vote of security holders during the fourth quarter of 2008.

PART II

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price of and Dividends on the Registrant s Common Equity and Related Stockholder Matters

Market Information. Our Class A common stock is quoted on the Nasdaq Global Select Market under the symbol SATS. The high and low closing sale prices of our Class A common stock during 2008 on the Nasdaq Global Select Market (as reported by Nasdaq) are set forth below. Prior to 2008, our Class A common stock was not publicly traded.

2008	**High**	**Low**
First Quarter	$40.16	$28.27
Second Quarter	38.09	28.29
Third Quarter	33.88	24.10
Fourth Quarter	23.67	13.04

As of February 20, 2009, there were approximately 11,137 holders of record of our Class A common stock, not including stockholders who beneficially own Class A common stock held in nominee or street name. As of February 20, 2009, 44,987,642 of the 47,687,039 outstanding shares of our Class B common stock were held by Charles W. Ergen, our Chairman, President and Chief Executive Officer and the remaining 2,699,397 were held in a trust for members of Mr. Ergen s family. There is currently no trading market for our Class B common stock.

Dividends. We currently do not intend to declare dividends on our common stock. Payment of any future dividends will depend upon our earnings, capital requirements and other factors the Board of Directors considers appropriate. We currently intend to retain our earnings, if any, to support future growth and expansion although we expect to repurchase shares of our common stock from time to time. See further discussion under Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this Annual Report on Form 10-K.

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Securities Authorized for Issuance Under Equity Compensation Plans. See Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters in this Annual Report on Form 10-K.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information regarding repurchases of our Class A common stock from July 1, 2008 through December 31, 2008.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (a)
	(In thousands, except share data)			
July 1 - August 31, 2008		$		$ 1,000,000
September 1 - September 30, 2008	551,446	$ 26.81	551,446	$ 985,215
October 1, 2008 - October 31, 2008	1,111,748	$ 21.02	1,111,748	$ 961,841
November 2008 (b)				$ 500,000
November 1, 2008 - November 30, 2008	873,387	$ 16.45	873,387	$ 485,634
December 1 - December 31, 2008	1,081,915	$ 14.34	1,081,915	$ 470,114
Total	3,618,496		3,618,496	$ 470,114

(a) During the period from July 1, 2008 through December 31, 2008 all purchases were made pursuant to the program discussed below in open market transactions.

(b) In November 2007, our Board of Directors authorized the purchase of up to $1.0 billion of our Class A common stock during 2008. Effective November 2008, our board of directors extended the plan and authorized a reduction in the maximum dollar value of shares that may be repurchased, such that we are currently authorized to repurchase up to $500 million of our outstanding Class A common stock through and including December 31, 2009, subject to a limitation to purchase no more than 20% of our outstanding common stock. Purchases under the 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 all of the shares authorized for repurchase under this program and we may also enter into additional share repurchase programs authorized by our Board of Directors.

Item 6. SELECTED FINANCIAL DATA

The accompanying consolidated financial statements for 2008 have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). Certain prior period amounts have been reclassified to conform to the current period presentation.

Within this report, we have included both combined financial statements prior to the Spin-off and consolidated financial statements following the Spin-off, as discussed below. Throughout the remainder of this report, we refer to both as consolidated.

After Spin-off Principles of Consolidation. The financial statements in this Annual Report on Form 10-K for the periods presented after the Spin-off are presented on a consolidated basis and represent the Digital Set-Top Box business, satellites, digital broadcast operations assets, certain real estate and other net assets contributed to us as part of the Spin-off. 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 investee.

Prior to Spin-off Principles of Consolidation. The financial statements in this annual report for the periods presented prior to the Spin-off are presented on a combined basis and principally represent the Digital Set-Top Box business and certain other net assets. The assets and liabilities presented have been reflected on a historical basis, as prior to the Spin-off such assets and liabilities were 100% owned by DISH Network. Our historical financial statements do not include the satellites, digital broadcast operations assets, certain real estate and other assets and related liabilities that were contributed to us by DISH Network in the Spin-off. Also, the financial statements for the periods presented prior to the Spin-off do not include all of the actual expenses that would have been incurred had EchoStar been a stand-alone entity during the periods

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presented and do not reflect EchoStar s combined results of operations, financial position and cash flows had we been a stand-alone company during the periods presented. All significant intercompany transactions and accounts have been eliminated.

The financial data for the three years ended December 31, 2007 has been derived from our audited financial statements for the corresponding periods. Data for the year ended December 31, 2004 has been derived from unaudited information. The data should be read in conjunction with our consolidated financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein.

The following tables present selected information relating to our consolidated financial condition and results of operations for the past five years.

	For the Years Ended December 31,				
Statements of Operations Data:	**2008**	**2007**	**2006**	**2005**	**2004**
			(In thousands)		
Revenue	$ 2,150,520	$ 1,544,065	$ 1,525,320	$ 1,513,691	$ 1,720,091
Total costs and expenses	2,791,114	1,630,444	1,562,767	1,546,755	1,760,714
Operating income (loss)	$ (640,594)	$ (86,379)	$ (37,447)	$ (33,064)	$ (40,623)
Net income (loss)	$ (944,001)	$ (85,300)	$ (34,162)	$ (44,940)	$ (43,237)
Weighted-average shares outstanding:					
Basic and diluted	89,324	89,712	89,712	89,712	89,712
Earnings (loss) per share:					
Basic and diluted	$ (10.57)	$ (0.95)(1)	$ (0.38)(1)	$ (0.50)(1)	$ (0.48)(1)

(1) For all periods prior to the completion of the Spin-off on January 1, 2008, basic and diluted earnings per share are computed using our shares outstanding as of January 1, 2008.

	As of December 31,				
Balance Sheet Data:	**2008**	**2007**	**2006**	**2005**	**2004**
					(Unaudited)
			(In thousands)		

Cash, cash equivalents and marketable securities	$ 828,661	$ 532,267	$323,576	$106,109	$143,437
Total assets	$2,903,986	$1,260,910	$517,821	$229,392	$277,843
Capital lease obligations, mortgages and other notes payable, including current portion	$ 346,439	$ 3,709	$	$ 495	$ 647
Total stockholders equity (deficit)	$2,225,773	$1,207,518	$502,283	$217,132	$258,452

	For the Years Ended December 31,				
Cash Flow Data:	**2008**	**2007**	**2006**	**2005**	**2004**
					(Unaudited)
			(In thousands)		
Net cash flows from:					
Operating activities	$ 113,171	$ (88,109)	$ (36,374)	$(14,193)	$(78,916)
Investing activities	$(564,865)	$(500,767)	$ (54,781)	$(16,700)	$ (5,619)
Financing activities	$ 435,079	$ 600,337	$104,534	$ 39,782	$ 69,715

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

EXECUTIVE SUMMARY

Overview

Effective January 1, 2008, DISH Network Corporation (DISH Network) completed its distribution to us (the Spin-off) of its set-top box business and certain infrastructure and other assets, including certain of its satellites, uplink and satellite transmission assets, real estate and other assets and related liabilities. We currently operate two primary business units: (i) our Digital Set-Top Box business, and (ii) our Satellite Services business.

Digital Set-Top Box Business

Our Digital Set-Top Box business designs, develops and distributes digital set-top boxes and related products and technology, including our Slingbox placeshifting technology discussed below, primarily for satellite TV service providers, telecommunication and cable companies and, with respect to Slingboxes, directly to consumers via retail outlets. Most of our digital set-top boxes are sold to DISH Network, but we also sell a significant number of digital set-top boxes to Bell TV in Canada and other international customers. As part of the Spin-off from DISH Network, we acquired Sling Media, Inc., a leading innovator in the digital-lifestyle space, to complement our existing product line. Slingbox contains a patented placeshifting technology that allows consumers to watch and control their home digital video and audio content anywhere in the world via a broadband internet connection.

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

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

On November 24, 2008, we entered into a joint venture for direct-to-home, or DTH, service in Mexico through several arrangements that provide us an approximate 24% indirect economic interest in DISH Mexico, S. de R.L. de C.V., or DISH Mexico. In accordance with the terms of the arrangements, we provide certain broadcast services and transponder services and may sell hardware such as digital set-top boxes and related equipment to DISH Mexico. Subject to a number of conditions, including regulatory approvals and compliance with various other arrangements, we committed to provide approximately $112 million of value over an initial ten year period. Of the total commitment, approximately $42 million is expected to be paid in cash and the remaining amounts may be satisfied in the form of cash, certain services or equipment. As of December 31, 2008, we had invested approximately $8 million of cash and contributed equipment in DISH Mexico.

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

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

Changes in DISH Network subscriber growth could have a material adverse affect on our digital set-top box sales. In particular, weaknesses in the economy and other factors adversely affecting DISH Network, such as the decision by AT&T to terminate its distribution agreement with DISH Network effective January 31, 2009, may have an adverse impact on us. According to DISH Network s Form 10-K for the year ended December 31, 2008, its relationship with AT&T accounted for approximately 17% of DISH Network s gross subscriber additions. If DISH Network s gross subscriber additions are adversely affected by the loss of its distribution relationship with AT&T, we may experience a decline in our sales of digital set-top boxes to DISH Network. Furthermore, DISH Network has in recent quarters experienced declining and negative subscriber growth. To the extent that this trend continues or intensifies as a result of deteriorating economic conditions in the United States or otherwise, sales of our digital set-top boxes to DISH Network may decline. Because DISH Network s current digital set-top box inventory is at higher-than-historical levels, we may see fewer orders for digital set-top boxes from DISH Network in the near term.

The impact to us of declining DISH Network subscriber growth may be offset over the near term by an increase in sales to DISH Network resulting from the upgrade of DISH Network subscribers to advanced products such as high definition (HD) receivers, digital video recorders (DVRs) and HD DVRs, as well as by the upgrade of DISH Network digital set-top boxes to new technologies such as MPEG-4 digital compression technology or Slingbox placeshifting technology. However, there can be no assurance that any of these factors will mitigate declining subscriber growth at DISH Network. In addition, although we expect DISH Network to continue to purchase products and services from us, there can be no assurance that DISH Network will continue to purchase products and services from us in the future.

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

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

Additional Challenges for our Digital Set-Top Box Business. We believe that our best opportunities for developing potential new customers for our Digital Set-Top Box business over the near term lie in international markets, and we therefore expect our performance in international markets to be a significant factor in determining whether we will be able to generate revenue and income growth in future periods. However, there can be no assurance that we will be able to sustain or grow our international business. In particular, we have noticed an increase in new market entrants, primarily located in Asia, that offer low cost set-top boxes, including set-top boxes that are modeled after our products or products of our principal competitors. The entry of these new competitors may result in pricing pressure in international markets that we hope to enter. If market prices in international markets are substantially reduced by such new entrants, it may be difficult for us to make profitable sales in international markets. Furthermore, if we do not continue to distinguish our products, particularly our retail products, through distinctive, technologically advanced features and design, as well as continue to build and strengthen our brand recognition, our business could be harmed as we may not be able to effectively compete on price alone in both domestic and international markets against new low cost market entrants that are principally located in Asia. If we do not otherwise compete effectively, demand for our products could decline, our gross margins could decrease, we could lose market share, our revenues and earnings may decline and our growth prospects would be diminished.

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

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

Our ability to sustain or increase profitability will also depend in large part on our ability to control or reduce our costs of producing digital set-top boxes. The market for our digital set-top boxes, like other electronic products, has been characterized by regular reductions in selling prices and production costs. Therefore, we will likely be required to reduce production costs in order to maintain the margins we earn on digital set-top boxes and the profitability of our Digital Set-Top Box business.

Satellite Services Business

Our satellite services segment consists principally of transponder leasing provided primarily to DISH Network, and secondarily to government entities, internet service providers, broadcast news organizations and private enterprise customers. We began operating the Satellite Services business following the completion of the Spin-off using our owned and leased in-orbit satellites, multiple digital broadcast centers and other transmission assets. We are also pursuing expanding our business offerings by providing value added services such as telemetry, tracking and control services to third parties. We believe that there may be opportunities to capture new business as a result of market trends such as the digital transition and the increased communications demands of homeland security initiatives. However, there can be no assurance that we will be able to effectively compete against our competitors due to their significant resources and operating history.

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

While we expect to continue to provide satellite services to DISH Network for the foreseeable future, its satellite capacity requirements may change for a variety of reasons, including the launch of additional satellites. Any termination or reduction in the services we provide to DISH Network would increase excess capacity on our satellites and require that we aggressively pursue alternative sources of revenue for this business.

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

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

Adverse Economic Conditions

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

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

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

Impairments and Investment Losses

Following periodic assessments of the carrying value of our tangible and intangible assets, we recorded impairments of our AMC-14, AMC-15, AMC-16 and CMBStar satellites, certain FCC licenses, the fair value of goodwill carried in our Digital Set-Top Box business and certain marketable investment securities.

Satellites

AMC-15 and AMC-16 Impairments. In connection with the Spin-off, we assumed satellite lease agreements for AMC-15 and AMC-16, two in-orbit satellites with substantial unused satellite capacity. These assets are part of our Satellite Services business. Notwithstanding that as indicated in our 2007 Form 10-K, these satellites had substantial unused capacity, our initial business plan contemplated that we would generate cash inflows sufficient to support their carrying values. However, due to fewer opportunities for profitable alternative uses of the satellite capacity and lower demand for satellite services due to the weakening economy, we determined that an impairment triggering event had occurred. Our 2007 Form 10-K indicated that, because of the substantial unused capacity, a significant risk existed that we could record impairment charges of up to $250 million. Based on the results of our impairment analysis, we recorded impairment charges of aggregating $218 million with respect to these satellites, although we continue to explore opportunities to generate revenues from these assets.

CMBStar Impairment. In connection with the Spin-off, DISH Network contributed to us a satellite under construction, CMBStar. In April 2008, we notified the State Administration of Radio, Film and Television of China that we were suspending construction of the CMBStar satellite pending, among other things, further analysis relating to efforts to meet the satellite performance criteria and/or confirmation that alternative performance criteria would be acceptable. We had disclosed in our Quarterly Report for the three months ended March 31, 2008, that the suspension of construction of the CMBStar satellite could result in an impairment charge. During the second and third quarters of 2008, we continued to explore remedies and alternative uses for this satellite. During the fourth quarter of 2008, there were significant adverse change in the business climate and we were unable to secure a commercial agreement for an alternative use. As a result, we performed an impairment analysis in accordance with SFAS 144 and determined that the undiscounted cash flows would not recover the carrying amount of this satellite. We had previously disclosed that the suspension of construction of the CMBStar satellite could result in an impairment charge of up to $100 million. Based on the results of our impairment analysis, we recorded an impairment charge of $85 million with respect to CMBStar. We will continue to explore alternative uses for this satellite, including potentially reconfiguring the satellite and shifting its proposed orbital location in a manner that would be more cost effective than designing and constructing a new satellite.

Digital Set Top Business Goodwill Impairment. The estimated fair value of our reporting units were based on discounted cash flow models derived from internal forecasts. Goodwill carried in our Digital Set-Top Box business, primarily related to our 2007 acquisition of Sling Media. Assessment of goodwill requires that we consider, among other factors, the fair value of our net assets as compared to our current equity market capitalization. In the fourth quarter, our stock price was negatively impacted by, among other things, the deteriorating macroeconomic environment and market liquidity and our common stock has traded at a discount to our book value, which is an indication of a possible goodwill impairment. As a result of our impairment analysis, we recorded a goodwill impairment charge of $247 million. As we indicated in our 2007 Form 10-K, our financial results would suffer significantly if we are unable to develop new markets for our set-top boxes. Notwithstanding the goodwill impairment, we are continuing to capitalize on the Sling s placeshifting technology that allows consumers to watch and control their Pay TV content via a broadband internet connection, and we intend to integrate this technology into our next generation of digital set-top boxes.

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

Losses on Investments

We disclosed in our 2007 Form 10-K, that we have a number of strategic investments some of which involve a high degree of risk and could expose us to significant financial losses. During 2008, equity and debt markets experienced significant declines in value and the market value of our strategic investments declined as well. During 2008, we recorded $352 million of unrealized losses on investments accounted for at fair value. Of this amount, $170 million was recorded during the fourth quarter 2008.

We also recorded $90 million of net unrealized and realized losses on investments primarily related to other-than-temporary impairments of marketable investments securities. Of this amount, $46 million was recorded during the fourth quarter 2008.

Other Risks

Our profitability is also affected by costs associated with our efforts to expand our sales, marketing, product development and general and administrative capabilities in all of our businesses, as well as other expenses that we incur as a separate publicly-traded company. These costs are associated with, among other things, financial reporting, information technology, complying with federal securities laws (including compliance with the Sarbanes-Oxley Act of 2002), tax administration and human resources related functions. As we expand internationally, we may also incur additional costs to conform our digital set-top boxes to comply with local laws or local specifications and to ship our digital set-top boxes to our international customers.

Basis of Presentation

Within this report, we have included both combined financial statements prior to the Spin-off and consolidated financial statements following the Spin-off, as discussed below. Throughout the remainder of this report, we refer to both as consolidated.

After Spin-off Principles of Consolidation. The financial statements in this Annual Report on Form 10-K for the periods presented after the Spin-off are presented on a consolidated basis and represent the Digital Set-Top Box business, satellites, digital broadcast operations assets, certain real estate and other net assets contributed to us as part of the Spin-off. 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 investee.

Prior to Spin-off Principles of Combination. The financial statements in this Annual Report on Form 10-K for the periods presented prior to the Spin-off are presented on a combined basis and principally represent the Digital Set-Top Box business and certain other net assets. The assets and liabilities presented have been reflected on a historical basis, as prior to the Spin-off such assets and liabilities were 100% owned by DISH Network. Our historical financial statements do not include the satellites, digital broadcast operations assets, certain real estate and other assets and related liabilities that were contributed to us by DISH Network in the Spin-off. Also, the financial statements for the periods presented prior to the Spin-off do not include all of the actual expenses that would have been incurred had EchoStar been a stand-alone entity during the periods presented and do not reflect EchoStar s combined results of operations, financial position and cash flows had we been a stand-alone company during the periods presented. All significant intercompany transactions and accounts have been eliminated.

Our historical statements of operations include expense allocations for certain corporate functions historically provided to us by DISH Network, including, among other things, treasury, tax, accounting and reporting, risk management, legal, internal audit, human resources, investor relations and information technology. In certain cases, these allocations were made on a specific identification basis. Otherwise, the expenses related to services provided to us by DISH Network were allocated to us based on the relative percentages, as compared to DISH Network s other businesses, of headcount or other appropriate methods depending on the nature of each item of cost to be allocated. Pursuant to transition services agreements we entered into with DISH Network prior to the Spin-off, DISH Network has continued to provide us with certain of these services at prices agreed upon by DISH Network and us for a period of two years from the date of the Spin-off at cost plus an additional amount that is equal to a fixed percentage of DISH Network s cost, which is believed to be fair value pricing.

Acquisition of Sling Media, Inc. Our financial statements reflect the financial position, results of operations and cash flows of Sling Media, Inc. (Sling Media) from the acquisition date of October 19, 2007.

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

Explanation of Key Metrics and Other Items.

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

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

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

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

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

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

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

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

Impairments of goodwill, indefinite-lived and long-lived assets. Impairments of goodwill, indefinite-lived and long-lived assets consists primarily of impairments of goodwill, FCC authorizations and satellites. See Business Asset Impairments of this Annual Report on Form 10-K.

Interest expense. Interest expense primarily includes interest expense associated with our capital lease obligations.

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

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

Other income (expense), net. The main component of Other income and expense is equity in earnings and losses of our affiliates.

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

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

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

RESULTS OF OPERATIONS

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007.

	For the Years Ended December 31,		Variance	
	2008	2007	Amount	%
	(In thousands)			
Revenue:				
Equipment sales DISH Network	$ 1,491,556	$ 1,280,296	$ 211,260	16.5
Equipment sales other	246,655	247,213	(558)	(0.2)
Satellite services, digital broadcast operations and other services DISH Network	367,890	13,677	354,213	NM
Satellite and other services other	44,419	2,879	41,540	NM
Total revenue	2,150,520	1,544,065	606,455	39.3
Costs and Expenses:				
Cost of sales equipment	1,494,641	1,437,712	56,929	4.0
% of Total equipment sales	**86.0%**	**94.1%**		
Satellite services, digital broadcast operations and other cost of sales	220,817	16,272	204,545	NM
% of Total satellite services, digital broadcast operations and other services	**53.6%**	**98.3%**		
Research and development expenses	40,275	66,320	(26,045)	(39.3)
% of Total revenue	**1.9%**	**4.3%**		
Selling, general and administrative expenses	158,439	100,435	58,004	57.8
% of Total revenue	**7.4%**	**6.5%**		
Depreciation and amortization	264,197	9,705	254,492	NM
Impairments of goodwill, indefinite-lived and long-lived assets	612,745		612,745	NM
Total costs and expenses	2,791,114	1,630,444	1,160,670	71.2
Operating income (loss)	(640,594)	(86,379)	(554,215)	NM
Other Income (Expense):				
Interest income	83,114	10,459	72,655	NM
Interest expense, net of amounts capitalized	(31,909)	(796)	(31,113)	NM
Unrealized and realized gains (losses) on marketable investment securities and other investments	(89,795)	3,071	(92,866)	NM
Unrealized gains (losses) on investments accounted for at fair value, net	(352,227)		(352,227)	NM
Other, net	(9,270)	(9,550)	280	NM

Total other income (expense)	(400,087)	3,184	(403,271)	NM
Income (loss) before income taxes	(1,040,681)	(83,195)	(957,486)	NM
Income tax (provision) benefit, net	96,680	(2,105)	98,785	NM
Effective tax rate	**9.3%**	**2.5%**		
Net income (loss)	$ (944,001)	$ (85,300)	$ (858,701)	NM
Other Data:				
EBITDA	$ (827,689)	$ (83,153)	$ (744,536)	NM

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

Equipment sales DISH Network. Equipment sales DISH Network totaled $1.492 billion during the year ended December 31, 2008, an increase of $211 million or 16.5% compared to the same period in 2007. This change resulted primarily from an increase in the margins earned on the sale of digital set-top boxes and related components sold to DISH Network. Following the Spin-off, digital set-top boxes and related components, which were previously sold to DISH Network at cost, are sold at cost plus an agreed upon margin, discussed below. In addition, this change resulted from an increase in the sale of advanced digital set-top boxes, such as HD receivers and HD DVRs, and related components, partially offset by a decrease in unit sales of digital set-top boxes.

In the near term, we expect DISH Network to remain the primary customer of our Digital Set-Top Box business and the primary source of our total revenue. Pursuant to the commercial agreements we entered into with DISH Network, we are obligated to sell digital set-top boxes to DISH Network at cost plus an additional amount that is equal to a fixed percentage of our cost for a period of two years from the date of the Spin-off, although DISH Network has no obligations to purchase digital set-top boxes from us during or after this two year period. Because DISH Network s current set-top box inventory is at higher-than-historical levels, we may see fewer orders for digital set-top boxes from DISH Network in the near term.

Equipment sales other. Equipment sales other totaled $247 million during each of the years ended December 31, 2008 and 2007. In 2008, the increases in sales of digital set-top boxes and related components to Bell TV and in the sales of Slingboxes and related equipment were offset by a decrease in the sales of digital set-top boxes and related components to other international customers.

A substantial majority of our international revenue during the years ended December 31, 2008 and 2007, respectively, was attributable to sales of equipment to Bell TV. In early 2009, we completed a multi-year contract extension with Bell TV that makes us the exclusive provider of digital set-top boxes to Bell TV. The agreement includes fixed pricing over the term of the agreement as well as providing future engineering development for enhanced Bell TV service offerings. There can be no assurance that sales to Bell TV will continue at historical levels, and any decline could adversely affect our gross margins and profitability.

Satellite services, digital broadcast operations and other services DISH Network. Satellite services, digital broadcast operations and other services DISH Network totaled $368 million during the year ended December 31, 2008, an increase of $354 million compared to the same period during 2007. This change principally resulted from the sales of services to DISH Network including satellite and transponder leasing, digital broadcast operations, professional fees and other services in connection with the Spin-off.

Satellite and other services other. Satellite and other services other totaled $44 million during the year ended December 31, 2008, an increase of $42 million compared to the same period during 2007. This change principally resulted from the increase in satellite and transponder leasing and other services provided to customers other than DISH Network which we started to provide after the Spin-off.

Cost of sales equipment. Cost of sales equipment totaled $1.495 billion during the year ended December 31, 2008, an increase of $57 million or 4.0% compared to the same period in 2007. This change primarily resulted from an increase in sales of digital set-top boxes and related components to DISH Network and Bell TV and an increase in the sales of Slingboxes and related equipment, partially offset by a decrease in the cost of sales to other international customers. Cost of sales equipment represented 86.0% and 94.1% of total equipment sales during the years ended December 31, 2008 and 2007, respectively. Prior to the Spin-off, digital set-top boxes and related components were historically sold to DISH Network at cost. The decrease in the expense to revenue ratio principally resulted from the sale of digital set-top boxes and related components sold to DISH Network at cost plus a fixed margin, offset by a decline in margins on sales of digital set-top boxes and related components to Bell TV during the year ended December 31, 2008.

Satellite services, digital broadcast operations and other cost of sales. Satellite services, digital broadcast operations and other cost of sales totaled $221 million during the year ended December 31, 2008, an increase of $205 million compared to the same period in 2007. This increase principally resulted from the costs associated with digital broadcast operations and professional services primarily provided to DISH Network in connection with the Spin-off.

Satellite services, digital broadcast operations and other cost of sales represented 53.6% and 98.3% of total Satellite services, digital broadcast operations and other revenue during the years ended December 31, 2008 and 2007, respectively. The decrease in this expense to revenue ratio principally resulted from the introduction of DISH Network sales with margins which did not exist in the prior year. The majority of the costs associated with

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

our satellites utilized in our Satellite Services business are included in Depreciation and amortization expense discussed below.

Research and development expenses. Research and development expenses totaled $40 million during the year ended December 31, 2008, a decrease of $26 million or 39.3% compared to the same period in 2007. The 2007 amount includes $22 million of in-process research and development costs associated with the acquisition of Sling Media during 2007. Research and development expenses represented 1.9% and 4.3% of Total revenue during the years ended December 31, 2008 and 2007, respectively. The decrease in the ratio of those expenses to Total revenue was primarily attributable to the decrease in the expenses discussed above.

Selling, general and administrative expenses. Selling, general and administrative expenses totaled $158 million during the year ended December 31, 2008, an increase of $58 million or 57.8% compared to the same period in 2007. This increase was attributable to selling costs and certain management and administrative expenses including non-cash, stock-based compensation expense, primarily associated with the acquisition of Sling Media in 2007. In addition, this change resulted from an increase in our allowance for uncollectible accounts in 2008. Selling, general and administrative expenses represented 7.4% and 6.5% of Total revenue during the years ended December 31, 2008 and 2007, respectively. The increase in the ratio of those expenses to Total revenue was primarily attributable to the increase in expenses relative to the growth in revenue, discussed previously.

Depreciation and amortization. Depreciation and amortization expense totaled $264 million during the year ended December 31, 2008, a $254 million increase compared to the same period in 2007. The increase was primarily attributable to expense associated with the contribution of satellites, digital broadcast assets, real estate and other assets by DISH Network to us in connection with the Spin-off.

Impairments of goodwill, indefinite-lived and long-lived assets. Impairments of goodwill, indefinite-lived and long-lived assets of $613 million during the year ended December 31, 2008 resulted from impairments of goodwill, satellites, and FCC authorizations. See Note 7 in the Notes to the Consolidated Financial Statements in Item 15 and Item 1. Business Asset Impairments of this Annual Report on Form 10-K.

Interest income. Interest income totaled $83 million during the year ended December 31, 2008, a $73 million increase compared to the same period in 2007. This increase resulted from the interest earned on cash and marketable investment securities contributed by DISH Network to us in the Spin-off.

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized totaled $32 million during the year ended December 31, 2008, a $31 million increase compared to the same period in 2007. This change resulted from the interest expense associated with capital leases contributed by DISH Network to us in the Spin-off.

Unrealized and realized gains (losses) on marketable investment securities and other investments. Unrealized and realized gains (losses) on marketable investment securities and other investments totaled $90 million during the year ended December 31, 2008, a $93 million increase compared to the same period in 2007. This increase was primarily attributable to the $174 million of other-than-temporary impairments of marketable investment securities and other investments, partially offset by a $68 million gain on the sale of a company which held certain FCC authorizations for a publicly traded stock.

Unrealized gains (losses) on investments accounted for at fair value, net. Effective January 1, 2008, we adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. For certain debt and equity investments, we elected the fair value method of accounting which we believe provides more meaningful information to our investors. As a result of this election and the adoption of SFAS 157, during 2008 we recorded $352 million of unrealized losses on investments accounted for at fair value. See Note 3 in the Notes to the Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K.

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

Earnings before interest, taxes, depreciation and amortization. EBITDA was a negative $828 million during the year ended December 31, 2008, a decrease of $744 million compared to the same period in 2007. EBITDA for the year ended December 31, 2008 was negatively impacted by: (i) the impairment of goodwill, indefinite-lived and long-lived assets of $613 million, (ii) $90 million of unrealized and realized gains (losses) on marketable investment securities and other investments, and (iii) $352 million of unrealized losses on investments accounted for at fair value discussed above. The following table reconciles EBITDA to the accompanying financial statements.

	For the Years Ended December 31,	
	2008	2007
	(In thousands)	
EBITDA	$ (827,689)	$ (83,153)
Less:		
Interest expense, net	(51,205)	(9,663)
Income tax provision, net	(96,680)	2,105
Depreciation and amortization	264,197	9,705
Net income (loss)	$ (944,001)	$ (85,300)

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

Income tax (provision) benefit, net. Our income tax benefit was $97 million during the year ended December 31, 2008, an increase of $99 million compared to the same period in 2007. This increase was primarily attributable to losses before income taxes, partially offset by the establishment of a $178 million valuation allowance on deferred tax assets related to unrealized losses on marketable investment securities and other investments.

Net income (loss). Our net loss was $944 million during the year ended December 31, 2008, an increase of $859 million compared to the same period in 2007. This increase was primarily attributable to: (i) the impairment of goodwill, indefinite-lived and long-lived assets of $613 million, (ii) $90 of unrealized and realized gains (losses) on marketable investment securities and other investments, and (iii) $352 million of unrealized losses on investments accounted for at fair value discussed above.

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006.

	For the Years Ended December 31,		Variance	
	2007	2006	Amount	%
	(In thousands)			
Revenue:				
Equipment sales DISH Network	$ 1,280,296	$ 1,282,125	$ (1,829)	(0.1)
Equipment sales other	247,213	235,880	11,333	4.8
Satellite services, digital broadcast operations and other services DISH Network	13,677		13,677	NM
Satellite and other services other	2,879	7,315	(4,436)	(60.6)
Total revenue	1,544,065	1,525,320	18,745	1.2
Costs and Expenses:				
Cost of sales equipment	1,437,712	1,433,010	4,702	0.3
% of Total equipment sales	**94.1%**	**94.4%**		
Satellite services, digital broadcast operations and other cost of sales	16,272	7,020	9,252	NM
% of Total satellite services, digital broadcast operations and other services	**98.3%**	**96.0%**		
Research and development expenses	66,320	44,032	22,288	50.6
% of Total revenue	**4.3%**	**2.9%**		
Selling, general and administrative expenses	100,435	72,673	27,762	38.2
% of Total revenue	**6.5%**	**4.8%**		
Depreciation and amortization	9,705	6,032	3,673	60.9
Total costs and expenses	1,630,444	1,562,767	67,677	4.3
Operating income (loss)	(86,379)	(37,447)	(48,932)	NM
Other Income (Expense):				
Interest income	10,459	831	9,628	NM
Interest expense, net of amounts capitalized	(796)	(1,059)	263	24.8
Unrealized and realized gains (losses) on marketable investment securities and other investments	3,071	8,706	(5,635)	(64.7)
Other, net	(9,550)	(2,118)	(7,432)	NM
Total other income (expense)	3,184	6,360	(3,176)	(49.9)
Income (loss) before income taxes	(83,195)	(31,087)	(52,108)	NM

Income tax (provision) benefit, net	(2,105)	(3,075)	970	(31.5)
Effective tax rate	**2.5%**	**9.9%**		
Net income (loss)	$ (85,300)	$ (34,162)	$ (51,138)	NM
Other Data:				
EBITDA	$ (83,153)	$ (24,827)	$ (58,326)	NM

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

Equipment sales DISH Network. For the year ended December 31, 2007, revenue from Equipment sales DISH Network totaled $1.280 billion, a decrease of $2 million or 0.1% compared to the same period during 2006. This resulted from decreased equipment sales to DISH Network. Digital set-top boxes and related components were historically sold to DISH Network at cost.

Equipment sales other. For the year ended December 31, 2007, Equipment sales other totaled $247 million, an increase of $11 million or 4.8% compared to the same period during 2006. This increase principally resulted from the sale of Slingboxes and related equipment as a result of the Sling Media acquisition in 2007.

Satellite services, digital broadcast operations and other services DISH Network. Satellite services, digital broadcast operations and other services DISH Network totaled $14 million during the year ended December 31, 2007 resulting from the increase of other services provided to DISH Network.

Cost of sales equipment. Cost of sales equipment totaled $1.438 billion during the year ended December 31, 2007, an increase of $5 million or 0.3% compared to the same period in 2006. This change resulted from an increase in sales of Slingboxes and related equipment, and costs related to equipment sales to DISH Network. These costs were partially offset by a decline in the unit cost of digital set-top boxes and related components sold to international customers. As discussed above, digital set-top boxes and related components were historically sold to DISH Network at cost. Cost of sales equipment represented 94.1% and 94.4% of Total equipment sales during the years ended December 31, 2007 and 2006, respectively. The decrease in the expense to revenue ratio principally related to a decrease from 2006 to 2007 in the relative percentage of equipment sales to DISH Network at cost versus sales with margin. Additionally, this change resulted from margins earned on sales of Slingboxes and related equipment and an increase in margins on sales of digital set-top boxes and related components sold to international customers.

Research and development expense. Research and development expense totaled $66 million during the year ended December 31, 2007, an increase of $22 million or 50.6% compared to the same period in 2006. This increase primarily related to the expensing of the in-process research and development costs associated with the acquisition of Sling Media. See Note 13 in the Notes to the Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K. Research and development expense represented 4.3% and 2.9% of Total revenue during the years ended December 31, 2007 and 2006, respectively. The increase in the ratio of those expenses to Total revenue was primarily attributable to the increase in Research and development expenses discussed above.

Selling, general and administrative expenses. Selling, general and administrative expenses totaled $100 million during the year ended December 31, 2007, an increase of $28 million or 38.2% compared to the same period in 2006. This increase was primarily attributable to selling costs and certain management and administrative expenses including non-cash, stock-based compensation expense, primarily associated with the acquisition of Sling Media in 2007 and increased administrative support from DISH Network. Selling, general and administrative expenses represented 6.5% and 4.8% of Total revenue during the year ended December 31, 2007 and 2006, respectively. The increase in the ratio of those expenses to Total revenue was primarily attributable to the increases in Selling, general and administrative expenses discussed above.

Earnings before interest, taxes, depreciation and amortization. EBITDA was negative $83 million during the year ended December 31, 2007, a decrease of $58 million compared to the same period in 2006. The following table reconciles EBITDA to the accompanying financial statements.

	For the Years Ended December 31,	
	2007	**2006**
	(In thousands)	
EBITDA	$ (83,153)	$ (24,827)
Less:		
Interest expense, net	(9,663)	228
Income tax provision, net	2,105	3,075

Depreciation and amortization	9,705	6,032
Net income (loss)	$ (85,300)	$ (34,162)

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Item 7. 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. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

EBITDA is used by our management as a measure of operating efficiency and overall financial performance for benchmarking against our peers and competitors. Management believes EBITDA provides meaningful supplemental information regarding liquidity and the underlying operating performance of our business. Management also believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to evaluate companies in the digital set-top box industry.

Income tax (provision) benefit, net. Our income tax policy is to record the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in our accompanying consolidated balance sheets, as well as operating loss and tax credit carryforwards. We follow the guidelines set forth in Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, or SFAS 109, regarding the recoverability of any tax assets recorded on the balance sheet and provide any necessary allowances as required. Determining necessary allowances requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning opportunities. As of December 31, 2007, we had an approximate $73 million valuation allowance recorded as an offset against all of our net deferred tax assets.

Net income (loss). Net loss was $85 million during the year ended December 31, 2007 an increase in net loss of $51 million compared to the same period in 2006. The increase in losses was primarily attributable to the changes in revenue and expenses discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Cash, Cash Equivalents and Marketable Investment Securities

We consider all liquid investments purchased within 90 days of their maturity to be cash equivalents. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk in this Annual Report on Form 10-K for further discussion regarding our marketable investment securities. As of December 31, 2008, our cash, cash equivalents and current marketable investment securities totaled $829 million compared to $532 million of cash, cash equivalents and current marketable investment securities as of December 31, 2007. The $297 million increase in cash, cash equivalents and current marketable investment securities was primarily related to the contribution of approximately $1.0 billion of cash, cash equivalents and current marketable investment securities to us in connection with the Spin-off. This increase was partially offset by purchases of: (i) $227 million of current marketable investment securities, (ii) $144 million of non-marketable and other investment securities, (iii) $230 million of property and equipment, and (iv) the repurchase of 3.6 million shares of our common stock for $68 million. As of December 31, 2008, we held approximately $46 million of publicly traded investment securities which are shown as noncurrent in Marketable and other investment securities on our Consolidated Balance Sheets. As of December 31, 2007, these publicly traded investment securities were valued at $207 million and classified as a current asset in Marketable investment securities on our Consolidated Balance Sheets.

We have investments in various debt and equity instruments including corporate bonds, corporate equity securities, government bonds, and variable rate demand notes (VRDNs). VRDNs are long-term floating rate municipal bonds with embedded put options that allow the bondholder to sell the security at par plus accrued interest. All of the put options are secured by a pledged liquidity source. While they are classified as marketable investment securities, VRDNs can be liquidated per the put option on a same day or on a five business day settlement basis. As of December 31, 2008 and 2007, we held VRDNs with fair values of $622 million and zero, respectively.

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

The following discussion highlights our cash flow activities during the years ended December 31, 2008, 2007 and 2006.

Cash flows from operating activities. We typically reinvest the cash flow from operating activities in our business. For the year ended December 31, 2008, we reported net cash flows from operating activities of $113 million. For the years ended December 31, 2007 and 2006, we reported cash outflows from operating activities of $88 million and $36 million, respectively.

The $201 million improvement in net cash inflows from operating activities during the year ended December 31, 2008 compared to the same period in 2007 was primarily attributable to a $291 million increase in net income, adjusted to exclude non-cash changes in: (i) Impairments of goodwill, indefinite-lived and long-lived assets (ii) Unrealized gains (losses) on investments accounted for at fair value, net, (iii) Depreciation and amortization expense, (iv) Unrealized and realized gains (losses) on marketable investment securities and other investments, and (v) Deferred tax expense (benefit). This increase was partially offset by a decline in cash resulting from changes in operating assets and liabilities of $79 million, including a $276 million increase in net receivables from DISH Network, partially offset by an increase in cash inflows related to changes in accounts payable of $151 million and in accrued expenses of $60 million.

Prior to the Spin-off, our operating cash flows did not necessarily reflect what our operating cash flow would have been as a separate company as our historical operations did not include our Satellite Services Business and our equipment sales were provided to DISH Network at cost.

The increase in net cash outflows from operating activities during the year ended December 31, 2007 compared to the same period in 2006 of $52 million resulted from the $51 million increase in net loss.

Cash flows from investing activities. Our investing activities generally include purchases and sales of marketable investment securities, capital expenditures and strategic investments. For the years ended December 31, 2008, 2007 and 2006, we reported net cash outflows from investing activities of $565 million, $501 million and $55 million, respectively.

The increase in net cash outflows from investing activities from 2007 to 2008 of $64 million primarily resulted from a net increase in purchases of marketable investment securities, an increase in cash used for purchases of property and equipment, partially offset by a decrease in cash used for the purchases of strategic investments, including the effect of the 2007 acquisition of Sling Media.

The increase in net cash outflows from investing activities from 2006 to 2007 of $446 million primarily resulted from an increase in cash used for the purchases of strategic investments, including Sling Media and an increase in cash used for purchases of property and equipment.

Cash flows from financing activities. Our financing activities generally include cash used for payment of capital lease obligations, mortgages or other notes payable, and repurchases of our Class A common stock. For the years ended December 31, 2008, 2007 and 2006 we reported net cash inflows from financing activities of $435 million, $600 million and $105 million, respectively.

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

The decrease in net cash inflow from financing activities from 2007 to 2008 of $165 million principally resulted from the repurchase of common stock of $68 million, repayment of debt of $47 million and a $601 million decrease in advances from owner, partially offset by the $544 million contribution from DISH Network in connection with the Spin-off.

The increase in net cash inflow from financing activities from 2006 to 2007 of $495 million principally resulted from the increase in advances from owner of $496 million.

Obligations and Future Capital Requirements

Contractual Obligations and Off-balance Sheet Arrangement

Future maturities of our contractual obligations are summarized as follows:

	Payments due by period						
	Total	**2009**	**2010**	**2011**	**2012**	**2013**	**Thereafter**
	(In thousands)						
Satellite-related obligations	$ 1,303,251	$ 184,289	$ 149,849	$ 59,128	$ 80,677	$ 78,841	$ 750,467
Capital lease obligations	338,563	52,136	47,983	51,924	57,258	63,198	66,064
Operating lease obligations	14,014	5,663	4,107	2,032	977	788	447
Purchase obligations	1,438,417	1,435,084	3,333				
Mortgages and other notes payable	7,876	641	693	748	808	873	4,113
Other long-term obligations	94,212	82,388	11,824				
Total	$ 3,196,333	$ 1,760,201	$ 217,789	$ 113,832	$ 139,720	$ 143,700	$ 821,091

Future commitments related to satellites, including one satellite launch contract, is included in the table above under Satellite-related obligations.

In certain circumstances the dates on which we are obligated to make these payments could be delayed. These amounts will increase to the extent we procure insurance for our satellites or contract for the construction, launch or lease of additional satellites.

DISH Mexico. In November 2008, we entered into a joint venture for direct-to-home, or DTH, service in Mexico through several arrangements that provide us an approximate 24% indirect economic interest in DISH Mexico, S. de R.L. de C.V., or DISH Mexico. In accordance with the terms of the arrangements, we provide certain broadcast services and transponder services and may sell hardware such as digital set-top boxes and related equipment to DISH Mexico. Subject to a number of conditions, including regulatory approvals and compliance with various other arrangements, we committed to provide approximately $112 million of value over an initial ten year period. The remaining commitments as of December 31, 2008 owed pursuant to the agreement are included in the table above. Of the total commitment, approximately $42 million is expected to be paid in cash and the remaining amounts may be satisfied in the form of cash, certain services or equipment. As of December 31, 2008, we had invested approximately $8 million of cash and contributed equipment in DISH Mexico.

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

Interest on Long-Term Debt

We have periodic cash interest payment requirements for our outstanding long-term debt securities as follows:

Payments due by period

	Total	2009	2010	2011	2012	2013	Thereafter
				(In thousands)			
Mortgages and notes payable	$ 3,440	$ 630	$ 579	$ 523	$ 463	$ 399	$ 846
Capital lease obligations	94,768	27,057	23,004	18,743	14,038	8,835	3,091
Total	$ 98,208	$ 27,687	$ 23,583	$ 19,266	$ 14,501	$ 9,234	$ 3,937

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

Satellite-Related Obligations

Satellites Under Construction. We have contracts to lease capacity on two satellites currently under construction which are expected to be completed between 2009 and 2011. Future commitments related to these satellites are included in the table captioned Contractual Obligations and Off-balance Sheet Arrangements under Satellite-related obligations.

Nimiq 5. In March 2008, we entered into a fifteen-year satellite service agreement with Bell TV to lease 16 DBS transponders on Nimiq 5, a Canadian DBS satellite. Nimiq 5 is expected to be launched in the second half of 2009 and will operate at the 72.7 degree orbital location.

QuetzSat-1. In November 2008, we entered into a ten-year satellite service agreement with SES Latin America S.A. (SES) to lease all of the capacity on QuetzSat-1. QuetzSat-1 is expected to be launched in 2011 and operate at the 77 degree orbital location.

Capital Lease Obligations

We have two ten-year satellite service agreements with SES Americom to lease all the capacity on the following satellites:

AMC-15. AMC-15, an FSS satellite, commenced commercial operation during January 2005. This lease is renewable by us on a year to year basis following the initial ten year term, and provides us with certain rights to lease capacity on replacement satellites. For further discussion, please see Note 7 in the Notes to Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K.

AMC-16. AMC 16, an FSS satellite, commenced commercial operation during February 2005. This lease is renewable by us on a year to year basis following the initial ten year term, and provides us with certain rights to lease capacity on replacement satellites. For further discussion, please see Note 7 in the Notes to Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K.

In accordance with Statement of Financial Accounting Standards No. 13, Accounting for Leases (SFAS 13), we account for the satellite component of these agreements as capital leases. The commitment related to the present value of the net future minimum lease payments for the satellite component of the agreement is included under Capital Lease Obligations in the table above. The commitment related to future minimum payments designated for the lease of the orbital slots and other executory costs is included under Satellite-Related Obligations in the table above. The commitment related to the amount representing interest is included under Interest on Long-Term Debt in the table above.

Purchase Obligations

Our purchase obligations primarily consist of binding purchase orders for digital set-top boxes and related components, digital broadcast operations and transitional service agreements. Our purchase obligations can fluctuate significantly from period to period due to, among other things, management s control of inventory levels, and can materially impact our future operating asset and liability balances, and our future working capital requirements.

Satellite Insurance

We do not carry insurance for any of the in-orbit satellites that we own because we believe that the premium costs are uneconomical relative to the risk of satellite failure. The loss of a satellite or other satellite malfunctions or anomalies could have a material adverse effect on our financial performance which we may not be able to mitigate by using available capacity on other satellites. There can be no assurance that we can recover critical transmission capacity in the event one or more of our in-orbit satellites were to fail. In addition, the loss of a satellite or other satellite malfunctions or anomalies could affect our ability to comply with FCC regulatory obligations and our ability to fund the construction or acquisition of replacement satellites for our in-orbit fleet in a timely fashion, or at all.

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

Future Capital Requirements

We expect to fund our future working capital and capital expenditures primarily from cash generated from operations, existing cash and marketable investment securities and future financings. Our ability to generate positive net cash flows from operations is dependent upon, among other things, our ability to retain existing customers and generate new business. There can be no assurance we will be successful in executing our business plan. In addition, the current significant volatility of financial markets has greatly affected the volatility and value of our marketable investment securities. To the extent we require access to funds, we may need to sell these securities under unfavorable market conditions, falling short of our capital needs.

Our future capital expenditures are likely to increase if we make additional investments in infrastructure necessary to support and expand our Satellite Services business, or if we decide to purchase one or more additional satellites. Other aspects of our business operations may also require additional capital. We periodically evaluate various strategic initiatives, the pursuit of which also could require us to raise significant additional capital. We may also use a significant portion of our existing cash to fund a potential stock buyback program of up to $500 million of our Class A common stock, of which $470 million remained available as of December 31, 2008.

However, there can be no assurance that we could raise all required capital or that required capital would be available on acceptable terms or at all. Recent development in the financial markets such as the scarcity of capital have made it more difficult for borrowers to access capital markets on acceptable terms or at all, which may significantly constrain our ability to obtain financing to support our business operations. These developments in the credit markets may have a significant effect on our cost of financing and our liquidity position and may, as a result, cause us to defer or abandon profitable business strategies that we would otherwise pursue if financing were available on acceptable terms. In addition, we have no experience as a separate entity in raising capital and we may be unable to raise sufficient additional capital when we need it, on reasonable terms or at all. The recent reduction in our stock price combined with the instability in the equity markets has made it difficult for us to raise equity financing without incurring substantial dilution of our existing shareholders, and debt-financing arrangements may require us to pledge certain assets and enter into covenants that could restrict certain business activities or our ability to incur further indebtedness and may contain other terms that are not favorable to our shareholders or us. If we are unable to obtain adequate funds on reasonable terms, we may be required to curtail operations significantly or obtain funds by entering into financing, supply or joint venture agreements on unattractive terms.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect amounts reported therein. Management bases its estimates, judgments and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in those estimates. The following represent what we believe are the critical accounting policies that may involve a high degree of estimation, judgment and complexity. For a summary of our significant accounting policies, including those discussed below, see Note 2 in the Notes to Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K.

Accounting for investments in publicly-traded securities. We hold debt and equity interests in companies, some of which are publicly traded and have highly volatile prices. We record an investment impairment charge when we believe an investment has experienced a decline in value that is judged to be other than temporary. We monitor our investments for impairment by considering current factors including economic environment, market conditions and the operational performance and other specific factors relating to the business underlying the investment. Future adverse changes in these factors could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment s current carrying value, thereby possibly requiring an impairment charge in the future.

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

Fair value of financial instruments. Fair value estimates of our financial instruments are made at a point in time, based on relevant market data as well as the best information available about the financial instrument. Illiquid credit markets have resulted in inactive markets for certain of our financial instruments. As a result, there is no or limited observable market data for these instruments. Fair value estimates for financial instruments for which no or limited observable market data is available are based on judgments regarding current economic conditions, liquidity discounts, currency, credit and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgments and cannot be determined with precision. As a result, such calculated fair value estimates may not be realizable in a current sale or immediate settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique, including discount rates, liquidity risks, and estimate of future cash flows, could significantly affect these fair value estimates, which could have a material adverse impact on our financial position and results of operations.

Acquisition of investments in non-marketable investment securities. We calculate the fair value of our interest in non-marketable investment securities either at consideration given, or for non-cash acquisitions, based on the results of valuation analyses utilizing a discounted cash flow or DCF model. The DCF methodology involves the use of various estimates relating to future cash flow projections and discount rates for which significant judgments are required.

Valuation of long-lived assets. We evaluate the carrying value of long-lived assets to be held and used, other than goodwill and intangible assets with indefinite lives, when events and circumstances warrant such a review. The carrying value of a long-lived asset or asset group is considered impaired when the anticipated undiscounted cash flow from such asset or asset group is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset or asset group. Fair value is determined primarily using estimated cash flows associated with the asset or asset group under review, discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of by sale are determined in a similar manner, except that fair values are reduced for estimated selling costs. Changes in estimates of future cash flows could result in a write-down of the asset in a future period. For further discussion, please see Note 7 in the Notes to Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K.

Valuation of goodwill and intangible assets with indefinite lives. We evaluate the carrying value of goodwill and intangible assets with indefinite lives annually, and also when events and circumstances warrant. We use estimates of fair value to determine the amount of impairment, if any, of recorded goodwill and intangible assets with indefinite lives. Fair value is determined primarily using the estimated future cash flows, discounted at a rate commensurate with the risk involved. Changes in our estimates of future cash flows could result in a write-down of intangible assets with indefinite lives in a future period, which could be material to our consolidated results of operations and financial position. For further discussion, please see Note 7 in the Notes to Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K.

Allowance for doubtful accounts. Management estimates the amount of required allowances for the potential non-collectibility of accounts receivable based upon past collection experience and consideration of other relevant factors. However, past experience may not be indicative of future collections and therefore additional charges could be incurred in the future to reflect differences between estimated and actual collections.

Inventory allowance. Management estimates the amount of allowance required for potential obsolete inventory based upon past experience, the introduction of new technology and consideration of other relevant factors.

However, past experience may not be indicative of future reserve requirements and therefore additional charges could be incurred in the future to reflect differences between estimated and actual reserve requirements.

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

Stock-based compensation. We account for stock-based compensation in accordance with the fair value recognition provisions of SFAS 123R. We use the Black-Scholes option pricing model, which requires the input of subjective assumptions. These assumptions include, among other things, estimating the length of time employees will retain their vested stock options before exercising them (expected term); the estimated volatility of our common stock price over the expected term (volatility), and the number of options that will ultimately not complete their vesting requirements (forfeitures), see Note 12 in the Notes to our Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K. Changes in these assumptions can materially affect the estimate of fair value of stock-based compensation.

Income taxes. Our income tax policy is to record the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss and tax credit carryforwards. We follow the guidelines set forth in Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109), regarding the recoverability of any tax assets recorded on the balance sheet and provide any necessary valuation allowances as required. Determining necessary valuation allowances requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning opportunities. In accordance with SFAS 109, we periodically evaluate our need for a valuation allowance based on both historical evidence, including trends, and future expectations in each reporting period. Future performance could have a significant effect on the realization of tax benefits, or reversals of valuation allowances, as reported in our results of operations.

Uncertainty in tax positions**.** 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 SFAS 109 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. Management evaluates the recognition and measurement of the benefit to be recognized in the financial statements for uncertain tax positions based on applicable tax law, regulations, case law, administrative rulings and pronouncements and the facts and circumstances surrounding the tax position. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Changes in our estimates related to the recognition and measurement of the amount recorded for uncertain tax positions could result in significant changes in our income tax expense, which could be material to our consolidated results of operations and financial position.

Contingent liabilities. A significant amount of management judgment is required in determining when, or if, an accrual should be recorded for a contingency and the amount of such accrual. Estimates generally are developed in consultation with outside counsel and are based on an analysis of potential outcomes. Due to the uncertainty of determining the likelihood of a future event occurring and the potential financial statement impact of such an event, it is possible that upon further development or resolution of a contingent matter, a charge could be recorded in a future period that would be material to our consolidated results of operations and financial position.

New Accounting Pronouncements

Revised Business Combinations. In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141R (revised 2007), Business Combinations (SFAS 141R). SFAS 141R replaces SFAS 141 and establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, including goodwill, the liabilities assumed and any non-controlling interest in the acquiree. SFAS 141R also establishes disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. We expect SFAS 141R will have an impact on our consolidated financial statements, but the character and magnitude of the specific effects will depend upon the type, terms and size of the acquisitions we consummate after the effective date of January 1, 2009.

Noncontrolling Interests in Consolidated Financial Statements. In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Continued

160). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This standard is effective for fiscal years beginning after December 15, 2008. We do not expect the adoption of SFAS 160 to have a material impact on our financial position or results of operations.

Seasonality

We are affected by seasonality to the extent it impacts our customers. Our customers in the pay-TV industry, including DISH Network, our largest customer, typically experience seasonality. Historically, the first half of the year generally produces fewer new subscribers for the pay-TV industry than the second half of the year. However, we can not provide assurance that this will continue in the future.

Inflation

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

Backlog

We do not have any material backlog of our products.

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Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks Associated With Financial Instruments

Our investments are exposed to interest rate and equity price risks, discussed below.

Interest Rate Risk

Cash and Marketable Securities. As of December 31, 2008, our restricted and unrestricted cash, cash equivalents and current marketable investment securities had a fair value of $832 million. Of that amount, a total of $680 million 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 cash, cash equivalents and marketable investment securities had an average annual return for the year ended December 31, 2008 of 6.9%. A hypothetical 10% decrease in the average interest rates during 2008 would result in a decrease of approximately $8 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. The value of these investments can also be impacted by interest rate fluctuations.

In general, our marketable investment securities portfolio includes debt and equity of public companies we hold for strategic and financial purposes. As of December 31, 2008, we held strategic and financial debt and equity investments of public companies with a fair value of $151 million. These investments, which are concentrated in a small number of companies, are highly speculative and have experienced and continue to experience volatility. The fair value of our strategic and financial debt and equity investments can be significantly impacted by the risk of adverse changes in securities markets generally, as well as risks related to the performance of the companies whose securities we have invested in, risks associated with specific industries, and other factors. These investments are subject to significant fluctuations in fair value due to the volatility of the securities markets and of the underlying businesses. A hypothetical 10% adverse change in the price of our public strategic debt and equity investments would result in approximately a $15 million decrease in the fair value of that portfolio. The fair value of our strategic debt investments are currently not materially impacted by interest rate fluctuations due to the nature of these investments.

As of December 31, 2008, we had $346 million of long-term debt, of which $338 million represents our capital lease obligations, which are not subject to the requirements of Financial Accounting Standards Board Statement No. 107 Disclosures about Fair Value of Financial Instruments (FAS107).

Equity Risk

Other Investments. We are exposed to equity risk as it relates to changes in the market value of our other investments which totaled $157 million as of December 31, 2008. We invest in equity instruments of public and private companies for operational, financial and strategic business purposes. These securities are subject to significant fluctuations in fair market value due to volatility of the stock market and the industry in which the companies operate. A hypothetical 10% adverse change in the price of these equity instruments would result in an approximate $16 million decrease in the fair value of the portfolio.

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

Derivative Financial Instruments

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

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements are included in this report beginning on page F-4.

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

Not applicable.

Item 9A. 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.

Management s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;

(ii) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2008.

The effectiveness of our internal control over financial reporting as of December 31, 2008 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears in Item 15(a) of this Annual Report on Form 10-K.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERANCE

The information required by this Item with respect to the identity and business experience of our directors will be set forth in our Proxy Statement for the 2009 Annual Meeting of Shareholders under the caption Election of Directors, which information is hereby incorporated herein by reference.

The information required by this Item with respect to the identity and business experience of our executive officers is set forth on page 14 of this report under the caption Executive Officers of the Registrant.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item will be set forth in our Proxy Statement for the 2009 Annual Meeting of Shareholders under the caption Executive Compensation and Other Information, which information is hereby incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be set forth in our Proxy Statement for the 2009 Annual Meeting of Shareholders under the captions Election of Directors, Equity Security Ownership and Equity Compensation Plan Information, which information is hereby incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be set forth in our Proxy Statement for the 2009 Annual Meeting of Shareholders under the caption Certain Relationships and Related Transactions, which information is hereby incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item will be set forth in our Proxy Statement for the 2009 Annual Meeting of Shareholders under the caption Principal Accountant Fees and Services, which information is hereby incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

(1) *Financial Statements*

(2) *Financial Statement Schedules*

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

(3) *Exhibits*

3.1(a)*	Articles of Incorporation of EchoStar Corporation (incorporated by reference to Exhibit 3.1 to Amendment No. 3 of EchoStar Corporation s Form 10 dated December 28, 2007, Commission File No. 001-33807).
3.1(b)*	Text of Amendment to Articles of Incorporation of EchoStar Corporation (incorporated by reference from Exhibit 3.1 to the Current Report on Form 8-K of EchoStar dated January 25, 2008, Commission File No. 001-35807).
3.2*	Bylaws of EchoStar Holding Corporation (incorporated by reference to Exhibit 3.2 to Amendment No. 3 of EchoStar Corporation s Form 10 dated December 28, 2007, Commission File No. 001-33807).
4.1*	Specimen Class A Common Stock Certificate of EchoStar Corporation (incorporated by reference to Exhibit 3.2 to Amendment No. 3 of EchoStar Corporation s Form 10 dated December 28, 2007, Commission File No. 001-33807).
10.1*	Form of Separation Agreement between EchoStar Corporation and DISH Network Corporation (incorporated by reference to Exhibit 2.1 to Amendment No. 3 of EchoStar Corporation s Form 10 dated December 28, 2007, Commission File No. 001-33807).