

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1996

OR

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

COMMISSION FILE NUMBER 0-26176

EHOSTAR COMMUNICATIONS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEVADA
(STATE OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

88-0336997
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

90 INVERNESS CIRCLE EAST
ENGLEWOOD, COLORADO
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

80112
(ZIP CODE)

(303) 799-8222
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

NOT APPLICABLE
(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR,
IF CHANGED SINCE LAST REPORT)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT HAS FILED ALL REPORTS REQUIRED TO
BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING
THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS
REQUIRED TO FILE SUCH REPORTS), AND HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS
FOR THE PAST 90 DAYS. YES X NO

ON AUGUST 9, 1996, REGISTRANT'S OUTSTANDING VOTING COMMON STOCK CONSISTED OF
10,751,374 SHARES OF CLASS A COMMON STOCK, 29,804,401 SHARES OF CLASS B COMMON
STOCK AND 1,616,681 SHARES OF SERIES A CONVERTIBLE PREFERRED STOCK, EACH \$0.01
PAR VALUE.

EHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1996

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ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

ASSETS

	DECEMBER 31, 1995	JUNE 30, 1996
	-----	-----
		(UNAUDITED)
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21,754	\$ 78,425
Marketable investment securities.	15,670	44,991
Trade accounts receivable, net.	9,179	19,568
Inventories, net.	38,769	48,386
Income tax receivable	3,554	7,446
Deferred tax assets	1,779	1,789
Other current assets.	13,037	25,168
	-----	-----
Total current assets.	103,742	225,773
RESTRICTED CASH AND MARKETABLE SECURITIES:		
1994 Notes escrow	73,291	22,928
1996 Notes escrow	--	160,389
Other	26,400	36,200
PROPERTY AND EQUIPMENT, net.	354,000	426,781
OTHER NONCURRENT ASSETS.	65,658	124,694
	-----	-----
Total assets	\$623,091	\$996,765
	-----	-----

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Trade accounts payable.	\$ 19,063	\$ 22,235
Deferred programming revenue - DISH Network-SM-	--	13,188
Deferred programming revenue - C-band	5,563	5,037
Accrued expenses and other current liabilities.	21,335	13,308
Notes payable and current portion of long-term debt	4,782	4,782
	-----	-----
Total current liabilities.	50,743	58,550
LONG-TERM DEFERRED PROGRAMMING REVENUE - DISH Network-SM-.	--	4,163
1994 NOTES, net.	382,218	408,449
1996 NOTES, net.	--	361,742
LONG-TERM MORTGAGE DEBT AND NOTE PAYABLE, excluding current portion	33,444	36,337
	-----	-----
Total liabilities.	466,405	869,241
	-----	-----

COMMITMENTS AND CONTINGENCIES (Note 6)

STOCKHOLDERS' EQUITY:

Preferred Stock, 20,000,000 shares authorized, 1,616,681 shares of Series A Cumulative Preferred Stock issued and outstanding, including accrued dividends of \$2,143,000 and \$2,745,000, respectively . . .	17,195	17,797
Class A Common Stock, \$.01 par value, 200,000,000 shares authorized, 10,535,003 and 10,750,667 shares issued and outstanding, respectively	105	108
Class B Common Stock, \$.01 par value, 100,000,000 shares authorized, 29,804,401 shares issued and outstanding Common Stock Purchase Warrants	298	298
	714	20
Class C Common Stock, 100,000,000 shares authorized, none outstanding	--	--
Additional paid-in capital	151,674	153,095
Unrealized holding gains on available-for-sale securities, net of deferred taxes	239	122
Retained earnings (deficit)	(13,539)	(43,916)
	-----	-----
Total stockholders' equity	156,686	127,524
	-----	-----
Total liabilities and stockholders' equity	\$623,091	\$996,765
	-----	-----

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

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ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1995	1996	1995	1996
REVENUE:				
DTH products and technical services	\$ 34,865	\$ 60,458	\$ 71,142	\$ 97,199
Programming revenue - DISH Network-SM-	--	5,582	--	6,046
Programming revenue - C-band	3,817	3,194	7,688	6,643
Loan origination and participation income	570	4,290	835	5,103
	-----	-----	-----	-----
Total revenue	39,252	73,524	79,665	114,991
EXPENSES:				
DTH products and technical services	27,371	57,528	56,816	90,278
Programming - DISH Network-SM-	--	1,664	--	1,769
Programming - C-band	3,392	2,880	6,824	6,058
Selling, general and administrative	7,315	19,083	15,186	29,816
Depreciation and amortization	406	6,426	769	9,756
	-----	-----	-----	-----
Total expenses	38,484	87,581	79,595	137,677
OPERATING INCOME (LOSS)	768	(14,057)	70	(22,686)
OTHER INCOME (EXPENSE):				
Interest income	3,005	6,706	6,643	9,383
Interest expense, net of amounts capitalized	(6,327)	(27,141)	(12,890)	(33,184)
Other, net	(68)	(117)	(40)	(134)
	-----	-----	-----	-----
Total other income (expense)	(3,390)	(20,552)	(6,287)	(23,935)
NET LOSS BEFORE INCOME TAXES	(2,622)	(34,609)	(6,217)	(46,621)
BENEFIT FOR INCOME TAXES	835	12,055	2,190	16,846
	-----	-----	-----	-----
NET LOSS	\$ (1,787)	\$ (22,554)	\$ (4,027)	\$ (29,775)
	-----	-----	-----	-----
NET LOSS ATTRIBUTABLE TO COMMON SHARES	\$ (2,088)	\$ (22,855)	\$ (4,629)	\$ (30,377)
	-----	-----	-----	-----
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	33,988	40,432	33,655	40,404
	-----	-----	-----	-----

LOSS PER COMMON AND COMMON EQUIVALENT SHARE.	\$ (.06)	\$ (.57)	\$ (.14)	\$ (.75)
	-----	-----	-----	-----
	-----	-----	-----	-----

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

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	1995	1996
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,027)	\$ (29,775)
Adjustments to reconcile net loss to net cash flows from operating activities--		
Depreciation and amortization.	769	9,756
Provision for doubtful accounts.	--	66
Benefit for deferred taxes	(4,624)	(11,534)
Amortization of deferred debt issuance costs on 1994 and 1996 Notes.	630	1,038
Amortization of discount on 1994 and 1996 Notes, net of amounts capitalized.	12,030	23,492
Equity in (earnings) losses of joint venture	(23)	86
Change in reserve for excess and obsolete inventory.	383	634
Change in long-term deferred programming revenue	--	4,163
Other, net	(417)	(752)
Changes in working capital items --		
Trade accounts receivable.	1,405	(10,455)
Inventories.	(8,799)	(10,251)
Income tax receivable.	--	(3,892)
Other current assets	47	(12,131)
Liability under cash management program.	(57)	--
Trade accounts payable	(3,879)	3,172
Deferred programming revenue	218	12,662
Accrued expenses and other current liabilities	615	6,973
	-----	-----
Net cash flows from operating activities	(5,729)	(16,748)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable investment securities.	(80,051)	(44,782)
Sales of marketable investment securities.	40,679	15,479
Purchases of restricted marketable securities.	(15,000)	(15,500)
Funds released from restricted cash and marketable securities - other.	--	5,700
Purchases of property and equipment.	(1,170)	(7,537)
Proceeds from sale of property and equipment	27	--
Offering proceeds and investment earnings placed in escrow	(4,967)	(186,278)
Funds released from escrow accounts.	29,760	76,045
Investment in SSET	(284)	--
Investment in convertible subordinated debentures from DBSI.	--	(3,000)
Long-term notes receivable from DBSC	--	(12,500)
Expenditures for satellite systems under construction.	(30,310)	(73,932)
Subscriber acquisition costs	--	(3,307)
Deposit on FCC authorization	--	(10,459)
Expenditures for FCC authorizations.	--	(3,193)
	-----	-----
Net cash flows from investing activities.	(61,316)	(263,264)
	-----	-----

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

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

SIX MONTHS ENDED
JUNE 30,

	1995	1996
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of mortgage indebtedness and note payable	\$ (91)	\$ (1,082)
Stock options exercised	--	722
Net proceeds from issuance of Class A Common Stock	62,933	--
Net proceeds from issuance of 1996 Notes	--	337,043
	-----	-----
Net cash flows from financing activities	62,842	336,683
	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,203)	56,671
CASH AND CASH EQUIVALENTS, beginning of period	17,506	21,754
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$13,303	\$ 78,425
	-----	-----
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest, net of amounts capitalized	\$ 233	\$ 7,953
Cash paid for income taxes	658	--
Cumulative Series A Preferred Stock dividends	602	602
Satellite launch payment for EchoStar II applied to EchoStar I launch	--	15,000
Increase in note payable for deferred satellite construction payments	--	3,167
Employee incentives funded by issuance of Class A Common Stock	--	8

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

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND JUNE 30, 1996

(1) ORGANIZATION AND PRESENTATION OF FINANCIAL STATEMENTS

EchoStar Communications Corporation and subsidiaries ("EchoStar") successfully launched its first direct broadcast satellite ("DBS"), EchoStar I, in December 1995 and, on March 4, 1996, began broadcasting its DBS programming (the "DISH Network-SM-") to the entire continental United States. As of August 1, 1996, EchoStar had over 100,000 subscribers to DISH Network-SM- programming. The DISH Network-SM- currently includes over 100 channels of high quality digital video and audio programming and will expand to approximately 200 digital video and audio channels following the successful launch of a second DBS satellite, DirectSat I ("EchoStar II"), currently scheduled in September 1996.

In addition to its DBS business, EchoStar is engaged in the design, manufacture, distribution and installation of satellite direct to home ("DTH") products, domestic distribution of DTH programming and consumer financing of EchoStar's domestic DTH products and services.

In January 1996, EchoStar formed a wholly owned subsidiary, EchoStar Satellite Broadcasting Corporation ("ESB"), for the purpose of completing a private offering (the "1996 Notes Offering"), pursuant to Rule 144A of the Securities Act of 1933, as amended (the "Securities Act"), of 13 1/8% Senior Secured Discount Notes due 2004 (the "1996 Notes"), resulting in net proceeds of approximately \$337.0 million. The 1996 Notes Offering was consummated in March 1996. Proceeds from the 1996 Notes Offering will be used for: (i) continued development, marketing and distribution of the DISH Network-SM-; (ii) EchoStar's purchase of DBS frequencies at 148 DEG. WL; (iii) partial funding of the construction, launch and insurance of DBSC I ("EchoStar III") and EchoStar IV; (iv) additional launch costs of EchoStar II; and (v) other general corporate purposes. The additional frequencies were acquired by EchoStar at a public auction held by the Federal Communications Commission ("FCC") in January 1996 (the "FCC Auction"). In connection with the 1996 Notes Offering, EchoStar contributed all of the outstanding capital stock of its wholly owned subsidiary, Dish, Ltd., to ESB. This transaction has been accounted for as a reorganization of entities under common control whereby Dish, Ltd. has been treated as the predecessor to ESB. ESB is subject to all, and EchoStar is subject to certain of, the terms and conditions of the Indenture related to the 1996 Notes (the "1996 Notes Indenture"). On April 24, 1996, ESB filed a Registration Statement on Form S-1 under the Securities Act to exchange the 1996 Notes for publicly registered notes. The Registration Statement was declared effective by the Securities and Exchange Commission on June 28, 1996. As of August 1, 1996, all of the outstanding privately placed notes had been exchanged for the new publicly registered notes. Unless otherwise stated herein, or the context otherwise requires,

references herein to the 1996 Notes shall include the original privately placed notes and the publicly registered notes that were exchanged for the privately placed notes.

In June 1995, EchoStar completed an offering of its Class A Common Stock, resulting in net proceeds of approximately \$63.0 million (the "Equity Offering"). Dish, Ltd. owns the majority of EchoStar's operating subsidiaries. In June 1994, Dish, Ltd. completed an offering of 12 7/8% Senior Secured Discount Notes due 2004 (the "1994 Notes") and Warrants (collectively, the "1994 Notes Offering"), resulting in net proceeds of approximately \$323.3 million. As of June 30, 1996, substantially all of the Warrants issued in connection with the 1994 Notes Offering had been exercised. Dish, Ltd. and most of its subsidiaries are subject to the terms and conditions of the Indenture related to the 1994 Notes (the "1994 Notes Indenture").

Unless otherwise stated herein, or the context otherwise requires, references herein to EchoStar shall include EchoStar and all of its direct and indirect wholly owned subsidiaries.

The accompanying unaudited condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 1996 are not necessarily indicative of the results that may

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

be expected for the year ended December 31, 1996. For further information, refer to the Combined and Consolidated Financial Statements and footnotes thereto included in EchoStar Communications Corporation's Annual Report on Form 10-K for the year ended December 31, 1995. Certain prior year amounts have been reclassified to conform with the current year presentation.

SIGNIFICANT RISKS AND UNCERTAINTIES

Execution of EchoStar's business strategy to launch and operate DBS satellites has dramatically changed its operating results and financial position when compared to its historical results. As of June 30, 1996, EchoStar expects to invest in the future approximately an additional \$500 million to build, launch and support EchoStar I, II, III and IV (Note 6), assuming receipt of all required FCC licenses and permits. EchoStar consummated the 1994 Notes Offering, the 1996 Notes Offering and the Equity Offering to partially satisfy these capital requirements. Annual interest expense on the 1994 and 1996 Notes and depreciation of the investment in the satellites and related assets is of a magnitude that exceeds historical levels of income before taxes. Consequently, beginning in 1995 EchoStar reported significant net losses and expects net losses to continue through at least 1997. EchoStar's plans also include the construction and launch of two fixed service satellites, additional DBS, Ku-band and KuX-band satellites, and marketing to promote its DBS products and services. The investment in these satellites and the related depreciation, combined with the expenses incurred in connection with the DISH Network-SM-, will continue to erode EchoStar's net worth.

Beginning in June 1996, EchoStar began marketing a special promotion in a limited number of markets pursuant to which consumers were able to purchase a discounted EchoStar Receiver System under the condition the consumer commits to subscribe and prepay for DISH Network-SM- programming service for a minimum of one year. The primary purposes of the promotion were to expand retail distribution, build awareness of the DISH Network-SM- brand and rapidly build a subscriber base. Due to positive retailer and consumer results, among other factors, effective August 1, 1996, EchoStar began a nationwide rollout of the promotion. While this promotion will significantly increase EchoStar's investment in its subscriber base, EchoStar believes that the increase in subscribers to its DISH Network-SM- and the corresponding increase in

DBS programming revenue in future periods, resulting from this promotion, will be more than sufficient to recover the investment in subscriber acquisition costs.

EchoStar expects net losses to continue as it builds its subscription television business, and therefore, absent additional capital, EchoStar expects negative stockholders' equity to result before December 31, 1997. EchoStar's expected net losses will result primarily from: (i) the amortization of the original issue discount on the 1994 and 1996 Notes; (ii) increases in depreciation expense on the satellites and other fixed assets; (iii) amortization expense of the subscriber acquisition costs (Note 2); and (iv) increases in selling, general and administrative expenses to support the DISH Network-SM-. Although the negative equity position has significant implications, including, but not limited to, non-compliance with NASDAQ listing criteria, which could result in delisting, EchoStar believes this event will not materially affect the implementation and execution of its business strategy. While EchoStar believes it will be able to obtain a waiver from NASDAQ and remain listed, no assurance can be given NASDAQ will grant a waiver. Delisting would result in a decline in EchoStar's common stock trading market which could potentially depress stock and bond prices, among other things.

As a result of the factors discussed above, EchoStar will need to raise additional funds to complete its full complement of satellites. There can be no assurance that necessary funds will be available or, if available, that they will be available on terms favorable to EchoStar. Management believes, however, but can give no assurance, that demand for its DBS products and DISH Network-SM-programming and EchoStar's ability to satisfy this demand will result in sufficient cash flow which, together with other sources of capital, will be sufficient to satisfy future planned expenditures. Significant delays or launch failures may have significant adverse consequences to EchoStar's operating results and financial condition.

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

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

This Form 10-Q of EchoStar contains statements which constitute forward looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. Those statements appear in a number of places in the Form 10-Q and include statements regarding the intent, belief or current expectations of EchoStar with respect to, among other things: (i) EchoStar's financing plans; (ii) trends affecting EchoStar's financial conditions or results of operations; (iii) EchoStar's growth strategy; (iv) EchoStar's anticipated results of future operations; and (v) regulatory matters affecting EchoStar. Prospective investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward looking statements as a result of various factors.

(2) SUPPLEMENTAL ANALYSIS

CASH AND CASH EQUIVALENTS

EchoStar considers all investments purchased with an original maturity of ninety days or less to be cash equivalents. Cash equivalents as of December 31, 1995, and June 30, 1996 consist of money market funds, corporate notes and commercial paper stated at cost which equates to market value.

RESTRICTED CASH AND MARKETABLE SECURITIES

EchoStar classifies all marketable investment securities as available-for-sale. Accordingly, these investments are reflected at market value based on quoted market prices. Related unrealized gains and losses are reported as a separate component of stockholders' equity, net of related deferred income taxes. The specific identification method is used to determine cost in computing realized gains and losses.

Restricted Cash and Marketable Securities in Escrow Accounts as reflected on the accompanying balance sheets represent the remaining net proceeds received from the 1994 Notes Offerings, and a portion of the proceeds from the 1996 Notes Offering, plus interest earned, less amounts expended to date in connection with the development, construction and launch of the DISH Network-SM-. These proceeds are held in separate escrow accounts (the "1994 Escrow Account" and the "1996 Escrow Account", respectively) for the benefit of the holders of the 1994 and 1996 Notes and are invested in certain debt and other marketable securities, as permitted by the respective Indentures, until disbursed for the express purposes identified in the 1994 Notes Offering Prospectus and the 1996 Notes Offering Prospectus, as the case may be.

Other Restricted Cash includes \$11.4 million and \$5.7 million at December 31, 1995 and June 30, 1996, respectively, to satisfy certain covenants regarding launch insurance required by the 1994 Notes Indenture. EchoStar is required to maintain launch insurance and Restricted Cash totaling \$225.0 million for EchoStar II. EchoStar has obtained \$219.3 million of launch insurance for EchoStar II, and, together with the cash segregated and reserved on the accompanying balance sheet as of June 30, 1996, has satisfied its launch insurance obligations under the 1994 Notes Indenture. In addition, as of June 30, 1996, \$15.0 million was in an escrow account established pursuant to a DBS satellite receiver manufacturing contract for payment to the manufacturer as certain milestones are reached and \$15.5 million was in an escrow account for the purpose of cash collateralizing certain standby letters of credit (Note 4). The major components of Restricted Cash and Marketable Securities are as follows (in thousands).

	DECEMBER 31, 1995			JUNE 30, 1996		
	AMORTIZED COST	UNREALIZED HOLDING GAIN	MARKET VALUE	AMORTIZED COST	UNREALIZED HOLDING GAIN (LOSS)	MARKET VALUE
Commercial paper	\$66,214	\$ --	\$66,214	\$111,705	\$ --	\$111,705
Government bonds	32,904	420	33,324	97,138	229	97,367
Corporate notes	--	--	--	9,108	(25)	9,083
Accrued interest	153	--	153	1,362	--	1,362
	-----	-----	-----	-----	-----	-----
	\$99,271	\$420	\$99,691	\$219,313	\$204	\$219,517
	-----	-----	-----	-----	-----	-----

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

INVENTORIES

Inventories are stated at the lower of cost or market value. Cost is determined using the first-in, first-out ("FIFO") method. Proprietary products are manufactured by outside suppliers to EchoStar's specifications. EchoStar also distributes non-proprietary products purchased from other manufacturers. Manufactured inventories include materials, labor and manufacturing overhead. Cost of other inventories includes parts, contract manufacturers' delivered price, assembly and testing labor, and related overhead, including handling and storage costs. The major components of inventory were as follows (in thousands):

	DECEMBER 31, 1995	JUNE 30, 1996
	-----	-----
DISH Network-SM- DBS Receivers	\$ --	\$19,911
DBS receiver components.	9,615	12,844
Consigned DBS receiver components.	--	8,784
Finished goods - C-band.	11,161	3,819
Finished goods - International	9,297	4,234
Competitor DBS Receivers	9,404	--
Spare parts.	2,089	2,225
Reserve for excess and obsolete inventory.	(2,797)	(3,431)
	-----	-----
	\$38,769	\$48,386
	-----	-----
	-----	-----

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Cost includes interest capitalized on the EchoStar DBS System during construction at EchoStar's effective borrowing rate. The major components of property and equipment were as follows (in thousands):

	ESTIMATED USEFUL LIFE (IN YEARS)	DECEMBER 31, 1995	JUNE 30, 1996
	-----	-----	-----
Construction in progress	--	\$303,174	\$162,803
EchoStar I satellite	12	--	201,672
Furniture, fixtures and equipment.	2-12	35,127	51,901
Buildings and improvements	7-40	21,006	22,779
Tooling and other.	2	2,039	3,913
Land	--	1,613	2,294
Vehicles	7	1,310	1,325
		-----	-----
Total property and equipment		364,269	446,687
Less-Accumulated depreciation.		(10,269)	(19,906)
		-----	-----
Net property and equipment		\$354,000	\$426,781
		-----	-----
		-----	-----

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Construction in progress includes capitalized costs related to the construction and launch of EchoStar II and EchoStar IV, which are currently scheduled for launch in September 1996 and prior to the end of 1998, respectively. Construction in progress for EchoStar III includes costs related to that launch, which is scheduled prior to the end of 1997. Construction in progress consisted of the following (in thousands):

	DECEMBER 31, 1995	JUNE 30, 1996
	-----	-----
Progress amounts for satellite construction, launch, launch insurance, capitalized interest, launch and in-orbit tracking, telemetry and control services:		
EchoStar I	\$193,629	\$ --

EchoStar II	88,634	126,541
EchoStar III	20,801	8,672
EchoStar IV	--	25,693
Other	110	1,897
	-----	-----
	\$303,174	\$162,803
	-----	-----

OTHER NONCURRENT ASSETS

The major components of other noncurrent assets were as follows (in thousands):

	DECEMBER 31, 1995	JUNE 30, 1996
	-----	-----
Long-term notes receivable from DBSC	\$16,000	\$ 28,500
Deferred tax assets, net	12,109	23,714
FCC authorizations, net of amortization	11,309	15,528
1996 Notes deferred debt issuance costs, net of amortization	--	12,597
1994 Notes deferred debt issuance costs, net of amortization	10,622	9,991
Deposit on FCC authorization	--	11,071
SSET convertible subordinated debentures and accrued interest	9,610	9,919
Investment in DBSC	4,111	4,025
DBSI convertible subordinated debentures	1,000	4,000
Subscriber acquisition costs, net of amortization	--	3,215
Other, net	897	2,134
	-----	-----
	\$65,658	\$124,694
	-----	-----

EchoStar presently owns approximately 40% of the outstanding common stock of Direct Broadcasting Satellite Corporation ("DBSC"). DBSC's principal assets include an FCC conditional satellite construction permit and specific orbital slot assignments for eleven DBS frequencies at 61.5 DEG. WL and eleven DBS frequencies at 175 DEG. WL (the "DBS Rights"). EchoStar intends to merge DBSC with Direct Broadcasting Satellite Corporation ("New DBSC"), a wholly owned subsidiary of EchoStar (the "DBSC Merger"). The DBSC Merger has been approved by DBSC shareholders but will not be consummated until the FCC has approved the DBSC Merger. Although no assurances can be given, EchoStar expects the FCC to issue an order with respect to the DBSC Merger in the near future. Assuming FCC approval of the DBSC Merger, EchoStar will hold, through New DBSC, DBSC's DBS Rights. On July 11, 1996, EchoStar filed Amendment No. 1 to a Registration Statement on Form S-4 under the Securities Act covering 658,000 shares of EchoStar Class A Common Stock that are intended to be issued in connection with the DBSC Merger.

FCC AUTHORIZATIONS

FCC authorizations are recorded at cost and are amortized using the straight-line method. Amortization periods for FCC authorization costs are determined at the time the services related to the applicable FCC authorization commences, or capitalized costs are written off at the time efforts to provide services are abandoned. FCC authorization costs are expected to have a useful life of approximately 12 years. The deposit on FCC authorization represents a

deposit paid by EchoStar to the FCC in January 1996, for 24 frequencies at

148 DEG. WL. The balance due the FCC for the purchase of the frequencies of \$41.8 million will be drawn from the 1996 Escrow Account, and is payable to the FCC five days after EchoStar receives FCC approval for use of the orbital slot.

SUBSCRIBER ACQUISITION COSTS

For the purpose of attracting subscribers to the DISH Network-SM-, EchoStar has sponsored certain sales promotions through independent consumer electronics and satellite retailers. EchoStar effectively sells its proprietary DBS reception equipment to these retailers at less than cost under the condition consumers commit to subscribe and prepay for DISH Network-SM- programming service for a minimum of one year. The subscriber acquisition costs recorded represent the difference between the direct costs of the hardware and the revenue generated from the sales of the hardware. These costs have been deferred and are being amortized over the expected minimum life of the subscriber, currently estimated to be three years. Any unamortized investment with respect to subscribers who discontinue DISH Network-SM- service after one year but before the end of three years, will be fully amortized to expense at that time. EchoStar believes subscriber acquisition costs will be recovered through future revenue generated from sales of DISH Network-SM- programming. Amortization expense of subscriber acquisition costs for the three and six months ended June 30, 1996 was approximately \$92,000.

DEFERRED PROGRAMMING REVENUE

Deferred programming revenue consists of advance payments received from programming providers and subscribers for satellite television programming to be provided in future periods. The revenue is recognized on a straight-line basis over the period the programming is provided.

INTEREST EXPENSE

Interest expense, net of amounts capitalized, on the accompanying income statements includes: (i) amortization of original issue discount on the 1994 Notes and the 1996 Notes; (ii) interest expense on contractor financing of EchoStar I; (iii) interest expense on corporate mortgage debt; and (iv) discounts on accounts receivable for EchoStar Receiver Systems and DISH Network-SM- programming which have been factored without credit recourse to third party financing groups.

EARNINGS PER SHARE

Earnings per share have been calculated based on the weighted average number of shares of common stock issued and outstanding and, if dilutive, common stock equivalents (warrants and employee stock options) during the three and six months ended June 30, 1995 and 1996. Net loss has been adjusted for cumulative dividends on the 8% Series A Cumulative Preferred Stock.

(3) LONG-TERM DEBT

1994 NOTES

On June 7, 1994, Dish, Ltd. completed the 1994 Notes Offering of 624,000 units consisting of \$624.0 million aggregate principal amount of the 1994 Notes and 3,744,000 Warrants. The 1994 Notes Offering resulted in net proceeds to Dish, Ltd. of approximately \$323.3 million. As of June 30, 1996, substantially all of the Warrants issued in connection with the 1994 Notes Offering had been exercised. Interest on the 1994 Notes currently is not payable in cash but accrues through June 1, 1999, with the 1994 Notes accreting to \$624.0 million by that date. Thereafter, interest on the 1994 Notes will be payable in cash semi-annually on June 1 and December 1 of each year, commencing December 1, 1999. At June 30, 1996, the 1994 Notes were reflected in the accompanying financial statements at \$408.4 million, net of unamortized discount of \$215.6 million.

1996 NOTES

On March 25, 1996, ESB completed the 1996 Notes Offering consisting of \$580.0 million aggregate principal amount of the 1996 Notes. The 1996 Notes Offering resulted in net proceeds to ESB of approximately \$337.0 million. Interest on the 1996 Notes currently is not payable in cash but accrues through March 15, 2000, with the 1996 Notes accreting to \$580.0 million by that date. Thereafter, interest on the 1996 Notes will be payable in cash semi-annually on March 15 and September 15 of each year, commencing September 15, 2000. At June 30, 1996, the 1996 Notes were reflected in the accompanying financial statements at \$361.7 million, net of unamortized discount of \$218.3 million.

(4) BANK CREDIT FACILITY AND LETTERS OF CREDIT

From May 1994 to May 1996, the principal subsidiaries of EchoStar, except EchoStar Satellite Corporation ("ESC") (the "Borrowers"), were parties to an agreement with Bank of America Illinois, which provided a revolving credit facility (the "Credit Facility") for working capital advances and for letters of credit necessary for inventory purchases and satellite construction payments. The Credit Facility expired in May 1996 and EchoStar does not currently intend to arrange a replacement credit facility. Instead, EchoStar is using available cash to collateralize its letter of credit obligations, which historically was the only significant use of the Credit Facility. At June 30, 1996, EchoStar had cash collateralized \$15.5 million of certain standby letters of credit for trade purchases which is included in restricted cash and marketable securities in the accompanying financial statements (Note 2).

(5) INCOME TAXES

The components of the benefit for income taxes were as follows (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1995	1996	1995	1996
Current (provision) benefit				
Federal	\$ (845)	\$ 1,264	\$ (1,612)	\$ 4,466
State	(177)	626	(371)	966
Foreign	(274)	2	(451)	(120)
	-----	-----	-----	-----
	(1,296)	1,892	(2,434)	5,312
	-----	-----	-----	-----
Deferred benefit				
Federal	1,766	9,820	3,816	11,101
State	365	343	808	433
	-----	-----	-----	-----
	2,131	10,163	4,624	11,534
	-----	-----	-----	-----
Total benefit	\$ 835	\$12,055	\$ 2,190	\$16,846
	-----	-----	-----	-----

EchoStar's deferred tax assets (approximately \$25.5 million at June 30, 1996) relate principally to temporary differences for amortization of original issue discount on the 1994 and 1996 Notes, net operating loss carryforwards and various accrued expenses which are not deductible until paid. No valuation allowance has been provided because EchoStar currently believes it is more likely than not that these deferred assets will ultimately be realized. If future operating results differ materially and adversely from EchoStar's current expectations, its judgment regarding the need for a valuation allowance may change.

(6) OTHER COMMITMENTS AND CONTINGENCIES

SATELLITE CONTRACTS

EchoStar has contracted with Lockheed Martin Corporation ("Martin") for the construction and delivery of high powered DBS satellites and for related services. Martin has completed construction of both EchoStar I and EchoStar II and is in the construction phase on EchoStar III and EchoStar IV. The

construction contract for EchoStar III contains a provision whereby, beginning August 1, 1997, a PER DIEM penalty of \$3,333, to a maximum of \$100,000, is

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

payable if EchoStar III is not delivered by July 31, 1997. Beginning September 1, 1997, additional delays in the delivery of EchoStar III would result in additional PER DIEM penalties of \$33,333, up to a maximum of \$5.0 million in the aggregate.

EchoStar has entered into a contract with Martin to begin the construction phase of EchoStar's fourth DBS satellite ("EchoStar IV"). This contract contains an option provision which allows EchoStar to instruct Martin to begin the construction phase of a fifth DBS satellite ("EchoStar V"). The contract for EchoStar IV also contains a provision whereby, beginning February 16, 1998, a PER DIEM penalty of \$50,000, to a maximum of \$5.0 million in the aggregate, is payable if EchoStar IV is not delivered by February 15, 1998. The contract also contains a provision whereby Martin is entitled to an early delivery incentive payment of \$50,000 for each day before February 15, 1998 the satellite is delivered to the launch site of Baikonur, Kazakhstan, up to a maximum of \$5.0 million in the aggregate.

Contractor financing of \$28.0 million will be used for EchoStar II. Contractor financing of \$15.0 million will be used for both EchoStar III and IV. Interest on the contractor financing will range between 7.75% and 8.25% and principal payments are payable in equal monthly installments over five years following the launch of the respective satellite.

EchoStar has entered into a contract with Arianespace, Inc. ("Arianespace") to launch EchoStar II from Korou, French Guiana (the "Arianespace Contract"). The launch is currently scheduled for September 1996 on a dedicated Ariane 42P launch vehicle. The Arianespace Contract contains provisions entitling either party to delay the launch in limited circumstances, subject to the payment of penalties in some cases. As of June 30, 1996, EchoStar has paid Arianespace approximately \$43.4 million pursuant to the Arianespace Contract. All remaining payments are payable monthly and will be due prior to the launch. Subsequent to June 30, 1996, an additional payment relating to the launch totaling \$17.4 million was made to Arianespace.

EchoStar has entered into a contract for launch services with Lockheed Martin Commercial Launch Services, Inc. ("Lockheed") for the launch of EchoStar III from Cape Canaveral Air Station, Florida during the fall of 1997, subject to delay or acceleration in certain circumstances (the "Lockheed Contract"). The Lockheed Contract provides for launch of the satellite utilizing an Atlas IIAS launch vehicle. EchoStar has made an initial payment to Lockheed of \$5.0 million and the remaining cost is payable in installments in accordance with the payment schedule set forth in the Lockheed Contract, which requires that substantially all payments be made to Lockheed prior to the launch.

Subsequent to June 30, 1996, EchoStar and Martin amended the contracts for the construction of EchoStar I and EchoStar II. As collateral security for contractor financing of EchoStar I and EchoStar II, EchoStar was required to provide a letter of credit prior to the launch of EchoStar II in the amount of \$10 million (increasing to more than \$40 million by 1999) and the principal stockholder of EchoStar pledged all of his Preferred Stock to Martin ("Preferred Stock Guarantee"). Under the amended agreements, EchoStar will issue a corporate guarantee covering all obligations to Martin with respect to the contractor financing for EchoStar I and EchoStar II. In consideration for the receipt of the corporate guarantee by EchoStar, Martin has agreed to eliminate the letter of credit requirements, and to release the Preferred Stock Guarantee in accordance with a specified formula based on the then outstanding contractor financing debt and the market value of EchoStar's Class A Common Stock. This transaction has been approved by EchoStar's board of directors with EchoStar's principal stockholder abstaining from the vote. Additionally, EchoStar will issue a corporate guarantee covering all obligations to Martin with respect to

the contractor financing for EchoStar III and EchoStar IV.

EchoStar has contracted with Lockheed-Khrunichev-Energia-International, Inc. ("LKE") for the launch of EchoStar IV during 1998 from the Kazakh Republic, a territory of the former Soviet Union, utilizing a Proton launch vehicle (the "LKE Contract"). Either party may request a delay in the relevant launch period, subject to the payment of penalties based on the length of the delay and the proximity of the request to the launch date. EchoStar has paid LKE \$20.0 million pursuant to the LKE Contract. No additional payments are currently required to be made to LKE until 1997.

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

PURCHASE COMMITMENTS

EchoStar has entered into agreements with various manufacturers to purchase DBS satellite receivers and related components manufactured based on EchoStar's supplied specifications. As of June 30, 1996 the remaining commitments total approximately \$402.4 million. At June 30, 1996, the total of all outstanding purchase order commitments with domestic and foreign suppliers was approximately \$419.2 million. All but approximately \$189.2 million of the purchases related to these commitments are expected to be made during 1996 and the remainder is expected to be made during 1997. EchoStar expects to finance these purchases from available cash, marketable investment securities and sales of its DISH Network-SM- programming.

OTHER RISKS AND CONTINGENCIES

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

(7) SUMMARY FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS

The 1994 Notes are fully, unconditionally and jointly and severally guaranteed by all subsidiaries of Dish, Ltd. (collectively, the "1994 Notes Guarantors"), except for certain de minimis domestic and foreign subsidiaries.

The 1996 Notes are initially guaranteed by EchoStar on a subordinated basis. On and after the Dish Guarantee Date (as defined in the 1996 Notes Indenture), the 1996 Notes will be guaranteed by Dish, Ltd., which guarantee will rank PARI PASSU with all senior unsecured indebtedness of Dish, Ltd. On and after the date upon which the DBSC Merger is consummated, the 1996 Notes will be guaranteed by New DBSC, which guarantee will rank PARI PASSU with all senior unsecured indebtedness of New DBSC. If the DBSC Merger is not consummated, New DBSC will not be required to guarantee the 1996 Notes. There can be no assurance that the DBSC Merger will be approved by the FCC or that it will be consummated (Note 2).

The consolidated net assets of Dish, Ltd., including the non-guarantors, exceeded the consolidated net assets of the 1994 Notes Guarantors by approximately \$277,000 and \$180,000 as of December 31, 1995 and June 30, 1996, respectively. Summarized consolidated financial information for Dish, Ltd. is as follows (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1995	1996	1995	1996
Income Statement Data --				
Revenue	\$39,252	\$ 69,354	\$79,665	\$110,380
Expenses	38,484	87,007	79,595	136,941

Operating income (loss)	768	(17,653)	70	(26,561)
Other income (expense), net . .	(3,432)	(8,642)	(6,329)	(11,876)
	-----	-----	-----	-----
Net loss before income taxes .	(2,664)	(26,295)	(6,259)	(38,437)
Benefit for income taxes . . .	851	9,097	2,206	13,949
	-----	-----	-----	-----
Net loss	\$ (1,813)	\$ (17,198)	\$ (4,053)	\$ (24,488)
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ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

	DECEMBER 31, 1995	JUNE 30, 1996
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Balance Sheet Data --		
Current assets	\$ 81,858	\$ 92,162
Property and equipment, net	333,199	390,358
Other noncurrent assets	144,238	116,398
	-----	-----
Total assets	\$ 559,295	\$ 598,918
	-----	-----
Current liabilities	\$ 50,743	\$ 81,723
Long-term liabilities	415,662	448,949
Stockholder's equity	92,890	68,246
	-----	-----
Total liabilities and stockholder's equity . .	\$559,295	\$598,918
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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

EchoStar currently operates four related businesses: (i) operation of the DISH Network-SM- and continued development of the EchoStar DBS System; (ii) design, manufacture, marketing, installation and distribution of DTH products worldwide; (iii) domestic distribution of DTH programming; and (iv) consumer financing of EchoStar's domestic products and services. The growth of DBS service and equipment sales has had and will continue to have a material negative impact on EchoStar's domestic sales of C-band DTH products; however this negative impact has been more than offset for the six months ended June 30, 1996 by sales of EchoStar Receiver Systems. During March 1996 EchoStar began broadcasting and selling programming packages available from the DISH Network-SM-. EchoStar expects to derive its revenue principally from monthly fees from subscribers to DISH Network-SM- programming and, to a lesser extent, from the sale of EchoStar Receiver Systems. As sales of EchoStar DBS programming and receivers increase, EchoStar expects the decline in its sales of domestic C-band DTH products to continue at an accelerated rate.

EchoStar generally bills for DISH Network-SM- programming periodically in advance and recognizes revenue as service is provided. Revenue is a function of the number of subscribers, the mix of programming packages selected and the rates charged, and transaction fees for ancillary programming activities and satellite usage time agreements. DBS programming costs will generally be based upon the number of subscribers to each programming offering. From time to time EchoStar may engage in promotional activities that include discounted rates for limited periods, which will result in lower average revenue per subscriber for the applicable periods. Beginning in June 1996, EchoStar began marketing a special promotion in a

limited number of markets pursuant to which consumers were able to purchase a discounted EchoStar Receiver System under the condition the consumer commits to subscribe and prepay for DISH Network-SM- programming service for a minimum of one year. Under this promotion the consumer is able to purchase the discounted EchoStar Receiver System and prepay the annual programming package for as low as \$499. The primary purpose of the promotion was to expand retail distribution, build awareness of the DISH Network-SM- brand and rapidly build a subscriber base. Due to positive retailer and consumer results, among other factors, effective August 1, 1996, EchoStar began a nationwide rollout of the promotion. While this promotion will significantly increase EchoStar's investment in its subscriber base, EchoStar believes that the increase in subscribers to its DISH Network-SM- and the corresponding increase in DBS programming revenue in future periods, resulting from this promotion, will be more than sufficient to recover the investment in subscriber acquisition costs.

RESULTS OF OPERATIONS

THREE AND SIX MONTHS ENDED JUNE 30, 1996 COMPARED TO THREE AND SIX MONTHS ENDED JUNE 30, 1995

REVENUE. Total revenue for the three and six months ended June 30, 1996 was \$73.5 million and \$115.0 million, respectively, an increase of \$34.2 million, or 87%, and \$35.3 million, or 44%, respectively, as compared to total revenue for the three and six months ended June 30, 1995 of \$39.3 million and \$79.7 million, respectively. Revenue from domestic sales of DTH products for the three and six months ended June 30, 1996 was \$50.9 million and \$74.9 million, respectively, an increase of \$31.5 million, or 163%, and \$35.0 million, or 88%, respectively, as compared to the same periods in 1995. The increase in domestic revenue was primarily due to \$43.5 million and \$51.7 million in revenue from the sale of EchoStar Receiver Systems during the three and six months ended June 30, 1996, respectively. There were no EchoStar Receiver System sales during the comparable periods in 1995. The increases in domestic revenue were principally offset by a decrease of \$4.7 million, or 50%, and \$9.6 million, or 50%, in revenue from sales of C-band satellite receivers and related accessories, during the three and six months ended June 30, 1996, respectively, as compared to the same periods in 1995. Additionally, domestic revenue generated from satellite receivers sold for a competitor's DBS system ("Competitor DBS Receivers") decreased approximately \$5.8 million, or 98%, and \$4.8 million, or 37%, for the three and six months ended June 30, 1996, respectively, compared to the same periods in 1995. Revenue from Competitor DBS Receiver sales was \$114,000 and \$8.0 million for the three and six

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months ended June 30, 1996, respectively, as compared to \$5.9 million and \$12.8 million for the same periods in 1995. The increases in domestic revenue were also partially offset by a decrease of \$2.4 million, or 61%, and \$3.6 million, or 53%, in revenue from sales of non-proprietary descrambler modules, during the three and six months ended June 30, 1996, as compared to the same periods in 1995. The domestic market for C-band DTH products continued to decline during the three and six months ended June 30, 1996, and this decline will continue with the growth of DBS service and equipment sales. Consistent with the increases in revenue noted above, EchoStar has experienced a corresponding increase in trade accounts receivable at June 30, 1996, and expects this trend to continue with the nationwide rollout of the promotion discussed above.

Domestically, EchoStar sold approximately 110,000 and 155,000 satellite receivers in the three and six months ended June 30, 1996, respectively, an increase of 323% and 193%, respectively as compared to approximately 26,000 and 53,000 satellite receivers, respectively, for the same periods in 1995. Although there was an increase in the number of satellite receivers sold in 1996 as compared to 1995, overall revenue did not increase proportionately as a result of a substantial shift in product mix to lower priced DBS receivers and related accessories, and an approximate 15% reduction in the average selling price of C-band satellite receivers. Included in the number of satellite receivers sold for the three and six months ended June 30, 1996 are approximately 103,000 and 120,000, respectively, EchoStar Receiver Systems. EchoStar Receiver System revenue represented approximately 59% and 45%, respectively, of total revenue for the three and six months ended June 30,

1996.

Also included in the number of satellite receivers sold for the three and six months ended June 30, 1996 are approximately 300 and 19,000, respectively, Competitor DBS Receivers as compared to 10,000 and 21,000, respectively, for the same periods in 1995. During the six months ended June 30, 1996, the Competitor DBS Receivers were sold at an approximate 28% reduction in the average selling price as compared to the six months ended June 30, 1995. Competitor DBS Receiver revenue represented less than 1% and approximately 7% of total revenue for the three and six months ended June 30, 1996, respectively. EchoStar's agreement to distribute Competitor DBS Receiver systems terminated on December 31, 1995 and during the first half of 1996, EchoStar sold all of its existing inventory of Competitor DBS Receivers. The elimination of Competitor DBS Receiver inventory has been more than offset by a substantial increase in inventory of EchoStar Receiver Systems and related components, the sale of which has more than offset the elimination of revenue derived from the sale of Competitor DBS Receivers.

In future periods, domestic DTH product revenue will be primarily generated from the sale of EchoStar Receiver Systems and, to a lesser extent, sales of C-band DTH products and related accessories. Beginning in June 1996, EchoStar began marketing a special promotion in a limited number of markets pursuant to which consumers were able to purchase a discounted EchoStar Receiver System under the condition the consumer commits to subscribe and prepay for DISH Network-SM- programming service for a minimum of one year. The primary purpose of the promotion was to expand retail distribution, build awareness of the DISH Network-SM- brand and rapidly build a subscriber base. Due to positive retailer and consumer results, among other factors, effective August 1, 1996, EchoStar began a nationwide rollout of the promotion. During the promotional period, EchoStar will not recognize any DTH product revenue or expense related to EchoStar Receiver Systems sold pursuant to this promotion. Instead, EchoStar will capitalize the difference between the direct costs of the EchoStar Receiver System and the related revenue generated from these sales. This difference will be deferred and will be amortized over the expected minimum life of the subscriber. EchoStar believes that the revenue generated from sales of DISH Network-SM- programming in future periods, resulting from this promotion, will more than offset the investment in subscriber acquisition costs.

DISH Network-SM- programming revenue was \$5.6 million and \$6.0 million for the three and six months ended June 30, 1996, respectively. Since EchoStar did not begin broadcasting and selling programming packages available on the DISH Network-SM- service until March 1996, there was no DISH Network-SM- programming revenue generated during the comparable periods in 1995. As of August 1, 1996, EchoStar had over 100,000 subscribers to DISH Network-SM- programming.

C-band programming revenue was \$3.2 million and \$6.6 million for the three and six months ended June 30, 1996, respectively, a decrease of \$623,000, or 16%, and \$1.0 million, or 14%, compared to the same periods in 1995. The decrease is attributable to the industry-wide decline in domestic C-band equipment sales and the related decline in C-band DTH programming revenue. This decline in C-Band equipment sales and the related programming revenue is expected to continue for the foreseeable future. The expected decline in C-band DTH programming revenue in 1996 has been more than offset by sales of DISH Network-SM- programming.

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Loan origination and participation income for the three and six months ended June 30, 1996 was \$4.3 million and \$5.1 million, respectively, an increase of \$3.7 million, or 653%, and \$4.3 million, or 511%, respectively, compared to the same periods in 1995. The increase in loan origination and participation income for the three and six months ended June 30, 1996 was primarily due to increased finance volume, including the financing of EchoStar Receiver Systems and the availability of more comprehensive financing terms to EchoStar subscribers.

Revenue from international sales of DTH products for the three and six months ended June 30, 1996 was \$9.5 million and \$22.3 million, respectively, a decrease of \$6.0 million, or 39%, and \$8.9 million, or 29%, respectively, as

compared to the same periods in 1995. The decrease is directly attributable to a decrease in the number of analog satellite receivers sold combined with decreasing margins on products sold. Internationally, EchoStar sold approximately 51,000 and 126,000 analog satellite receivers during the three and six months ended June 30, 1996, a decrease of 46% and 30%, respectively, compared to approximately 94,000 and 181,000 units sold during the same periods in 1995. Overall, EchoStar's international markets for analog DTH products declined during the three and six months ended June 30, 1996 as anticipation for new international digital services continues to increase. This international decline in demand for analog satellite receivers is similar to the decline which has occurred in the United States and was expected by EchoStar. To offset this anticipated decline in demand for analog satellite receivers, EchoStar has been negotiating with digital service providers to distribute their proprietary receivers in EchoStar's international markets. While EchoStar is actively pursuing these distribution opportunities, no assurance can be given that such negotiations will be successful.

OPERATING EXPENSES. Costs of DTH products sold were \$57.5 million and \$90.3 million for the three and six months ended June 30, 1996, respectively, an increase of \$30.2 million, or 110%, and \$33.5 million, or 59%, respectively, as compared to the same periods in 1995. The increase in DTH operating expenses for 1996 resulted primarily from the increase in sales of DTH products. Operating expenses for DTH products as a percentage of DTH product revenue were 95% and 93% for the three and six months ended June 30, 1996, respectively, compared to 79% and 80% for the same periods in 1995, respectively. The increase in operating expenses as a percent of revenue was principally the result of declining sales prices of C-band DTH products and Competitor DBS Receivers as described above, during the three and six months ended June 30, 1996 as compared to the same periods in 1995.

In future periods, the costs of domestic DTH product sold will be primarily related to the sale of EchoStar Receiver Systems and, to a lesser extent, sales of C-band DTH products and related accessories. Beginning in June 1996, EchoStar began marketing a special promotion in a limited number of markets pursuant to which consumers were able to purchase a discounted EchoStar Receiver System under the condition the consumer commits to subscribe and prepay for DISH Network-SM- programming service for a minimum of one year. The primary purpose of the promotion was to expand retail distribution, build awareness of the DISH Network-SM- brand and rapidly build a subscriber base. Due to positive retailer and consumer results, among other factors, effective August 1, 1996, EchoStar began a nationwide rollout of the promotion. During the promotional period, EchoStar will not recognize any DTH revenue or expense related to EchoStar Receiver Systems sold pursuant to this promotion. Instead, EchoStar will capitalize the difference between the direct costs of the EchoStar Receiver System and the related revenue generated from these sales. This difference will be deferred and will be amortized over the expected minimum life of the subscriber.

The costs of DISH Network-SM- programming were \$1.7 million and \$1.8 million for the three and six months ended June 30, 1996, respectively. Since EchoStar did not begin broadcasting and selling programming packages available on the DISH Network-SM- service until March 4, 1996, there were no DISH Network-SM- programming expenses incurred during the comparable periods in 1995. DISH Network-SM- programming costs as a percentage of DISH Network-SM- programming revenue were 30% and 29% for the three and six months ended June 30, 1996, respectively.

The costs of C-band programming were \$2.9 million and \$6.1 million for the three and six months ended June 30, 1996, respectively, a decrease of \$512,000, or 15%, and \$766,000, or 11%, respectively, as compared to the same periods in 1995. This decrease is mainly attributable to the decrease in C-band programming revenue. C-band programming expenses as a percentage of C-band programming revenue for the three and six months ended June 30,

1996 were 90% and 91%, respectively, as compared to 89%, for each of the same periods in 1995. The increase in C-band programming expenses as a percentage of C-band programming revenue was principally the result of declining sales prices of C-band programming. As previously discussed, the domestic market for C-band DTH products has continued to decline with the growth of DBS service and equipment sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and

administrative expenses were \$19.1 million and \$29.8 million for the three and six months ended June 30, 1996, respectively, an increase of \$11.8 million, or 161%, and \$14.6 million, or 96%, respectively, as compared to the same periods in 1995. Selling, general and administrative expenses as a percentage of total revenue increased to 26% for each of the three and six months ended June 30, 1996, as compared to 19% for each of the same periods in 1995. This increase was principally due to: (i) marketing and advertising prior to and in conjunction with the introduction of DISH Network-SM-service; (ii) increased personnel in all areas of the organization to support the DISH Network-SM-; (iii) costs related to the Digital Broadcast Center, which commenced operations in the third quarter of 1995; and (iv) costs associated with operating the DISH Network-SM- Call Center and related services which have been outsourced. In future periods, EchoStar believes that although selling, general and administrative expenses will continue to increase, such increase as a percentage of future revenue will decrease as subscribers are added and additional revenue from sales of DISH Network-SM-programming is generated.

Research and development costs totaled \$1.4 million and \$2.6 million for the three and six months ended June 30, 1996, respectively, as compared to \$1.2 million and \$2.5 million for the same periods in 1995. The increase was principally due to increased research and development costs necessary to provide digital DBS satellite receivers to domestic and international markets, principally offset by a reduction research necessary to provide C-band receivers to domestic and international markets.

EBITDA. As expected, EchoStar incurred operating losses for the three and six months ended June 30, 1996. EBITDA for the three and six months ended June 30, 1996 was a negative \$7.6 million and a negative \$12.9 million, respectively, a decrease of \$8.8 million and \$13.8 million, respectively, compared to the same periods in 1995. The decrease resulted from the factors affecting revenue and expenses discussed above. EBITDA represents earnings before interest income, interest expense net of other income, income taxes, depreciation and amortization. EBITDA is commonly used in the telecommunications industry to analyze companies on the basis of operating performance, leverage and liquidity. EBITDA is not intended to represent cash flows for the period, nor has it been presented as an alternative to operating income as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. EchoStar expects to continue to report operating losses in 1996.

DEPRECIATION AND AMORTIZATION. Depreciation for the three and six months ended June 30, 1996 was \$6.4 million and \$9.8 million, respectively, an increase of \$6.0 million and \$9.0 million, respectively, as compared to \$406,000 and \$769,000 for the three and six months ended June 30, 1995. The overall increase primarily resulted from depreciation on the Digital Broadcast Center and EchoStar I which were placed in service during the fourth quarter of 1995 and the first quarter of 1996, respectively, and the amortization of subscriber acquisition costs discussed below.

Also included within depreciation and amortization is amortization of subscriber acquisition costs. For the purpose of attracting subscribers to the DISH Network-SM-, EchoStar has sponsored certain sales promotions through independent consumer electronics and satellite retailers. EchoStar effectively sells its proprietary DBS reception equipment to these retailers at less than cost under the condition consumers commit to subscribe and prepay for DISH Network-SM- programming service for a minimum of one year. The subscriber acquisition costs recorded represent the difference between the direct costs of the hardware and the revenue generated from the sales of the hardware. These costs have been deferred and are being amortized over the expected minimum life of the subscriber, currently estimated to be three years. Any unamortized investment with respect to subscribers who discontinue DISH Network-SM- service after one year but before the end of three years, will be fully amortized to expense at that time. EchoStar believes subscriber acquisition costs will be recovered through future revenue generated from sales of DISH Network-SM-programming. Amortization expense of subscriber acquisition costs for the three and six months ended June 30, 1996 was approximately \$92,000. In future periods, with the nationwide rollout of this promotion, amortization expense is expected to be of a magnitude which significantly exceeds historical levels, even if the promotional period is terminated in the near future.

OTHER INCOME AND EXPENSE. Other expense for the three and six months ended June 30, 1996 was \$20.6 million and \$23.9 million, respectively, an increase of \$17.2 million, or 506%, and \$17.6 million, or 281%,

respectively, as compared to the same periods in 1995. The increase in other expense for the three and six month periods ending June 30, 1996 resulted primarily from an increase in interest expense resulting from the issuance of the 1996 Notes combined with an increase in discounts on accounts receivable for EchoStar Receiver Systems and DISH Network-SM- programming which have been factored without credit recourse to third party financing groups. The increase was partially offset by an increase in interest income attributable to an increase in the balance of the escrow, cash and marketable securities account as a result of proceeds received from the issuance of the 1996 Notes.

PROVISION FOR INCOME TAXES. Income tax benefit for the three and six months ended June 30, 1996 was \$12.1 million and \$16.8 million, respectively, compared to income tax benefit of \$835,000 and \$2.2 million during the same periods in 1995. This increase is principally the result of changes in components of income and expenses discussed above during the three and six months ended June 30, 1996. EchoStar's deferred tax assets (approximately \$25.5 million at June 30, 1996) relate principally to temporary differences for amortization of original issue discount on the 1994 and 1996 Notes, net operating loss carryforwards and various accrued expenses which are not deductible until paid. No valuation allowance has been provided because EchoStar currently believes it is more likely than not that these deferred assets will ultimately be realized. If future operating results differ materially and adversely from EchoStar's current expectations, its judgment regarding the need for a valuation allowance may change.

LIQUIDITY AND CAPITAL RESOURCES

EchoStar used approximately \$16.7 million to maintain its operations for the six months ended June 30, 1996, as compared to \$5.7 million used by operations for the same period in 1995. The cash required for operations for the six months ended June 30, 1996 was mainly a result of: (i) increases in trade accounts receivable related to increased sales of EchoStar Receiver Systems; (ii) increases in DBS receiver inventory; and (iii) increases in other current assets including prepaid in-orbit insurance on EchoStar I and amounts due from a consumer financing source, all partially offset by increases in deferred programming revenue. As EchoStar builds its DISH Network-SM-subscriber base, negative operating cash flow should be offset by an increase in revenue attributable to DISH Network-SM- programming. In the event subscriptions to DISH Network-SM- programming do not meet anticipated levels or the investment in subscriber acquisition costs continues to increase beyond planned levels, negative operating cash flow may continue for a longer period of time and could increase.

From May 1994 to May 1996, the principal subsidiaries of EchoStar, except EchoStar Satellite Corporation ("ESC") (the "Borrowers"), were parties to an agreement with Bank of America Illinois, which provided a revolving credit facility (the "Credit Facility") for working capital advances and for letters of credit necessary for inventory purchases and satellite construction payments. EchoStar does not currently intend to arrange a replacement credit facility. Instead, EchoStar is using available cash to collateralize its letter of credit obligations, which historically was the only significant use of the Credit Facility. At June 30, 1996, EchoStar had cash collateralized \$15.5 million of certain standby letters of credit for trade purchases which is included in restricted cash and marketable securities in the accompanying financial statements.

During June 1994, EchoStar issued 624,000 units consisting of \$624.0 million principal amount of the 1994 Notes and 3,744,000 Warrants (representing 2,808,000 shares of EchoStar Class A Common Stock) for aggregate net proceeds of approximately \$323.3 million, which were placed in the 1994 Escrow Account. As of June 30, 1996, substantially all of the Warrants issued in connection with the 1994 Notes Offering had been exercised. Through June 30, 1996, \$322.9 million had been withdrawn from the 1994 Escrow Account. At June 30, 1996, approximately \$298.0 million of these proceeds had been applied to development and construction of the EchoStar DBS System and approximately \$24.9 million had been applied to other permitted uses. As of June 30, 1996, approximately \$22.9 million remained in the 1994 Escrow Account, which included investment earnings, and was withdrawn on

August 12, 1996 to partially fund insurance costs related to the launch of EchoStar II.

In March 1996, ESB consummated a private placement of the 1996 Notes. On April 24, 1996, ESB filed a Registration Statement on Form S-1 under the Securities Act to exchange the 1996 Notes for publicly registered notes which was declared effective by the Securities and Exchange Commission on June 28, 1996. As of August 1, 1996, all of the outstanding privately placed notes had been exchanged for the new publicly registered notes. ESB was formed in January 1996 for the purpose of the 1996 Notes Offering. EchoStar has contributed all of the outstanding capital stock of its wholly owned subsidiary, Dish, Ltd., to ESB. ESB issued 580,000 notes consisting of \$580.0 million

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principal amount of the 1996 Notes for aggregate net proceeds of approximately \$337.0 million of which \$177.3 million was placed in the 1996 Escrow Account and the remaining \$159.7 million is either included in cash and cash equivalents or marketable investment securities in the accompanying balance sheet at June 30, 1996, or has been expended for purposes described in the 1996 Notes Offering Prospectus. Through June 30, 1996, \$19.3 million had been withdrawn from the 1996 Escrow Account for development and construction of EchoStar III and IV. As of June 30, 1996, approximately \$160.4 million remained in the 1996 Escrow Account, which included investment earnings. Subsequent to June 30, 1996, an additional \$5.0 million has been withdrawn from the 1996 Notes Escrow Account. Total cash on hand and marketable investment securities at June 30, 1996 were approximately \$123.4 million. EchoStar guarantees the 1996 Notes on a subordinated basis.

EchoStar's Equity Offering resulted in net proceeds of approximately \$63.0 million. EchoStar's assets at June 30, 1996 included assets purchased with those proceeds. Substantially all of the proceeds from the Equity Offering were used: (i) to secure launches for a third and fourth satellite; (ii) to support, through loans to DBSC, construction of a third satellite; (iii) to purchase, for \$4.0 million, convertible subordinated secured debentures from DBS Industries, Inc.; and (iv) for general corporate purposes, including the down payment for DBS frequencies purchased at 148 DEG. WL at the FCC Auction in January 1996, which will be reimbursed with the proceeds of the 1996 Notes Offering at the time the final payment for the frequencies is made to the FCC.

EchoStar anticipates expending an additional \$60 million in working capital during the second half of 1996, including the investment in subscriber acquisition costs. This cash requirement could increase if any of the following occur, among other things: (i) subscriptions to DISH Network-SM- programming do not meet anticipated levels; (ii) actual expenses exceed present estimates; or (iii) investment in subscriber acquisition costs continues to increase beyond planned levels. In addition to the working capital requirements discussed above, during the second half of 1996, EchoStar expects to expend: (i) approximately \$43.4 million in connection with the launch of EchoStar II; (ii) approximately \$30.7 million for launch insurance on EchoStar II (which was partially funded with the remaining balance of the 1994 Escrow Account subsequent to June 30, 1996); (iii) approximately \$8.3 million for in-orbit payments to Martin on EchoStar I and EchoStar II; (iv) approximately \$38.0 million in connection with the launch of EchoStar III; (v) approximately \$45.0 million for construction of EchoStar III and EchoStar IV; and (vi) approximately \$41.8 million for the purchase of DBS frequencies at 148 DEG. WL, which is due to the FCC five days after EchoStar receives FCC approval for use of these frequencies. Funds for these expenditures are expected to come from the 1996 Notes Escrow Account and available cash and marketable investment securities. Beyond 1997, EchoStar will expend approximately \$68.1 million on contractor financing debt related to EchoStar I and EchoStar II. Additionally, EchoStar has committed to expend approximately \$225 million to build, launch and support EchoStar III and EchoStar IV in 1997 and beyond. In order to continue to build, launch and support EchoStar III and EchoStar IV beyond the first quarter of 1997, EchoStar will need additional capital. Even if EchoStar terminates the construction contracts with Martin for the construction of EchoStar III and EchoStar IV, EchoStar will need additional capital as a result of termination penalties contained in the contracts. There can be no assurances that

additional capital will be available, or, if available, that it will be available on terms favorable to EchoStar.

EchoStar expects net losses to continue as it builds its subscription television business, and therefore, absent additional capital, EchoStar expects negative stockholders' equity to result before December 31, 1997. Although the negative equity position has significant implications, including, but not limited to, non-compliance with NASDAQ listing criteria, which could result in delisting, EchoStar believes this event will not materially affect the implementation and execution of its business strategy. While EchoStar believes it will be able to obtain a waiver from NASDAQ and remain listed, no assurance can be given NASDAQ will grant a waiver. Delisting would result in a decline in EchoStar's common stock trading market which could potentially depress stock and bond prices, among other things.

EchoStar has entered into a contract with Martin to begin the construction phase of EchoStar's fourth DBS satellite ("EchoStar IV"). This contract also contains an option provision which allows EchoStar to instruct Martin to begin the construction phase of a fifth DBS satellite ("EchoStar V"). Contractor financing of \$15.0 million will be used for construction of EchoStar IV. Concurrent with execution of this contract, EchoStar waived all penalties due from Martin for the late delivery of EchoStar I and EchoStar II.

Subsequent to June 30, 1996, EchoStar and Martin amended the contracts for the construction of EchoStar I and EchoStar II. As collateral security for contractor financing of EchoStar I and EchoStar II, EchoStar was required to provide a letter of credit prior to the launch of EchoStar II in the amount of \$10 million (increasing to more than \$40 million by 1999) and the principal stockholder of EchoStar pledged all of his Preferred Stock to Martin ("Preferred

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Stock Guarantee"). Under the amended agreements, EchoStar will issue a corporate guarantee covering all obligations to Martin with respect to the contractor financing for EchoStar I and EchoStar II. In consideration for the receipt of the corporate guarantee by EchoStar, Martin has agreed to eliminate the letter of credit requirements, and to release the Preferred Stock Guarantee in accordance with a specified formula based on the then outstanding contractor financing debt and the market value of EchoStar's Class A Common Stock. This transaction has been approved by EchoStar's board of directors with EchoStar's principal stockholder abstaining from the vote. Additionally, EchoStar will issue a corporate guarantee covering all obligations to Martin with respect to the contractor financing for EchoStar III and EchoStar IV.

In addition to the commitments described above, EchoStar has entered into agreements to purchase DBS satellite receivers and related components for the EchoStar DBS System. As of June 30, 1996 those purchase order commitments totaled approximately \$402.4 million. At June 30, 1996, the total of all outstanding purchase order commitments with domestic and foreign suppliers was approximately \$419.2 million. All but approximately \$189.2 million of the purchases related to these commitments are expected to be made during 1996 and the remainder is expected to be made during 1997. EchoStar expects to finance these commitments from available cash, marketable investment securities and sales of its DISH Network-SM- programming.

EchoStar had outstanding \$415.7 million and \$806.5 million of long-term debt (including the 1994 and 1996 Notes, deferred satellite contract payments on EchoStar I and mortgage debt) as of December 31, 1995 and June 30, 1996, respectively. In addition, because interest on the 1994 Notes is not payable currently in cash but accrues through June 1, 1999, the 1994 Notes will accrete by \$215.6 million through that date. Similarly, because interest on the 1996 Notes is not payable in cash but accrues through March 15, 2000, the 1996 Notes will accrete by \$218.3 million through that date. Contractor financing of \$28.0 million will be used for EchoStar II. Contractor financing of \$15.0 million will be used for both EchoStar III and IV. Interest on the contractor financing will range between 7.75% and 8.25% and principal payments are payable in equal monthly installments over five years following the launch of the respective satellite.

AVAILABILITY OF OPERATING CASH FLOW TO ECHOSTAR

The 1994 and 1996 Notes Indentures impose various restrictions on the

transfer of funds among EchoStar and its subsidiaries. Although the 1996 Notes are collateralized by the stock of Dish, Ltd., various assets expected to form an integral part of the EchoStar DBS System (and not otherwise encumbered by the 1994 Notes Indenture), and guarantees of EchoStar and certain of its other subsidiaries, ESB's ability to fund interest and principal payments on the 1996 Notes will depend on successful operation and the acquisition of an adequate number of subscribers to the DISH Network-SM- and ESB having access to available cash flows generated by the DISH Network-SM-. If cash available to ESB is not sufficient to service the 1996 Notes, EchoStar would be required to obtain cash from other sources such as issuance of equity securities, new borrowings or asset sales. There can be no assurance that those alternative sources would be available, or available on favorable terms, or sufficient to meet debt service requirements on the 1996 Notes.

OTHER

1994 AND 1996 NOTES

EchoStar I was successfully launched by Great Wall in December 1995. In the event of a launch failure of EchoStar II, Dish, Ltd. would first be required under the 1994 Notes Indenture to make an offer to repurchase one-half of the then accreted value of the 1994 Notes. In the event that EchoStar does not have the right to use orbital slot authorizations granted by the FCC covering a minimum of 21 transponders at a single full CONUS orbital slot, ESB and Dish, Ltd. will be required to make an offer to repurchase all or a portion of the outstanding 1996 Notes and 1994 Notes, respectively. Additionally, in the event that EchoStar DBS Corporation, a wholly owned subsidiary of EchoStar, fails to obtain authorization from the FCC for frequencies purchased at the FCC Auction in January 1996, or in the event that such authorization is revoked or rescinded, ESB will be required under the 1996 Notes Indenture to repurchase the maximum principal amount of the 1996 Notes that may be purchased with the proceeds of any refund received from the FCC up to \$52.3 million.

If the DBSC Merger or similar transaction does not occur on or before March 1, 1997, ESB will be required to repurchase at least \$83.0 million principal amount of the 1996 Notes. Further, in the event that EchoStar incurs more

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than \$7.8 million in expenses (as defined in the 1996 Notes Indenture) in connection with the DBSC Merger, ESB will be required to apply an amount equal to such expenses minus \$7.8 million to an offer to repurchase the maximum principal amount of the 1996 Notes that may be purchased out of such proceeds.

If any of the above described events were to occur, EchoStar's plan of operations, including its liquidity, would be adversely affected and its current business plan could not be fully implemented. Further, EchoStar's short-term liquidity would be adversely affected in the event of: (i) significant delay in the delivery of certain products and equipment necessary for operation of the EchoStar DBS System; (ii) shortfalls in estimated levels of future operating cash flows; or (iii) unanticipated expenses in connection with development of the EchoStar DBS System.

RECEIVER MANUFACTURERS

EchoStar has agreements with two manufacturers to supply DBS receivers for EchoStar. To date, only one of the manufacturers has produced a receiver acceptable to EchoStar. No assurances can be given that EchoStar's other manufacturer will be able to produce an acceptable receiver in the future. Until the other manufacturer produces a receiver acceptable to EchoStar, EchoStar is dependent on one manufacturing source for its receivers. To date, EchoStar has paid the non-performing manufacturer \$10.0 million and has an additional \$15.0 million in an escrow account as security for EchoStar's payment obligations under that contract. If that manufacturer does not produce an acceptable receiver in the near future, EchoStar may terminate that contract, which would cause longer term dependence on a single manufacturing source. If EchoStar's sole manufacturer is unable for any reason to produce receivers in a quantity sufficient to meet demand, EchoStar's liquidity and results of operations may be adversely affected. If the contract with EchoStar's other manufacturer is terminated, there can be no assurance EchoStar would be able to recover all amounts paid the manufacturer or otherwise held in escrow.

FORWARD LOOKING STATEMENTS

This Form 10-Q of EchoStar contains statements which constitute forward looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. Those statements appear in a number of places in the Form 10-Q and include statements regarding the intent, belief or current expectations of EchoStar with respect to, among other things: (i) EchoStar's financing plans; (ii) trends affecting EchoStar's financial conditions or results of operations; (iii) EchoStar's growth strategy; (iv) EchoStar's anticipated results of future operations; and (v) regulatory matters affecting EchoStar. Prospective investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward looking statements as a result of various factors.

EFFECTS OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 121, "Accounting for Impairment Of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121"). EchoStar adopted SFAS No. 121 in the first quarter of 1996 and its adoption has not had a material impact on EchoStar's financial position, results of operations or cash flows.

Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS No. 123"), issued by FASB in October 1995 and effective for fiscal years beginning after December 15, 1995, encourages, but does not require, a fair value based method of accounting for employee stock options or similar equity instruments. It also allows an entity to elect to continue to measure compensation cost under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"), but requires pro forma disclosures of net income and earnings per share as if the fair value based method of accounting had been applied. EchoStar intends to continue to measure compensation cost under APB No. 25 and to comply with the pro forma disclosure requirements. Therefore, this statement has had no impact on EchoStar's results of operations.

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IMPACT OF INFLATION; BACKLOG

Inflation has not materially affected EchoStar's operations during the past three years. EchoStar believes that its ability to increase charges for products and services in future periods will depend primarily on competitive pressures. EchoStar does not have any material backlog of its products.

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PART II

ITEM 1. LEGAL PROCEEDINGS

EchoStar is a party to certain legal proceedings arising in the ordinary course of its business. EchoStar does not believe that any of these proceedings will have a material adverse affect on EchoStar's financial position or results of operations.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBIT NO.	DESCRIPTION
2.1*	Amended and Restated Agreement for Exchange of Stock and Merger, dated as of May 31, 1995, by and among EchoStar Communications

Corporation, a Nevada corporation formed in April 1995 ("EchoStar"), Charles W. Ergen and EchoStar (incorporated herein by reference to Exhibit 2.2 to the Registration Statement Form S-1, Registration No. 33-91276).

- 2.2* Agreement regarding purchase of debentures between Dish, Ltd. (formerly EchoStar Communications Corporation, a Nevada corporation formed in December 1993 ("Dish")), SSE Telecom, Inc. ("SSET"), dated March 14, 1994, including Plan and Agreement of Merger, by and among Dish, DirectSat Merger Corporation, DirectSat Corporation and SSET (incorporated herein by reference to Exhibit 2.2 to the Registration Statement on Form S-1, Registration No. 33-76450).
- 3.1(a)* Amended and Restated Articles of Incorporation of EchoStar (incorporated herein by reference to Exhibit 3.1(a) to the Registration Statement on Form S-1, Registration No. 33-91276).
- 3.1(b)* Bylaws of EchoStar (incorporated herein by reference to Exhibit 3.1(b) to the Registration Statement on Form S-1, Registration No. 33-91276).
- 4.1* Indenture of Trust between Dish and First Trust National Association ("First Trust"), as Trustee (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Registration No. 33-76450).
- 4.2* Warrant Agreement between EchoStar and First Trust, as Warrant Agent (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Registration No. 33-76450).
- 4.3* Security Agreement in favor of First Trust, as Trustee under the Indenture filed as Exhibit 4.1 (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Registration No. 33-76450).
- 4.4* Escrow and Disbursement Agreement between Dish and First Trust (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Registration No. 33-76450).
- 4.5* Pledge Agreement in favor of First Trust, as Trustee under the Indenture filed as Exhibit 4.1 herein (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Registration No. 33-76450).
- 4.6* Intercreditor Agreement among First Trust, Continental Bank, N.A. and Martin Marietta Corporation (Martin Marietta) (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Registration No. 33-76450).
- 4.7* Series A Preferred Stock Certificate of Designation of EchoStar (incorporated herein by reference to Exhibit 4.7 to the Registration Statement on Form S-1 of EchoStar, Registration No. 33-91276).
- 4.8* Registration Rights Agreement by and between EchoStar and Charles W. Ergen (incorporated herein by reference to Exhibit 4.8 to the Registration Statement on Form S-1 of EchoStar, Registration No. 33-91276).
- 4.9* Indenture of Trust between ESB and First Trust, as Trustee (incorporated herein by reference to Exhibit 4.9 to the Annual Report on Form 10-K of EchoStar, Commission File No. 0-26176).

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EXHIBIT NO.	DESCRIPTION
4.10*	Security Agreement of ESB in favor of First Trust, as Trustee under the Indenture filed as Exhibit 4.9 (incorporated herein by reference to Exhibit 4.10 to the Annual Report on Form 10-K of EchoStar. Commission File No. 0-26176).
4.11*	Escrow and Disbursement Agreement between ESB and First Trust (incorporated herein by reference to Exhibit 4.11 to the Annual

Report on Form 10-K of EchoStar. Commission File No. 0-26176).

- 4.12* Pledge Agreement of ESB in favor of First Trust, as Trustee under the Indenture filed as Exhibit 4.9 (incorporated herein by reference to Exhibit 4.12 to the Annual Report on Form 10-K of EchoStar, Commission File No. 0-26176).
- 4.13* Pledge Agreement of EchoStar in favor of First Trust, as Trustee under the Indenture filed as Exhibit 4.9 (incorporated herein by reference to Exhibit 4.13 to the Annual Report on Form 10-K of EchoStar, Commission File No. 0-26176).
- 4.14* Registration Rights Agreement by and between the Issuer, EchoStar, Dish, New DBSC and Donaldson, Lufkin & Jenrette Securities Corporation (incorporated herein by reference to Exhibit 4.14 to the Annual Report on Form 10-K of EchoStar, Commission File No. 0-26176).
- 10.1(a)* Satellite Construction Contract, dated as of February 6, 1990, between EchoStar Satellite Corporation ("ESC") and Martin Marietta Corporation as successor to General Electric EchoStar, Astro-Space Division ("General Electric") (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Registration No. 33-76450).
- 10.1(b)* First Amendment to the Satellite Construction Contract, dated as of October 2, 1992, between ESC and Martin Marietta as successor to General Electric (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd. Registration No. 33-76450).
- 10.1(c)* Second Amendment to the Satellite Construction Contract, dated as of October 30, 1992, between ESC and Martin Marietta as successor to General Electric (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd. Registration No. 33-76450).
- 10.1(d)* Third Amendment to the Satellite Construction Contract, dated as of April 1, 1993, between ESC and Martin Marietta (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd. Registration No. 33-76450).
- 10.1(e)* Fourth Amendment to the Satellite Construction Contract, dated as of August 19, 1993, between ESC and Martin Marietta (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd. Registration No. 33-76450).
- 10.1(f)* Form of Fifth Amendment to the Satellite Construction Contract, between ESC and Martin Marietta (incorporated herein by reference to the Registration Statement on Form S-8 of EchoStar, Registration No. 33-81234).
- 10.1(g)* Sixth Amendment to the Satellite Construction Contract, dated as of June 7, 1994, between ESC and Martin Marietta (incorporated herein by reference to the Registration Statement on Form S-8 of EchoStar, Registration No. 33-81234).
- 10.1(h) Eighth Amendment to the Satellite Construction Contract, dated as of July 18, 1996, between ESC and Martin Marietta.
- 10.2* Satellite Launch Contract, dated as of September 27, 1993, between ESC and the China Great Wall Industry Corporation (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd. Registration No. 33-76450).

EXHIBIT NO.	DESCRIPTION
10.3*	Distributor Agreement, dated as of July 30, 1993, between Echosphere Corporation ("Echosphere") and Thomson Consumer Electronics, Inc. (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd. Registration No. 33-76450).

- 10.4* Master Purchase and License Agreement, dated as of August 12, 1986, between Houston Tracker Systems, Inc. ("HTS") and Cable/Home Communications Corp. (a subsidiary of General Instruments Corporation) (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd. Registration No. 33-76450).
- 10.5* Master Purchase and License Agreement, dated as of June 18, 1986, between Echosphere and Cable/Home Communications Corp. (a subsidiary of General Instruments Corporation) (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd. Registration No. 33-76450).
- 10.6* Merchandising Financing Agreement, dated as of June 29, 1989, between Echo Acceptance Corporation ("EAC") and Household Retail Services, Inc. (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd. Registration No. 33-76450).
- 10.7* Key Employee Bonus Plan, dated as of January 1, 1994 (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd. Registration No. 33-76450).
- 10.8* Consulting Agreement, dated as of February 17, 1994, between ESC and Telesat Canada (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd. Registration No. 33-76450).
- 10.9* Form of Satellite Launch Insurance Declarations (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd. Registration No. 33-76450).
- 10.10* Dish, Ltd. 1994 Stock Incentive Plan (incorporated herein by reference to the Registration Statement on Form S-1 of Dish, Ltd., Registration No. 33-76450).
- 10.11* Form of Tracking, Telemetry and Control Contract between AT&T Corp. and ESC (incorporated herein by reference to the Registration Statement on Form S-8 of EchoStar, Registration No. 33-81234).
- 10.12* Manufacturing Agreement, dated as of March 22, 1995, between HTS and SCI Technology (incorporated herein by reference to Exhibit 10.12 to the Registration Statement as Form S-1 of Dish, Ltd., Commission File No. 33-81234).
- 10.13* Manufacturing Agreement dated as of April 14, 1995 by and between ESC and Sagem Group (incorporated herein by reference to Exhibit 10.13 to the Registration Statement on Form S-1 of EchoStar, Registration No. 33-91276).
- 10.14* Statement of Work, dated January 31, 1995 from EchoStar Satellite Corporation Inc. to Divicom Inc. (incorporated herein by reference to Exhibit 10.14 to the Registration Statement on Form S-1, Registration No. 33-91276).
- 10.15* Launch Services Contract, dated as of June 2, 1995, by and between EchoStar Satellite Corporation and Lockheed-Khrunichev-Energia International, Inc. (incorporated herein by reference to Exhibit 10.15 to the Registration Statement on Form S-1, Registration No. 33-91276).
- 10.16* EchoStar 1995 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.16 to the Registration Statement on Form S-1, Registration No. 33-91276).

EXHIBIT NO.	DESCRIPTION
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10.17(a)	Eighth Amendment to Satellite Construction Contract, dated as of February 1, 1994, between DirectSat Corporation and Martin Marietta Corporation.

- 10.17(b) Tenth Amendment to Satellite Construction Contract, dated as of July 18, 1996, between DirectSat Corporation and Martin Marietta Corporation.
- 10.18 Satellite Construction Contract, dated as of July 18, 1996, between EchoStar DBS Corporation and Lockheed Martin Corporation.
- 11 Computation of Earnings Per Share for the three and six months ended June 30, 1996.
- 27 Financial Data Schedule

* Incorporated by reference pursuant to Rule 12D-32 under the Securities and Exchange Act of 1934, as amended.

(b) REPORTS ON FORM 8-K.

No current reports on Form 8-K were filed by EchoStar during the period covered by this Quarterly Report on Form 10-Q.

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SIGNATURES

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

EchoStar Communications Corporation

Date: August 12, 1996

/s/ STEVEN B. SCHAVER

Steven B. Schaver
Vice President and Chief Financial Officer

/s/ STEVEN B. SCHAVER

Steven B. Schaver
Principal Financial Officer

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AMENDMENT NO. 8

TO THE CONTRACT
BETWEEN

ECHOSTAR SATELLITE CORPORATION

AND

MARTIN MARIETTA CORPORATION

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

WITNESS THAT:

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

- - revise ARTICLE 4 PAYMENT;
- - revise ARTICLE 4A SPACECRAFT IN-ORBIT PAYMENT SECURITY;
- - revise ARTICLE 20 ASSIGNMENT.

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

ARTICLE 4 PAYMENT

Delete paragraph F.6 in its entirety and replace with the following:

F.6 The In-Orbit payments, including the interest thereon, will be secured by a written corporate guarantee provided by EchoStar Communications Corporation (ECC). The security will be provided no later than thirty (30) days after the signing of this amendment.

ARTICLE 4A. SPACECRAFT IN-ORBIT PAYMENT SECURITY

A.1 Delete in its entirety.

A.3 Add subparagraphs a and b as follows:

- a. Effective December 31, 1996, and on each June 30th and December 31st thereafter (each a "Review Date"), provided that Buyer is not delinquent in any of its In-Orbit payments, Contractor shall perform the following calculation in order to determine the number of shares of preferred stock (if any), which shall be released free and clear from the Escrow. The formula shall be:

$$"A - ((B \times 1.5)/C) = D",$$

Where:

"A" is equal to the number of preferred shares in the Escrow on the applicable Review Date;

"B" is equal to the total outstanding In-Orbit payments, plus interest, due to Contractor on the applicable Review Date for the First Two Flights, less \$30 million;

"C" is equal to the average of the closing price of a share of ECC Class A Common Stock as quoted on the NASDAQ (or such other national securities exchange on which ECC's Class A Common Stock is traded on the applicable Review Date) for the thirty business day period immediately preceding the

applicable Review Date; and

"D" is equal to the number of preferred shares to be released from Escrow.

- b. In the event that "D" is equal to or less than zero, no shares shall be returned. In the event that "D" is greater than zero, Contractor shall cause the appropriate number of preferred shares to be released from escrow and returned within thirty (30) business days of the applicable Review Date.

ARTICLE 20 ASSIGNMENT

Add new paragraph C as follows:

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

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

ECHOSTAR SATELLITE CORPORATION

MARTIN MARIETTA CORPORATION

By: /s/ David K. Moskowitz

Senior Vice President

By: /s/ Peter H. Wiggett

Director Contracts
Astrospace Commercial

Agreed as to the guarantee.

ECHOSTAR COMMUNICATIONS CORPORATION

By: /s/ David K. Moskowitz

Senior Vice President

AMENDMENT NO. 8 TO CONTRACT
BETWEEN
DIRECTSAT CORPORATION
(HEREINAFTER "BUYER")
AND
MARTIN MARIETTA CORPORATION
(HEREINAFTER "CONTRACTOR")

This Amendment is effective as of the 1st day of February 1994.

WITNESS THAT:

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

- - revise pricing for three Satellites (Spacecraft Flight #1, #2 and #3),
- - incorporate Long March launch vehicle compatibility for Spacecraft Flight #1, #2 and #3,
- - establish a revised payment profile,
- - delete all of the previous terms and conditions of the Contract and substitute the attached terms and conditions,

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

Preamble-1

TABLE OF CONTENTS

The Table of Contents is deleted and replaced with the following:

ARTICLE

1	Scope of Work
2	Equipment and Services to be Furnished and Prices Therefor
3	Delivery Schedule
4	Payment
5	Definitions
6	(Reserved)
7	Inspection and Final Acceptance
8	Title and Assumption of Risk
9	Access to Work
10	Progress Meetings, Presentations, and Documentation Deliverables
11	Rights in Data
12	Public Release of Information
13	Indemnification
14	Patent Indemnity
15	Indemnification for Taxes
16	Excusable Delays
17	Termination for Default
18	Termination for Convenience
19	Changes
20	Assignment
21	Warranty
22	Arbitration

TABLE OF CONTENTS

ARTICLE

23	Applicable Law
24	Entire Agreement
25	Disclosure and Use of Information by the Parties
26	Effective Date
27	Permits and Licenses
28	Limitation of Liability
29	Spacecraft Test and Handling Equipment
30	Liquidated Damages
31	Spacecraft Storage
32	Spacecraft Configuration
33	Release
34	Insurance
35	(Deleted)
36	(Deleted)

ARTICLE 1. SCOPE OF WORK

DELETE the text of this ARTICLE and replace it with:

The Contractor shall provide the necessary personnel, material, services, and facilities to perform work in accordance with the provisions of this Contract, including the EXHIBITS listed below, which are attached hereto and made a part hereof (the preliminary design effort for Spacecraft Flights #2 and #3 is included as part of the services provided by Contractor for Spacecraft Flight #1), and to make delivery to Buyer as set forth in ARTICLE 2 hereof in accordance with the delivery schedule specified in ARTICLE 3 hereof:

- - EXHIBIT A DirectSat Statement of Work (SOW) WS-02-20037400
- - EXHIBIT B1 DirectSat Spacecraft Performance Specification PS-02-20037400
- - EXHIBIT B2 DirectSat Spacecraft Performance Specification PS-02-20037400
- - EXHIBIT B3 DirectSat Spacecraft Performance Specification PS-02-20037400
- - EXHIBIT C DirectSat Comprehensive Test Plan PN-02-20037400
- - EXHIBIT D DirectSat Product Assurance Program Plan PA-02-20037400

In the event of any inconsistency among or between the parts of this Contract set forth above, such inconsistency shall be resolved by giving precedence in the order of the parts as set forth below:

1. Terms & Conditions, Satellite Contract Dated March 12, 1990, as amended
2. DirectSat Statement of Work, EXHIBIT A
3. DirectSat Spacecraft Performance Specification, EXHIBIT B1
4. DirectSat Spacecraft Performance Specification, EXHIBIT B2
5. DirectSat Spacecraft Performance Specification, EXHIBIT B3
6. DirectSat Comprehensive Test Plan, EXHIBIT C
7. Product Assurance Program Plan, EXHIBIT D

To the extent any references exist in the Contract to any of the previous Exhibits, they are hereby conformed to reflect the revised Exhibit numbers.

ARTICLE 2. PRICE

DELETE this ARTICLE in its entirety and replace it with:

ARTICLE 2. EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFOR

A. Upon the full, satisfactory and timely completion and delivery, as required, of each item of work specified below, and acceptance by Buyer thereof in accordance with the requirements of this Contract, Contractor shall be entitled to payment by Buyer of the applicable fixed price specified below, as such price may be adjusted in accordance with the provisions of the Contract, except that the portion related to the In-Orbit payments, as defined in ARTICLE 4, PAYMENT, paragraph B.2, C.2 and D.2, shall be paid as set forth in ARTICLE 4. The prices stated below, which are inclusive of In-Orbit payments provided in ARTICLE 4, PAYMENT, paragraphs B.2, C.2 and D.2, include all transportation and related charges for delivery of Spacecraft and associated equipment to destination. Except as otherwise provided for herein, the prices stated below include all applicable taxes and all copyright and patent rights necessary to effectuate this Contract. Sales, use, income and personal property taxes will be the responsibility of the Buyer.

ITEM	QUANTITY	DESCRIPTION	TOTAL PRICE
1.	1	Spacecraft Flight #1 as defined in EXHIBIT B1	\$81,000,500*
2.	1	Spacecraft Flight #2 as defined in EXHIBIT B2	78,500,000**
3.	1	Spacecraft Flight #3 as defined in EXHIBIT B3	80,500,000**
4.	1 Lot	Incentive Payments, present value as defined in ARTICLE 4, paragraphs B, C, D and H	Included in Items 1, 2 & 3 -----
		TOTAL PRICE	\$240,000,500

*Total Price for Spacecraft Flight #1 is \$82,812,500 including without limitation Satellite Control Facility compatibility, and the cost of delivery of Spacecraft Flight #1 to Kourou, French Guiana for an Ariane launch, minus early payment discount of \$1,812,000.

**The above prices for Spacecraft Flight #2 and Spacecraft Flight #3 are effective and valid through July 1, 1995. The firm price for Spacecraft Flights #2 and #3 will be the above prices plus the percentage increase or decrease in the Bureau of Labor Statistics Indices SIC Code 3761 for Guided Missiles and Space Vehicles, Average Hourly Earnings for the same period at the time the construction phase of these satellites commence. The Payment Plan applicable to Spacecraft Flights #2 and #3 in ARTICLE 4. PAYMENT will be modified accordingly. Further adjustments may be necessitated by non-availability of components in cases where suppliers cannot provide units identical to those procured under the baseline contract.

2-1

B. The Spacecraft will include some imported goods. In the event the Spacecraft and its included imported goods are not exported in a timely manner due to the actions or inactions of Buyer, any duties and penalties arising therefrom will be the responsibility of Buyer. Contractor shall pay such above duties and penalties as may be required by law to be so paid and Buyer agrees to reimburse the Contractor for payments so made.

C. For purposes of Spacecraft Flights #2 and 3, in the event any Spacecraft component must be redesigned because of non-availability of piece parts or any of Contractor's component suppliers are either out of business or are no longer offering for sale the required item, part, assembly, subsystem or system and subsequent substitution results in a material cost increase or schedule delay to Contractor, Contractor shall be entitled to a price increase and/or extension of the delivery dates set forth herein.

2-2

ARTICLE 3. DELIVERY SCHEDULE

DELETE the text of this ARTICLE in its entirety and replace it with:

A. Delivery of Spacecraft Flights #1, #2 and #3 shall be made at Contractor's expense to either Kennedy Space Center, Florida, USA, or Kourou, French Guiana. The term "Destination" as used herein shall refer to the designated launch site set forth herein for the applicable spacecraft.

B. Delivery shall be as indicated below:

Item Description	Delivery Date
-----	-----
1. Spacecraft Flight #1, as defined in EXHIBIT B1	07/17/1996
2. Spacecraft Flight #2, as defined in EXHIBIT B2	07/01/1999
3. Spacecraft Flight #3, as defined in EXHIBIT B3	07/02/2000
4. Launch and Mission Operation Support Services Spacecraft Flight #1	09/10/1996
5. Launch and Mission Operation Support Services Spacecraft Flight #2	10/01/1999
6. Launch and Mission Operation Support Services Spacecraft Flight #3	10/02/2000

ARTICLE 4. PAYMENT

DELETE the text of this ARTICLE in its entirety and replace it with:

- A. 1. The total price stipulated in ARTICLE 2, EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFOR, shall be paid by Buyer to Contractor in accordance with the payment arrangements specified in the following Payment Plans. The amounts specified in the Payment Plans shall in each case be paid by Buyer to Contractor on the dates indicated. Contractor shall submit an invoice for each payment approximately thirty (30) days in advance of the payment due date. Payment to Contractor shall be made by either cable transfer to Citibank N.A. ABA# 021000089, Lockheed Martin, Valley Forge Collection Center A/C #40678043, or by check payable to Lockheed Martin Corporation sent by registered mail to the address and attention of the Lockheed Martin representative designated in ARTICLE 10, PROGRESS MEETING, PRESENTATIONS AND DOCUMENTATION DELIVERABLES, paragraph C. In the event Buyer elects to pay by other than certified check, Buyer's check must be received by Contractor at least seven (7) working days before the required payment date to insure that the funds are available to Contractor on the payment date.
2. Contractor shall not begin construction until the initial construction phase payment is received by the Contractor.
3. In the event that the commencement of construction phase payments are delayed beyond July 1, 1996 for Spacecraft Flight #2. and July 1, 1997 for Spacecraft Flight #3, the Contractor will be entitled to an equitable adjustment for price escalation and program extension costs

as well as delivery schedule for the respective Spacecraft Flights.

4-1

B. Spacecraft Flight #1 PAYMENT PLAN

1. The construction payments applicable to Spacecraft Flight #1 shall be made as follows:

PAYMENT PLAN

Payment Number	Due Date	Amount \$	Cumulative Amount \$
	*Through Design Definition Phase	March 6, 1994	312,500
1	March 7, 1994	1,250,000	1,562,500
2	April 7, 1994	625,000	2,187,500
3	May 7, 1994	625,000	2,812,500
4	June 7, 1994	685,000	3,497,500
5	July 7, 1994	1,272,000	4,769,500
6	August 8, 1994	685,000	5,454,500
7	September 7, 1994	685,000	6,139,500
8	October 12, 1994	685,000	6,824,500
9	November 9, 1994	2,660,000	9,484,500
10	December 8, 1994	43,516,000	53,000,500

2. In addition to the construction payments required above, Buyer shall pay Spacecraft In-Orbit payments in the amount of \$28,000,000. The Spacecraft In-Orbit payments shall be made in accordance with the requirements set forth in paragraph H. of this ARTICLE.
3. All contractual amounts with respect to Spacecraft Flight #1 have been paid in full other than the In-Orbit payments referenced in paragraph B.2 of this ARTICLE. The preconstruction phase design work for Spacecraft Flights #2 and #3 is included in the price of Spacecraft Flight #1 except for effort associated with unique orbital locations. Contractor shall not be required to perform further design effort for Spacecraft Flights #2 and #3 unless provided an appropriate equitable adjustment.

C. Spacecraft Flight #2 PAYMENT PLAN

1. The construction phase payments applicable to Spacecraft Flight #2 shall be made as follows:

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CONSTRUCTION PHASE PAYMENT PLAN

Construction Phase Payment Number	Due Date	Amount \$	Cumulative Amount \$
-----------------------------------	----------	-----------	----------------------

1	July 1, 1996	1,750,000	
2	August 1, 1996	1,750,000	3,500,000
3	September 1, 1996	1,750,000	5,250,000
4	October 2, 1996	1,750,000	7,000,000
5	November 1, 1996	1,800,000	8,800,000
6	December 2, 1996	1,800,000	10,600,000
7	January 2, 1997	1,800,000	12,400,000
8	February 3, 1997	1,800,000	14,200,000
9	March 3, 1997	1,800,000	16,000,000
10	April 1, 1997	1,800,000	17,800,000
11	May 1, 1997	1,800,000	19,600,000
12	June 2, 1997	1,800,000	21,400,000
13	July 1, 1997	1,800,000	23,200,000
14	August 1, 1997	1,800,000	25,000,000
15	September 1, 1997	1,800,000	26,800,000
16	October 1, 1997	1,800,000	28,600,000
17	November 3, 1997	1,800,000	30,400,000
18	December 1, 1997	1,800,000	32,300,000
19	January 2, 1998	1,800,000	34,000,000
20	February 2, 1998	1,800,000	35,800,000
21	March 1, 1998	1,800,000	37,600,000
22	April 1, 1998	1,800,000	39,400,000
23	May 1, 1998	1,800,000	41,200,000
24	June 1, 1998	1,800,000	43,000,000
25	July 1, 1998	1,800,000	45,000,000
26	August 3, 1998	2,000,000	47,000,000
27	September 1, 1998	2,000,000	49,000,000
28	October 1, 1998	2,000,000	51,000,000
29	November 2, 1998	2,000,000	53,000,000

4-3

Construc- tion Phase Payment Number	Due Date	Amount \$	Cumulative Amount \$
30	December 1, 1998	2,000,000	55,000,000
31	January 4, 1999	2,000,000	57,000,000
32	February 1, 1999	2,000,000	59,000,000

33	March 1, 1999	2,000,000	61,000,000
34	April 1, 1999	2,000,000	63,000,000
35	May 1, 1999	1,300,000	64,300,000
36	June 1, 1999	500,000	64,800,000
37	July 1, 1999	600,000	65,400,000
38	August 2, 1999	300,000	65,700,000
39	September 1, 1999	200,000	65,900,000
40	October 1, 1999	100,000	66,000,000

2. In addition to the construction payments required above, Buyer shall pay Spacecraft In-Orbit payments in the amount of \$12,500,000. The Spacecraft In-Orbit payments shall be made in accordance with the requirements set forth in paragraph H. of this ARTICLE.

D. Spacecraft Flight #3 PAYMENT PLAN

1. The construction phase payments applicable to Spacecraft Flight #3 shall be made as follows:

CONSTRUCTION PHASE PAYMENT PLAN

Construc- tion Phase Payment Number	Due Date	Amount \$	Cumulative Amount \$
1	July 1, 1997	1,750,000	
2	August 1, 1997	1,750,000	3,500,000
3	September 1, 1997	1,750,000	5,250,000
4	October 1, 1997	1,750,000	7,000,000
5	November 1, 1997	1,900,000	8,900,000
6	December 1, 1997	1,900,000	10,800,000
7	January 1998	1,900,000	12,700,000
8	February 1, 1998	1,900,000	14,600,000
9	March 1, 1998	1,900,000	16,500,000
10	April 1, 1998	1,900,000	18,400,000
11	May 1, 1998	1,900,000	20,300,000
4-4			
12	June 1, 1998	1,900,000	22,200,000
13	July 1, 1998	1,900,000	24,100,000
14	August 1, 1998	1,900,000	26,000,000
15	September 1, 1998	1,900,000	27,900,000
16	October 1, 1998	1,900,000	29,800,000
17	November 1, 1998	1,900,000	31,700,000
18	December 1, 1998	1,900,000	33,600,000
19	January 1999	1,900,000	35,500,000

20	February 1, 1999	1,900,000	37,400,000
21	March 1, 1999	1,900,000	39,300,000
22	April 1, 1999	1,900,000	41,200,000
23	May 1, 1999	1,900,000	43,100,000
24	June 1, 1999	1,900,000	45,000,000
25	July 1, 1999	2,000,000	47,000,000
26	August 2, 1999	2,000,000	49,000,000
27	September 1, 1999	2,000,000	51,000,000
28	October 1, 1999	2,000,000	53,000,000
29	November 1, 1999	2,000,000	55,000,000
30	December 1, 1999	2,000,000	57,000,000
31	January 3, 2000	2,000,000	59,000,000
32	February 1, 2000	2,000,000	61,000,000
33	March 3, 2000	2,000,000	63,000,000
34	April 1, 2000	2,000,000	65,000,000
35	May 1, 2000	1,300,000	66,300,000
36	June 1, 2000	500,000	66,800,000
37	July 3, 2000	600,000	67,400,000
38	August 1, 2000	300,000	67,700,000
39	September 1, 2000	200,000	67,900,000
40	October 2, 2000	100,000	68,000,000

2. In addition to the construction payments required above, Buyer shall pay Spacecraft In-Orbit payments in the amount of \$12,500,000. The Spacecraft In-Orbit payments shall be made in accordance with the requirements set forth in paragraph H. of this ARTICLE.

4-5

E. SPACECRAFT IN-ORBIT PAYMENTS

1. The Spacecraft In-Orbit payments for Spacecraft Flight #1 shall be paid over a period of five (5) years from launch. The Spacecraft In-Orbit payments for Spacecraft Flights #2 and #3, shall be paid over a maximum of seven (7) years from launch. The specific repayment period for Spacecraft Flights #2 and #3 shall be determined by Buyer ninety (90) days prior to launch.
2. The In-Orbit payments shall be paid on an equal monthly basis (principal and interest) until full payment has been received by Contractor.
3. For Spacecraft Flight #1, the interest rate applicable to the monthly In-Orbit payments shall fall between 7.75% and 8.25% per annum and shall be fixed 90 days prior to the scheduled launch and shall be calculated using the prime rate published in the WALL STREET JOURNAL on such date as follows:
 - a. if the prime rate falls between 7.75% and 8.25%, then the In-Orbit payments shall accrue interest at the prime rate.
 - b. if the prime rate is greater than 8.25%, then the In-Orbit payments shall accrue interest at 8.25% per annum.

- C. if the prime rate is less than 7.75%, then the In-Orbit payments shall accrue interest at 7.75% per annum.
4. For Spacecraft Flights #2 through #3, the In-Orbit payments will accrue interest at the WALL STREET JOURNAL prime rate from the date sixty (60) days after launch until full payment has been received by Contractor. For purposes of determining the WALL STREET JOURNAL prime rate, Buyer shall elect ninety (90) days prior to the Scheduled Launch Date whether to fix the rate at the rate published in the WALL STREET JOURNAL on such date or to float the rate over the entire repayment period. In the event Buyer elects to float the rate, the initial rate shall be the rate published in the WALL STREET JOURNAL ninety (90) days prior to the Scheduled Launch Date. Thereafter, the rate shall be adjusted on the first business day of every sixth month thereafter.
5. The In-Orbit payments, including the interest thereon, will be secured by an irrevocable letter of credit from a reputable financial institution or by other adequate security that is reasonably acceptable to Contractor. The security will be established and submitted to Contractor no later than ninety (90) days prior to the Scheduled Launch Date.
6. The Parties are willing to enter into good faith negotiations to establish an alternative to the schedule set out in E.1. above for the Spacecraft In-Orbit payments for Spacecraft Flight #1.
7. The Buyer shall have the right to prepay In-Orbit payments at any time without penalty for Spacecraft Flights #2 and #3.

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- F. 1. During construction and prior to Launch, Buyer grants Contractor a full security interest in all hardware, software and work in process, including, without limitation, all parts, assemblies, subsystems, systems and Spacecraft (collectively "Security"). In the event of Buyer's default pursuant to ARTICLE 17, TERMINATION FOR DEFAULT, Contractor shall immediately assume ownership of the entire Security. Contractor, on behalf of Buyer, may take whatever steps are necessary to effectuate transfer of ownership. Upon such transfer of ownership, Buyer shall have no further interest in or rights to such Security.
2. Notwithstanding paragraph F.1 above, in the event Buyer has assigned this Contract pursuant to ARTICLE 20 ASSIGNMENT, and such assignee defaults under ARTICLE 17 TERMINATION FOR DEFAULT, Contractor agrees that Buyer shall have the opportunity to cure such default within thirty (30) days of the default by the assignee. Buyer may cure with respect to any individual spacecraft without an obligation to cure the default with regard to all spacecraft. In the event Buyer properly cures such default, Contractor agrees to resume construction of the work hereunder without any additional cost to Buyer as a result of the default.
3. The Buyer represents and warrants that:
 - a. the Buyer is the owner of the Security and has authorized the grant of a security interest in the Security to Contractor, and
 - b. no effective Uniform Commercial Code financing statement or other instrument similar in effect covering all or any part of the Security is on file in any recording office.
4. The Buyer covenants and warrants that unless compliance is waived by Contractor in writing:
 - a. the Buyer shall not create, incur, assume or suffer to exist, directly or indirectly, any mortgage, pledge, hypothecation, encumbrances, assignment, lien (statutory or other) or preference or priority or other security agreement of any kind or nature whatsoever ("Liens") upon any of the Security, except the security interest created hereby in favor of Contractor, without giving Contractor sixty (60) days prior notice of the intended creation of such Liens;
 - b. Contractor shall have the right to file Uniform Commercial Code financing statements at any time during the term of this Contract to

perfect the security interest granted under this Contract. In the event Contractor exercises the right to file Uniform Commercial Code financing statements, the Buyer agrees to execute any financing statement, amended financing statements, continuation statements or other documents from time to time which are deemed reasonably necessary by Contractor to create, perfect, confirm or validate the security interest granted under this Contract.

4-7

- G. Failure to make any payments required hereunder, or to post the required letter of credit or the taking of any action which restricts Contractor's unencumbered right to the Security set forth in paragraph F.1 above shall constitute a default by Buyer subject to the provisions of ARTICLE 17, TERMINATION FOR DEFAULT, paragraph F.
- H. 1. For the Spacecraft delivered by Contractor which, following Launch, does not achieve Successful Injection, as defined in ARTICLE 5, DEFINITIONS, Contractor shall be entitled to receive for:
- | | |
|----------------------|--------------|
| Spacecraft Flight #1 | \$28,000,000 |
| Spacecraft Flight #2 | \$12,500,000 |
| Spacecraft Flight #3 | \$12,500,000 |
2. In the event Buyer is obligated to make payment to Contractor in accordance with paragraph H.1 above, payment shall be due within ten (10) days from Buyer's receipt of the insurance proceeds required by ARTICLE 34, INSURANCE.
3. The above amounts shall be adjusted to reflect any changes in the In-Orbit payment amounts set forth in paragraphs B.2, C.2 and D.2 of this ARTICLE.
- I. In the event the Spacecraft is not launched within one hundred eighty (180) days after delivery and final acceptance, in accordance with ARTICLE 7, INSPECTION AND FINAL ACCEPTANCE, Buyer shall commence making In-Orbit payments in accordance with the above as though launch of such Spacecraft had occurred.
- J. 1. The Payment Plan set forth in paragraphs B., C. and D. of this ARTICLE are based on Contractor's successful and timely achievement of each milestone set forth below. In the event that Contractor does not achieve any Milestone on or before the date set forth below, Buyer may suspend construction payments until such time as the Milestones are completed. Within five (5) days following Contractor's completion of any such Milestone, Buyer shall pay Contractor for all payments that were required to have been made but were not as a result of the suspension.

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MILESTONE TABLE

MILESTONE - - - - -	DATE - - - - -	DESCRIPTION - - - - -
1.	6 Months	Spacecraft Preliminary Design Review (SPDR)
2.	8 Months	Long Lead Parts Shown on Attachment A Hereto
3.	12 Months	Spacecraft Critical Design Review (SCDR)
4.	18 Months	Completion of Propulsion Subsystem
5.	24 Months	Delivery of All Traveling Wave Tube Amplifiers (TWTA's) to Integration and Test (I&T)
6.	28 Months	Begin Single Line Flow (As Shown in Figure 1-5 of the Comprehensive Test Plan)
7.	30 Months	Thermal Vacuum Testing

2. The dates in the Milestone Table represent months from first construction payment for each spacecraft.

3. The above Milestone Table shall be Buyer's sole measurement of whether Contractor is making adequate progress toward completion of the Spacecraft required hereunder.
- K. With respect to Spacecraft Flight #1, in the event that a joint effort on the part of the Buyer and Contractor cannot obtain a favorable TT&C frequency plan from the FCC as noted in Statement of Work, paragraph 4.1, Contractor shall, at Buyer's option, either spend a maximum of \$1.0 million to prepare ground TT&C stations for modification of Launch and Mission Operation services to accommodate the frequency required by the FCC or incorporate four command receivers all operating on the same frequency or two on one frequency and the other two on a second frequency at no cost. Buyer can choose between C-Band and K-Band for the frequencies. If Contractor disagrees with Buyer's selection, it can implement an alternative solution that is authorized by the Contract but at no additional cost to the Buyer.
- L. The first construction phase payment for any Spacecraft Flight shall be due on the later of: (i) the date indicated in the Payment Plan; or (ii) sixty (60) days following Buyer's receipt of Contractor's invoice, followed by Buyer's written confirmation of receipt thereof. Additional payments shall follow for each of the 39 months thereafter per the Payment Plan.

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ARTICLE 5. DEFINITIONS

DELETE the text in the ARTICLE in its entirety and replace it with:

A. SUCCESSFUL INJECTION

Injection of the Spacecraft shall be considered successful if:

1. No damage to the Spacecraft occurs which can be shown to have resulted from a launch vehicle malfunction.
2. The elements of the transfer orbit established by the launch vehicle and the spin axis orientation at time of separation are within the three sigma limits of the launch vehicle established by the Launch Agency.
3. The Spacecraft has reached a Satisfactory Orbit and is deployed for satisfactory operation.

B. SATISFACTORY ORBIT

The spacecraft is deemed to have achieved a Satisfactory Orbit if the following conditions are satisfied:

1. The spacecraft is located in the operational geostationary orbit longitude position designated by Buyer.
2. The spacecraft orbit parameters are specified as follows:
 - (a) Inclination tolerance is + or - 0.1 degrees
 - (b) Longitude tolerance is + or - 0.1 degrees

C. LAUNCH

For purposes of Spacecraft Flight #1 the term Launch means the intentional ignition of launch vehicle propulsion systems causing upward acceleration of the launch vehicle following the intentional removal of all mechanical restraints, if any, designed to prevent such upward acceleration.

For purposes of Spacecraft Flight's #2 and #3, the term Launch means:

1. For an Ariane, that point in time as indicated in the automatic sequence control as the opening of the fuel and oxidizer valves of the first stage engines of the launch vehicle.
2. For an Atlas, firing of the Atlas rocket engines at the designated time during the launch countdown as observed by generation of the "main engine complete" signal.

4-10

ARTICLE 6. INCENTIVE PAYMENTS

DELETE this ARTICLE in its entirety and replace it with new ARTICLE 6. to read:

ARTICLE 6. (RESERVE)

6-1

ARTICLE 7. INSPECTION AND FINAL ACCEPTANCE

DELETE the text of the ARTICLE in its entirety and replace it with:

A. INSPECTION

Buyer, or its designated representative, shall have the right to witness and review the results of the final acceptance testing at the system level of the deliverable hardware at the facilities of Contractor. To allow Buyer to most effectively schedule the monitoring stated above, Contractor shall give Buyer timely notification of the acceptance testing of the deliverable hardware.

B. Final Acceptance

Final acceptance of the items to be delivered hereunder shall be in accordance with the requirements of this Contract, including the EXHIBITS. Delivery and acceptance shall be as provided herein.

1. Each Spacecraft furnished under this Contract shall be tested by Contractor, and in the case of Spacecraft to be delivered to storage, shall be finally accepted by Buyer upon demonstration at Contractor's facility, prior to delivery of Spacecraft to storage, by means of test results obtained pursuant to the test requirements set forth in EXHIBIT C, that the Spacecraft meets the performance specifications set forth in EXHIBITS B1 and B2 for Spacecraft Flights #1 and #2, respectively.
2. In the case of Spacecraft delivered for launch, upon arrival of Spacecraft at the launch site, as required by EXHIBITS A1 and A2 for Spacecraft Flights #1 and #2, respectively, Contractor shall promptly conduct an inspection and, if required, test the Spacecraft, in accordance with the requirements of EXHIBIT C, in the presence of Buyer. Buyer shall either finally accept the Spacecraft in writing or notify Contractor in writing of those particulars in which the Spacecraft to be delivered does not meet the requirements of this Contract. Upon remedy of such particulars to meet the requirements of this Contract, the Spacecraft shall be deemed to have been delivered and finally accepted.
3. Final acceptance of non-Spacecraft items shall take place after delivery by Contractor to the destination and, if required, completion of installation and inspection. Buyer shall either finally accept the item(s) in writing or notify Contractor in writing of those particulars in which the items to be delivered do not meet the requirements of this Contract. Upon remedy of such particulars to meet the requirements of this Contract, the item involved shall be deemed to have been delivered and finally accepted.

7-1

ARTICLE 8. TITLE AND ASSUMPTION OF RISK

DELETE the text of the ARTICLE in its entirety and replace it with:

- A. Unless otherwise stated herein, the following shall apply:
 - 1. Title and risk of loss or damage to a Spacecraft shall pass to Buyer at Launch, except that title and risk of loss or damage to a Spacecraft delivered to storage shall pass as set forth in ARTICLE 31, SPACECRAFT STORAGE.
 - 2. Title and risk of loss or damage to non-Spacecraft items shall pass to Buyer upon final acceptance.
- B. Buyer agrees to cause its insurer(s) to waive all rights of subrogation against Contractor and its officers, agents, servants, subsidiaries and employees.

8-1

ARTICLE 9. ACCESS TO WORK

DELETE the text of the ARTICLE in its entirety and replace it with:

- A. For the purpose of observing the quality of Contractor's performance of work, Contractor shall afford a limited number of Buyer's personnel access to all work in process at Contractor's facility. Contractor will request and attempt to obtain similar access to work related to Buyer's Spacecraft that is being performed at Contractor's major subcontractors.
- B. Information disclosed to Buyer pursuant to this ARTICLE shall be subject to the limitations set forth in ARTICLE 25, DISCLOSURE AND USE OF INFORMATION BY THE PARTIES.

9-1

ARTICLE 10. PROGRESS MEETINGS, PRESENTATIONS AND DOCUMENTATION DELIVERABLES

DELETE the text of the ARTICLE in its entirety and replace it with:

A. MEETINGS AND PRESENTATIONS

In addition to any other meetings called for under the provisions of this Contract and without limitation thereto, Contractor shall provide the manpower, facilities, materials and support required to conduct the following periodic meetings and presentations:

- 1. Informational Project Manager meetings.
- 2. Technical Review meetings as determined by Contractor's Project Manager.
- 3. Quarterly Summary Executive Reviews.

Copies of view graphs or other documents utilized during these meetings shall be furnished or be made available to Buyer. Buyer's management personnel, as may be deemed appropriate by Buyer, shall be invited to the Quarterly Summary Executive Reviews. Contractor shall be represented by its Project Manager and such other personnel as are specifically required to support the particular presentation. All periodic meetings shall be held at Contractor's facility.

B. DISTRIBUTION OF REPORTS

All materials, reports and documentation furnished pursuant to this ARTICLE shall be the property of Buyer subject to the limitations set forth in ARTICLE 25, DISCLOSURE AND USE OF INFORMATION BY THE PARTIES, except that, Contractor or its subcontractors may retain copies for their own purposes, including the using of such materials and reports in the performance of other contracts.

10-1

C. CORRESPONDENCE

All correspondence, including notices, reports and documentation deliverables, to be provided to Buyer or Contractor under this Contract shall be sent to Buyer or Contractor as follows:

DirectSat Corporation Daniel Moore	Martin Marietta Corporation, Astro Space Division P.O. Box 800 Princeton, NJ 08543-0800 Attention: Mr. L.J. Kiefer Phone: 609-490-6228 Telecopy: 609-490-3395
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D. The only representatives of Buyer and Contractor authorized to sign contractual documents are:

BUYER	CONTRACTOR
DirectSat Corporation	Mr. R.T. McFall
Daniel Moore	Mr. T.D. Sisley
	Mr. L.J. Kiefer
	Mr. P.H. Wiggett

Or others authorized by written delegation of the DirectSat Board of Directors

Or others authorized by written delegation of Mr. R.T. McFall

10-2

ARTICLE 11. RIGHTS IN DATA

DELETE the text of the ARTICLE in its entirety and replace it with:

- A. Except as provided in paragraph B. below, Buyer shall have an unlimited right to use, duplicate, and disclose the information contained in the Programming and Control Handbook furnished pursuant to EXHIBITS A1 and A2 for Spacecraft Flights #1 and #2, respectively; however, if any written material furnished as part of said document is copyrighted, Buyer shall have an unlimited right to make copies of such copyrighted material and to use such copies for any Buyer purpose without payment of additional compensation to Contractor to the extent that Contractor has the authority to grant such right. In the event Contractor does not have such right, Contractor will exert its best efforts to obtain such rights for Buyer.
- B. All data that are or may be delivered or disclosed by either party to the other shall be subject to ARTICLE 25, DISCLOSURE AND USE OF INFORMATION BY THE PARTIES.
- C. Notwithstanding any other provision hereof, the ownership and title to copyrights and in computer programs and its related documentation delivered to Buyer by Contractor in accordance with this Contract shall remain in Contractor or its licensor. Contractor shall grant to Buyer a paid up non-exclusive, non-transferable license to use (including "to duplicate" and "to adapt") solely for the Buyer Program, the copies of

computer programs and its related documentation specified in the Contract required for the operation of articles deliverable under this Contract.

11-1

ARTICLE 12. PUBLIC RELEASE OF INFORMATION

DELETE the text of the ARTICLE in its entirety and replace it with:

During the term of this Contract, neither party, its affiliates, subcontractors, employees, agents and consultants shall release items of publicity of any kind, including, without limitation, news releases, articles, brochures, advertisements, prepared speeches, company reports or other information releases, related to the work performed hereunder, including the denial or confirmation thereof, without the other party's prior written consent which consent shall not be unreasonably withheld.

12 - 1

ARTICLE 13. INDEMNIFICATION

DELETE the text of the ARTICLE in its entirety and replace it with:

- A. Each party shall indemnify and hold the other party and its officers, agents, servants, subsidiaries and employees, or any of them harmless from any loss, damage, liability or expense, resulting from damage to all property, private or public, and injuries, including death, to persons caused by any act or omission of the indemnifying Party and/or the indemnifying Party's agents or representatives at any tier or any of them, and at its expense shall defend any suits or other proceedings brought against the indemnified Party and/or its officers, agents, servants, subsidiaries and employees, or any of them, on account thereof, and shall pay all expenses and satisfy all judgments which may be incurred by or rendered against them, in connection therewith. Either Party shall have the right to settle any claim or litigation against which it indemnities hereunder. This ARTICLE is subject to ARTICLE 8, TITLE AND ASSUMPTION OF RISK.
- B. Further and notwithstanding any other provision hereof, Buyer shall indemnify and hold harmless Contractor, its officers, agents, subsidiaries, and employees from any liabilities, losses and damages including costs, expenses and damages incurred by Contractor in connection with any and all claims after passage of title thereto to Buyer which shall occur in accordance with ARTICLE 8, TITLE AND ASSUMPTION OF RISK, except any such liabilities, losses and damages that are caused by the gross negligence or willful misconduct of Contractor. Buyer shall procure and maintain comprehensive general liability insurance in an amount with insurers acceptable to contractor, which insurance shall name Contractor and the other indemnities hereunder as insured. Buyer shall furnish Contractor with a waiver of its insurance carriers' rights of subrogation and with insurance obligations under this ARTICLE. Such insurance shall also provide that the insurers shall give thirty (30) days prior notice to Contractor prior to the effective date of cancellation or termination of such insurance.
- C. Contractor shall not be liable to Buyer, customers of Buyer or their customers for any damages resulting: (i) any loss or destruction of the Spacecraft or (ii) failure of the Spacecraft or its subsystems to operate satisfactorily. Buyer agrees to enter into suitable agreements with its customers to effect the foregoing limitation of Contractor's liability. Buyer also agrees to cause insurers to waive all right of subrogation against Contractor and its employees. The foregoing shall not relieve Contractor of its obligations under ARTICLE 21, WARRANTY, of correction or replacement during the warranty period set forth in such ARTICLE.

13 - 1

ARTICLE 14. PATENT INDEMNITY

DELETE the text of the ARTICLE in its entirety and replace it with:

- A. Contractor shall defend Buyer from and against all claims, actions, suits and proceedings alleging that the manufacture of any Spacecraft, delivered under this Contract or the use, lease, sale or other disposition of any such Spacecraft infringes any U.S. patent, and shall pay any final judgment or settlement, provided Contractor is given prompt written notice of any such claim, action, suit or proceeding and full authority to resist, defend and settle such claim. Buyer shall provide at Contractor's request such assistance and information as may be required by Contractor.
- B. If an injunction or other order is obtained against the manufacture, use, lease, sale or other disposition of any Spacecraft hereunder, Contractor agrees to use its best efforts either to procure rights so that such Spacecraft and the manufacture, use, lease, sale or other disposition thereof is no longer infringing or to modify or replace such Spacecraft so that it is no longer subject to such order. In the event that such injunction or order becomes permanent and that neither of the foregoing alternatives is suitably accomplished and Contractor is unable to reasonably perform its obligations hereunder, Buyer may proceed under ARTICLE 17, TERMINATION FOR DEFAULT.
- C. While neither Party presently contemplates Buyer's providing Contractor with any designs, specifications or instructions, in the event Buyer does provide any designs, specifications or instructions, Buyer shall indemnify and hold Contractor harmless against any expense, judgment or loss for infringement of any U.S. patents or trademarks which result from Contractor's compliance with such designs, specifications or instructions.
- D. No sales or lease hereunder shall convey any license by implication, estoppel or otherwise, under any proprietary or patent rights of Buyer, to practice any process with such product or part, or for the combination of such product or part with any other product or part.
- E. Contractor shall not be liable for any costs or expenses incurred without Contractor's written authorization and in no event shall Contractor's total liability to Buyer under, or as a result of compliance with, the provisions of this ARTICLE exceed the aggregate Spacecraft price for all Spacecraft under construction or delivered. Contractor shall in no event be liable for loss of use or for incidental, indirect, or consequential damages, whether in contract or in tort. The foregoing states the entire Warranty by Contractor and the exclusive remedy of Buyer, with respect to any alleged patent infringement by such product or part.

14 - 1

ARTICLE 15. INDEMNIFICATION FOR TAXES

DELETE the text of the ARTICLE in its entirety and replace it with:

Contractor shall assume responsibility, and shall save Buyer, its officers, agents, employees, servants, subsidiaries and assignees, or any of them, harmless from taxes, which may be required under present federal, state, or local laws and which become due by reason of the performance of work under this Contract, and shall execute and deliver such other and further documents, and comply with such requirements of said laws, as may be necessary thereunder to confirm and effectuate this Contract, including making of payment of any interest or penalties related to or arising from such taxes. It is Contractor's belief that no sales, use, income or personal property taxes will be incurred under this Contract as presently structured. In the event that Buyer directs changes which result in the assessment of sales, use, income or personal property taxes which would not be payable absent such direction, Buyer shall be responsible for such taxes.

15 - 1

ARTICLE 16. EXCUSABLE DELAYS

DELETE the text of the ARTICLE in its entirety and replace it with:

Without limiting any other provision specifying what constitutes an excusable delay under this Contract, acts of God or of the public enemy; acts of the Government in its sovereign or contractual capacity, including Government priorities, allocations, regulations or orders affecting materials, facilities, or completed Spacecraft (including changes in the launch specifications in effect on the Date of this Amendment); fires; floods; snowstorms; earthquakes; epidemics; quarantine restrictions; strikes; wars; freight embargoes; or any similar events which cause failure or delay to perform hereunder, and in every case are beyond the reasonable control and without fault or negligence of Contractor or its subcontractors hereunder shall constitute an excusable delay, if notice thereof is given to Buyer as soon as possible but in no event later than within thirty (30) days after such event shall have occurred. In the event of a delay resulting from any of the above causes, the delivery requirements shall be extended for the period of the excusable delay.

16 - 1

ARTICLE 17. TERMINATION FOR DEFAULT

- A. Buyer may, by written Notice of Default sent by registered letter to Contractor, terminate the whole or any part of this Contract in any one of the following circumstances:
1. If Contractor fails to make delivery of the supplies or to perform the services within the time specified herein.
 2. If Contractor fails to perform any of the other provisions of this Contract or so fails to make progress as to endanger performance of this Contract in accordance with its terms, and in either of these two circumstances does not act to correct such failure within a period of thirty (30) days (or such longer period as Buyer may authorize in writing) after receipt of notice from Buyer specifying such failure.
- B. To the extent the Contract is terminated under this ARTICLE, Buyer shall use all reasonable efforts to utilize all work in process hereunder in order to mitigate any costs sustained by Buyer as a result of Contractor's default. Contractor will pay to Buyer all costs reasonably incurred by Buyer in obtaining all of the work described in ARTICLE 2, EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFORE, paragraph A., according to the schedule set forth in ARTICLE 3, DELIVERY SCHEDULE, paragraph B., provided that Buyer enters into a Contract for such work within twelve (12) months of Contractor's default.
- C. If this Contract is terminated as provided in this ARTICLE, Contractor shall:
1. be paid the Contract price for items delivered.
 2. be paid the cost plus reasonable profit for work in process, materials in stock and services for which Buyer takes delivery.
 3. protect and preserve property in the possession of Contractor in which Buyer has an interest.
- D. The remedies set forth in this ARTICLE shall be the sole recourse to which Buyer is entitled in the event of Contractor's default, and Contractor shall have no liability for special, indirect, incidental or consequential damages for lost profits or lost revenues.
- E. Subsequent to final acceptance of each of the Spacecraft pursuant to paragraph B, of ARTICLE 7, INSPECTION AND FINAL ACCEPTANCE, the provisions of this ARTICLE shall not affect payment of In-Orbit payments under the terms of ARTICLE 4, PAYMENT, paragraphs B.2, C.2 and D.2 and ARTICLE 2,

EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFORE.

- F. In the event Buyer fails to perform any obligation which it is required to perform pursuant to this Contract, Contractor may, if such failure is not corrected within thirty (30) days after written notice of such failure is given by Contractor, stop work on this Contract and consider this entire Contract to be terminated due to the default of Buyer. Contractor shall be entitled to compensation as set forth in ARTICLE 18, TERMINATION FOR CONVENIENCE. Further, Contractor shall also be entitled to all of the Security set forth in ARTICLE 4, PAYMENT, paragraph F.1.
- G. If, after notice of termination of the Contractor's right to proceed under the provisions of this ARTICLE, it is determined for any reason that the Contractor was not in default under the provisions of this ARTICLE, or that the delay was excusable under the provisions of ARTICLE 16, EXCUSABLE DELAYS, the rights and obligations of the Parties shall be the same as if notice of termination had been issued pursuant to ARTICLE 18, TERMINATION FOR CONVENIENCE.

17-2

ARTICLE 18. TERMINATION FOR CONVENIENCE

DELETE the text of the ARTICLE in its entirety and replace it with:

- A. Buyer, by written notice to Contractor, may terminate this Contract in whole, or in part, for any reason or for Buyer's Convenience at any time prior to final acceptance of all the work. In the event of termination by the Buyer of any Spacecraft subsequent to the start of such Spacecraft's construction, it is agreed that the termination charges shall be negotiated but shall not exceed the total of the Total Price for the Spacecraft so terminated as set forth in ARTICLE 2, EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFORE, hereof. The termination charges shall include the total costs, both direct and indirect, reasonably incurred by Contractor with respect to termination and settlement with all vendors and subcontractors, plus a profit of fifteen (15) percent.
- B. Direct and indirect costs shall be determined in accordance with Contractor's standard accounting practice and shall be verified, at Buyer's expense, by an independent Certified Public Accounting firm to be mutually agreed upon by the Buyer and Contractor.
- C. Buyer shall pay Contractor the aforesaid termination charges within thirty (30) days following the submission of an invoice. Upon payment of Contractor's invoice, Contractor shall deliver to Buyer all termination inventory which has not been credited by Contractor against the termination charges set forth in paragraph D.2 below. In the event Contractor's invoice is not paid within thirty (30) days following submission, Buyer shall be in default pursuant to ARTICLE 17, TERMINATION FOR DEFAULT, paragraph F.
- D. Final payment shall be in the amount of the total termination charges, less the following:
 - 1. Amounts previously paid by Buyer to Contractor with respect to the terminated work pursuant to ARTICLE 4. PAYMENT. hereof; and
 - 2. Amounts representing the total of Contractor's costs with respect to the terminated work of segregable items of inventory not desired by Buyer and which Contractor elects to retain for its use.

In the event the amount set forth in this paragraph D. above exceeds the termination charges defined in paragraph A. of this ARTICLE, Contractor shall promptly refund such excess to Buyer.

E. In no event shall the total amount paid to Contractor pursuant to this Agreement, including termination charges paid pursuant to this ARTICLE, exceed the total price stated in ARTICLE 2, EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFORE, hereof.

18 - 1

- F. The provisions of this ARTICLE shall not affect the payment of In-Orbit payments under the terms of ARTICLE 4, PAYMENT, paragraphs B.2, C.2 and D.2, with respect to any spacecraft.
- G. Notwithstanding anything herein, Buyer's termination of any spacecraft, pursuant to this ARTICLE, shall constitute a termination of all subsequent spacecraft.
- H. Contractor agrees to use all reasonable efforts to assist Buyer in disposing/selling of the work in process upon termination pursuant to this ARTICLE.
- I. On or after January 1, 1998, Contractor, by written notice to Buyer, may notify Buyer of its intention to terminate this Contract one year following the date of such notice with respect to all Spacecraft Flights for which Buyer has not made (and does not make) the first construction phase payment prior to the expiration of such one year period. Such termination shall be effective as of the date one year following the date of notice.

18 - 2

ARTICLE 19. CHANGES

Buyer may, from time to time between the effective date and completion of this Contract, by written change order issued by Buyer, make changes within the general scope of this Contract in drawings, designs, specifications, method of shipment or packing, quantities of items to be furnished, place of delivery, postpone delivery, require additional work, or direct the omission of work. If any such change causes an increase or decrease in costs of, or the time required for, the performance of this Contract, an equitable adjustment shall be made in the price, or delivery schedule, or both, and any other affected provision, and this Contract shall be modified in writing accordingly. Any claim by Contractor for adjustment under this paragraph shall be deemed waived unless asserted in writing within thirty (30) days from the date of receipt by Contractor of the change order. The amount of the claim shall be stated when it is submitted, or at a later date, not to exceed sixty (60) days from the date for assertion of the claim, which later date shall be requested at the time of such submission. All changes and equitable adjustments pursuant to this ARTICLE shall be subject to negotiation between and approval by both Parties prior to the implementation of any such change. Except for Excusable Delays pursuant to ARTICLE 16, EXCUSABLE DELAYS, none of the Contract dates will change unless authorized by Buyer.

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ARTICLE 20. ASSIGNMENT

DELETE the text of this ARTICLE in its entirety and replace it with:

- A. Neither party shall assign or delegate this Contract or any of its rights, duties, or obligations thereunder to any other person without the prior express written approval of the other party, such approval shall not be unreasonably denied. Nothing contained in this ARTICLE shall restrict Contractor from subcontracting work or procuring parts/materials or services in the ordinary course of performance of this Contract.

- B. Buyer may assign this Contract, provided Buyer can reasonably demonstrate that any such proposed assignee is in at least as good financial condition as the Buyer at the time of assignment and that the Security set forth in ARTICLE 4, PAYMENT, paragraph F. will not be impaired or degraded.

20 - 1

ARTICLE 21. WARRANTY

DELETE the text of the ARTICLE in its entirety and replace it with:

- A. Contractor warrants that the goods or services furnished hereunder shall be free from any defects in material or workmanship.
- B. Buyer shall have the right at any time during the period of this warranty and irrespective of prior inspections or acceptance to reject any goods or services not conforming to the above warranty and require that Contractor at its expense, correct or replace as promptly as is reasonably possible, at Contractor's option, such goods or services with conforming goods or services.
- C. For the Spacecraft, this warranty shall run for a period of one (1) year from the date of final acceptance by Buyer or until Intentional Ignition, whichever is sooner.
- D. Except for the Spacecraft, this warranty shall run for a period of one (1) year from the date of final acceptance by Buyer.
- E. Contractor shall pass on or assign to Buyer all warranties on goods or services given by suppliers or manufacturers other than Contractor to the extent to which Contractor is permitted by the terms of its purchase contracts with such suppliers or manufacturers.
- F. THIS WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES, WHETHER STATUTORY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. CONTRACTOR SHALL HAVE NO OTHER LIABILITY, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY LIABILITY FOR SPECIAL, INCIDENTAL, INDIRECT, OR CONSEQUENTIAL DAMAGES, OR FOR BUYER'S COST OF EFFECTING COVER, OR FOR FAILURE OR NONPERFORMANCE OF PROPERTY OR FOR LOST PROFIT OR REVENUES.

21 - 1

ARTICLE 22. ARBITRATION

DELETE the text of the ARTICLE in its entirety and replace it with:

- A. Any dispute or disagreement arising between the Parties in connection with any interpretation of any provision of this Contract, or the compliance or noncompliance therewith, or the validity or enforceability thereof, or any other dispute under any ARTICLE hereof which is not settled to the mutual satisfaction of the Parties within thirty (30) days (or such longer period as may be mutually agreed upon) from the date that either party informs the other, in writing, that such dispute or disagreement exists, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, in effect on the date that such notice is given.
- B. Either party which demands arbitration of the controversy shall, in writing, specify the matter to be submitted to arbitration and, at the same time, choose and nominate a competent person to act as an

arbitrator; thereupon, within fifteen (15) days after receipt of such written notice, the other party to this agreement shall, in writing, choose and nominate a competent arbitrator. The two arbitrators so chosen shall meet and endeavor to resolve the question in dispute, and, if they agree upon such determination, the determination so made shall be in writing and signed by both arbitrators. If such two arbitrators fail to agree, they shall forthwith select a third arbitrator, giving written notice to both Parties of the choice so made and fixing a time and place at which both Parties may appear and be heard with respect to such controversy. In case the two arbitrators shall fail to agree upon a third arbitrator within a period of seven (7) days, or if for any other reason there shall be a lapse in the naming of an arbitrator or arbitrators, or in the filling of a vacancy, or in the event of failure or refusal of any arbitrator or arbitrators to attend or fulfill his or their duties, then upon application by either Party to the controversy, an arbitrator or arbitrators shall be named by the American Arbitration Association.

- C. The arbitration award made shall be final and binding upon the Parties and judgment may be entered thereon, upon the application of either Party by any court having jurisdiction. The relief that may be awarded by the arbitrators under any arbitration arising from this Contract may not exceed actual compensatory damages. In no event may the arbitrators award punitive damages.
- D. Each party shall bear the cost of preparing and presenting its case, and the cost of arbitration, including the fees and expenses of the arbitrator or arbitrators, will be shared equally by the Parties unless the award otherwise provides.

22 - 1

ARTICLE 23. APPLICABLE LAW

DELETE the text of the ARTICLE in its entirety and replace it with:

- A. This Contract shall be interpreted and enforced in accordance with the laws of the State of New York.
- B. This Contract is subject to all applicable laws and regulations and each Party agrees to comply with all such applicable laws and regulations.

23 - 1

ARTICLE 24. DISCLOSURE AND USE OF INFORMATION BY THE PARTIES

DELETE this ARTICLE in its entirety and replace it with a new ARTICLE 24 as follows:

ARTICLE 24. ENTIRE AGREEMENT

This Contract constitutes the entire agreement between the Parties and supersedes all prior understandings, commitments, and representations with respect to the subject matter. It may not be amended, modified, or terminated (other than as specifically provided in the ARTICLES hereof), and none of its provisions may be waived, except by a writing signed by an authorized representative of the Party against which the amendment,

modification, termination or waiver is sought to be enforced. The paragraph headings herein shall not be considered in interpreting the text of this Contract.

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ARTICLE 25. DISCLOSURE AND USE OF INFORMATION BY THE PARTIES

- A. If documents supplied by one party to the other are marked with a proprietary legend, the receiving party shall take all necessary steps to ensure that the documents and contents of such documents are not disclosed to any person other than a person employed or engaged by the receiving party, whether under subcontract or otherwise, for the performance of this Contract. Any such document supplied hereunder shall be returned to the disclosing party together with any copies thereof promptly upon written request of the disclosing party, except for one copy to be retained for legal purposes. Whenever the receiving party makes copies of such proprietary documents for performance of work covered by this Contract, the receiving party shall mark each such copy as proprietary to the disclosing party.
- B. Any disclosure to any person permitted under paragraph A. of this ARTICLE shall be made under the same conditions that apply to the initial disclosure and shall extend only so far as may be necessary for the purposes of this Contract. Any such disclosure to a person other than an employee of the receiving party shall be made pursuant to a written confidential disclosure agreement or with prior written approval of the disclosing party.
- C. Except with the written consent of the disclosing party, the receiving party shall not make use of any document mentioned in paragraph A. of this ARTICLE other than for the purposes of this Contract.
- D. The obligations and restrictions imposed by this ARTICLE shall not apply to the following:
 - 1. Information that is or becomes available to the public from a source other than the receiving party, before or after the effective date of this Contract.
 - 2. Information that is authorized for release in writing by the disclosing party.
 - 3. Information that is lawfully obtained by the receiving party from a third party.
 - 4. Information that is known by the receiving party prior to such disclosure.
 - 5. Information that is, at any time, developed by the receiving party completely independently of any disclosure or disclosures from the disclosing party.
 - 6. Information that is reasonably necessary to support a patent application, the subject matter of which belongs to the receiving party and which the receiving

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party discloses to an appropriate Patent Agent or Patent Office and/or Court of any country in pursuance thereof.

- E. Neither party shall be liable for inadvertent or accidental disclosure of such information marked as proprietary if such disclosure occurs despite both Parties exercising reasonable efforts to preserve and safeguard such information.

- F. Neither party shall be liable for the disclosure of any technical information of the other party pursuant to any legally enforceable requirement of the U.S. Government, or any agency or department thereof.
- G. No license, under any patents, is granted or implied by merely conveying data or information under this Contract.
- H. Any proprietary disclosure to either party, if made orally, or visually, shall be identified at the time of disclosure and shall be promptly confirmed in writing by the disclosing party and identified as proprietary information, if the disclosing party wishes to keep such information proprietary under this Contract.
- I. The obligations of this ARTICLE shall be effective for a period of three (3) years from the date of termination or expiration of this Contract.

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ARTICLE 26. EFFECTIVE DATE

The term Effective Date of the Contract (EDC), as used in this Contract, shall mean the 12th day of March 1990.

26 - 1

ARTICLE 27. LIMITATION OF LIABILITY

DELETE this ARTICLE in its entirety and replace it with a new ARTICLE 27 as follows:

ARTICLE 27. PERMITS AND LICENSES

- A. This Contract is subject to all applicable U.S. laws and regulations relating to the export of Spacecraft, technical data and other equipment and services being furnished pursuant to, or to be utilized in connection with, this Contract (hereinafter in this ARTICLE referred to as "Licensed Items") and to all applicable laws and regulations of the country or countries to which Spacecraft, technical data, and other equipment and services are exported or are sought to be exported.
- B. Contractor shall use its best efforts to obtain such U.S. Government approvals and licenses for export of the "Licensed Items." Buyer shall not be liable for any additional cost associated with Contractor processing any export license application for delivery of any Spacecraft.
- C. If, within a reasonable time, the U.S. Government fails to grant a required approval or license to Contractor to export the "Licensed Items" or revokes or suspends such an approval or license subsequent to its grant, or grants such a license or approval subject to conditions, this Contract shall, nevertheless, remain in full force and effect. In the event of such U.S. Government action or inaction, deliveries and acceptance of all items to be furnished by Contractor shall be made at locations within the continental U.S. as agreed upon between the Parties. Such U.S. Government action or inaction shall not otherwise modify in any way the rights and obligations of the Parties under this Contract except to relieve Contractor of any obligations which cannot be performed without such an approval or license and to make the price and delivery schedule subject to equitable adjustment in accordance with ARTICLE 19, CHANGES, to reflect the obligations of which Contractor is relieved.

D. If, within a reasonable time, any foreign country or countries to which such "Licensed Items" are sought to be exported fails to grant a required approval or license or suspends or revokes a required approval or license subsequent to its grant, or grants a license subject to conditions, or if any foreign country or countries to which such "Licensed Items" are exported fails to grant an approval or licenses to utilize the "Licensed Items" for the purpose for which exported, this Contract shall, nevertheless, remain in full force and effect. In the event of such foreign country or countries action or inaction, deliveries and acceptance of all items to be furnished by Contractor shall be made at locations within the continental U.S. as agreed upon between the Parties. Such foreign government action or inaction shall not otherwise modify in any way the rights and obligations of the Parties under this Contract except to relieve Contractor of any obligations which cannot be performed without such an approval or license and to make the price and delivery schedule subject to equitable adjustment in accordance with ARTICLE 19, CHANGES, to reflect the obligations of which Contractor is relieved.

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ARTICLE 28. SPACECRAFT TEST AND HANDLING EQUIPMENT

DELETE this ARTICLE in its entirety and replace it with a new ARTICLE 28 as follows:

ARTICLE 28. LIMITATION OF LIABILITY

In no event shall Contractor be liable, whether in contract, tort or otherwise, for special, incidental, indirect or consequential damages, including, without limitation, failure or non-performance of property or for lost profit or revenues.

28 - 1

ARTICLE 29. SECONDARY MARKET

DELETE this ARTICLE in its entirety and replace it with a new ARTICLE 29 as follows:

ARTICLE 29. SPACECRAFT TEST AND HANDLING EQUIPMENT

Contractor shall provide Spacecraft unique test and handling equipment at the Launch Site, during the period between delivery of the Spacecraft to the Launch Site, and final acceptance for use in connection with the inspection and final acceptance of the Spacecraft pursuant to ARTICLE 7, INSPECTION AND FINAL ACCEPTANCE. Title to such equipment shall remain with Contractor.

29 - 1

ARTICLE 30. SPACECRAFT STORAGE

DELETE this ARTICLE in its entirety and replace it with:

ARTICLE 30. LIQUIDATED DAMAGES

- A. Contractor acknowledges that its failure to deliver Spacecraft Flight #1 to the launch site on or before the delivery dates set forth in ARTICLE 3, DELIVERY SCHEDULE, may cause serious damage to Buyer, the amount of which may be difficult or impossible to prove. The amount of such Liquidated Damages applicable to Spacecraft Flight #1 shall be \$33,333 per day and shall not exceed a total of \$5,000,000. Contractor and Buyer agree that such liquidated damages, without further proof of same, shall be deemed to represent the damages actually sustained by reason of such delay.
- B. The liquidated damages are intended to be compensatory and do not constitute a penalty.
- C. These amounts are firm, fixed and not subject to adjustment due to changes in economic conditions. The Contractor's total liability for late delivery of Spacecraft Flight #1 shall not exceed the specified liquidated damages.
- D. Any interval of excusable delays as defined in ARTICLE 16, EXCUSABLE DELAYS, shall be excluded from the period for which liquidated damages accrue. However, such time period shall continue at the conclusion of the excluded interval as if no such interruption had occurred.
- E. In the event Contractor is required to pay Buyer Liquidated Damages as provided in this ARTICLE, the amount of any such payment shall be applied against (reduce) the In-Orbit payments associated with the applicable Spacecraft as set forth in ARTICLE 4, PAYMENT, paragraphs B.2, C.2 and D.2.

30 - 1

ARTICLE 31. SPACECRAFT STORAGE

- A. If as a result of a delay or failure to launch, through no fault of Contractor, Buyer requests Contractor to store the Spacecraft within sixty (60) days of completion of in-plant acceptance testing, the Contractor shall store, at a site designated by Buyer and such site shall be subject to the approval of Contractor, or if no site is designated by Buyer, at a site designated by Contractor, one or more of the Spacecraft delivered under this Contract. Title and risk of loss to the Spacecraft to be stored shall pass to Buyer after the first six (6) months of storage and storage shall commence on that date on a month-to-month basis. The cost for the first six (6) months of storage shall be the responsibility of Contractor. Should the Spacecraft remain in storage beyond the six (6) month period, the provisions of ARTICLE 8 "TITLE AND ASSUMPTION OF RISK" shall apply, and the Buyer shall be responsible for all storage costs (in excess of six (6) months). Buyer shall be responsible, except in the event of negligence or willful misconduct by the Contractor, for all transportation cost and insurance to cover the risk and expense of loss or damage of the Spacecraft in transit, (i) from Contractor's facility to storage, (ii) from its facility to the storage site, (iii) from the storage site to the launch site or (iv) if necessary, from the storage site to the refurbishment site and then to the launch site.
- B. Upon the request of Buyer, the Contractor shall provide periodic testing, necessary equipment, and environmental maintenance suitable for prevention of deterioration to the Spacecraft during the period of storage. The cost for such service shall be subject to ARTICLE 19, CHANGES, and shall be negotiated upon the request of such services by Buyer. Any deterioration to a Spacecraft while in storage shall be at Buyer's risk and shall be corrected at Buyer's expense, unless such deterioration is to be corrected by the Contractor under ARTICLE 21, WARRANTY.

C. If at any time after storage begins, Buyer elects to launch the stored Spacecraft, the Contractor shall inspect, test and refurbish as necessary such Spacecraft to a launch-ready condition and arrange for transit to the launch site as directed by Buyer. The cost for such services shall be subject to ARTICLE 19, CHANGES, and shall be negotiated in good faith by the Contractor and Buyer at the time such services are required. Notwithstanding anything in this ARTICLE, Contractor will be responsible for transportation from Contractor's facility or any other Contractor selected facility to the launch site as set forth in ARTICLE 3, DELIVERY SCHEDULE, paragraph A., provided that such transportation occurs within six (6) months of successful completion of in-plant acceptance testing.

31 - 1

D. In the event a Spacecraft is placed into storage as a result of paragraph A. above, Contractor shall be entitled to commencement of the In-Orbit payments associated with such Spacecraft in accordance with the provisions of ARTICLE 4, PAYMENT. Notwithstanding the foregoing, in the event that Contractor's late delivery of the Spacecraft is the sole cause of the Spacecraft having to be placed into storage, the In-Orbit payments shall commence at the earlier of sixty (60) days after Spacecraft launch or twenty-four (24) months from the placement of the Satellite into storage.

31 - 2

ARTICLE 32. ENTIRE AGREEMENT

DELETE this ARTICLE in its entirety and replace it with a new ARTICLE 32 as follows:

ARTICLE 32. SPACECRAFT CONFIGURATION

Buyer and Contractor recognize that Contractor may elect to phase out construction of Series 7000 configuration spacecraft prior to the commencement of construction of the Series 7000 spacecraft identified as Spacecraft Flights #2 and #3. Accordingly, and at Contractor's sole option, upon Contractor's receipt of Buyer's initial construction payment for each such Spacecraft, Contractor may elect to substitute a comparable Series A2100 spacecraft for each Series 7000 spacecraft. Contractor shall be entitled to an equitable adjustment if Contractor substitutes a comparable Series A2100 spacecraft for each Series 7000 spacecraft.

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ARTICLE 33. OPTIONS

DELETE this ARTICLE in its entirety:

ARTICLE 33. RELEASE

Both Parties hereto agree to waive and release each other from any and all claims or associated liabilities either Party may have against the other Party arising prior to the execution of this Amendment.

33 - 1

ARTICLE 34. SATELLITE CONTROL NETWORK

DELETE this ARTICLE in its entirety and replace it with a new ARTICLE 34 as follows:

ARTICLE 34. INSURANCE

A. In order to protect against financial losses associated with the risks

between Launch and continuing for five (5) years thereafter, Buyer, as the representative party insured, shall enter into an insurance contract, naming the Contractor as a party insured and covering the In-Orbit payments specified in ARTICLE 4, PAYMENT, paragraphs B.2, C.2 and D.2. Buyer shall bear all responsibility for payment of insurance premiums associated with the aforementioned insurance policy.

- B. The details of the insurance Contract referred to in the preceding paragraph shall be reasonably acceptable to Contractor.
- C. When the Buyer applies for insurance regarding risks relating to the launching of the Spacecraft, the Contractor shall furnish Buyer with such information regarding the Spacecraft as is requested by the insurers.
- D. When, after taking delivery of the Spacecraft, the Buyer applies for insurance regarding risks of the Spacecraft's malfunctioning or nonperformance during the life span specified for it in the Performance Specifications, Contractor shall furnish the Buyer with such information regarding the Spacecraft as is requested by the insurers.
- E. When Buyer obtains such insurance, Buyer agrees to cause its insurer(s) to waive all rights of subrogation against Contractor and its officer, agents, servants, subsidiaries and employees.

ARTICLE 35. LONG LEAD PARTS PROCUREMENT (LLPP)

DELETE this ARTICLE in its entirety.

ARTICLE 36. LAUNCH VEHICLE SERVICES OPTION

DELETE this ARTICLE in its entirety.

Notwithstanding anything to the contrary in this AMENDMENT NUMBER EIGHT, including the Exhibits attached hereto, the Buyer and Contractor agree that, while Contractor is proceeding to include C-Band command receivers for Spacecraft Flight #1, Buyer's right to direct Contractor to incorporate K-Band command receivers for any satellite, including Spacecraft Flight #1, pursuant to Article 4, paragraph K, or any other applicable Contract provision, and any related rights of Buyer, and obligations of Contractor with respect to command and control are not intended to and are not modified hereby in any respect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 8 to the Contract.

DIRECTSAT CORPORATION

MARTIN MARIETTA CORPORATION

By: /s/ David K. Moskowitz

By: /s/ Peter H. Wigget

Director Concepts

Title: Senior Vice President

Title: Astrospace Commercial

AMENDMENT NO. 10 TO CONTRACT
BETWEEN
DIRECTSAT CORPORATION
(HEREINAFTER "BUYER")
and
MARTIN MARIETTA CORPORATION
(HEREINAFTER "CONTRACTOR")

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

WITNESS THAT:

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

- - revise ARTICLE 4 PAYMENT;
- - revise ARTICLE 4A SPACECRAFT IN-ORBIT PAYMENT SECURITY;
- - revise ARTICLE 20 ASSIGNMENT;
- - revise the signature block.

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

ARTICLE 4 PAYMENT

Delete paragraph F-5 in its entirety and replace with the following:

F.5 The In-Orbit payments, including the interest thereon, will be secured by a written corporate guarantee provided by EchoStar Communications Corporation (ECC). The security will be provided no later than thirty (30) days after the signing of this amendment.

ARTICLE 4A. SPACECRAFT IN-ORBIT PAYMENT SECURITY

A.1 Delete in its entirety.

A.3 Add subparagraphs a and b as follows:

- a. Effective December 31, 1996, and on each June 30th and December 31st thereafter (each a "Review Date"), provided that Buyer is not delinquent in any of its In-Orbit payments, Contractor shall perform the following calculation in order to determine the number of shares of preferred stock (if any), which shall be released free and clear from the Escrow. The formula shall be:

$$"A - ((B \times 1.5) / C) = D",$$

Where:

"A" is equal to the number of preferred shares in the Escrow on the applicable Review Date;

"B" is equal to the total outstanding In-Orbit payments, plus interest, due to Contractor on the applicable Review Date for the First Two Flights, less \$30 million;

"C" is equal to the average of the closing price of a share of ECC Class A Common Stock as quoted on the NASDAQ (or such other national securities exchange on which ECC's Class A Common Stock is traded on the applicable Review Date) for the thirty business day period immediately preceding the applicable Review Date; and

"D" is equal to the number of preferred shares to be released from Escrow.

- b. In the event that "D" is equal to or less than zero, no shares shall be returned. In the event that "D" is greater than zero, Contractor shall cause the appropriate number of preferred shares to be released from

escrow and returned within thirty (30) business days of the applicable Review Date.

ARTICLE 20 ASSIGNMENT

Add new paragraph C as follows:

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

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

DIRECTSAT CORPORATION

MARTIN MARIETTA CORPORATION

By: /s/ David K. Moskowitz

By: /s/ Peter H. Wiggett

Title: Senior Vice President

Director Contracts
Title: Astrospace Commercial

Agreed as to the guarantee.

ECHOSTAR COMMUNICATIONS
CORPORATION

By: /s/ David K. Moskowitz

Title: Senior Vice President

SATELLITE CONTRACT

between

LOCKHEED MARTIN CORPORATION

and

ECHOSTAR DBS CORPORATION

JULY 18, 1996

THIS CONTRACT dated as of the 18th day of July 1996, made between the Lockheed Martin Corporation (hereinafter referred to as "Contractor"), a corporation organized under the laws of the State of Maryland, having its principle place of business in East Windsor, New Jersey, and EchoStar DBS Corporation (hereinafter referred to as "Buyer" or "E-DBS"), a corporation organized under the laws of the State of Colorado, having its principle place of business at 90 Inverness Circle East, Englewood, Colorado.

WHEREAS, Buyer desires to purchase and Contractor desires to provide Direct Broadcasting Satellites and services as hereinafter specified, and Buyer and Contractor (hereinafter referred to as "Parties") desire to define the terms and conditions under which the same shall be furnished;

NOW THEREFORE, the Parties hereto, in consideration of the mutual covenants herein expressed, agree as follows:

Preamble

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ARTICLE

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2	Equipment and Services to be Furnished and Prices Therefore
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5	Definitions
6	(Reserved)
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9	Access to Work
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11	Rights in Data
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31	Spacecraft Storage
32	Reserved
33	Insurance

ARTICLE 1. SCOPE OF WORK

A. The Contractor shall provide the necessary personnel, material, services, and facilities to perform work in accordance with the provisions of this Contract, including the EXHIBITS listed below, which are attached hereto and made a part hereof (the preliminary design effort for Spacecraft Flight #2 is included as part of the services provided by Contractor for Spacecraft Flight #1), and to make delivery to Buyer as set forth in ARTICLE 2 hereof in accordance with the delivery schedule specified in ARTICLE 3 hereof:

- EXHIBIT A1: E-DBS Statement of Work (SOW) WS-20055200 REV A
- EXHIBIT A2: E-DBS Statement of Work (SOW) WS-20055200 REV A
- EXHIBIT B1: E-DBS Spacecraft Performance Specification PS-20055200 REV A
- EXHIBIT B2: E-DBS Spacecraft Performance Specification PS-20055200 REV A
- EXHIBIT C: E-DBS Comprehensive Test Plan PN-CTP20055200
- EXHIBIT D: E-DBS Product Assurance Program Plan PA-20055200

In the event of any inconsistency among or between the parts of this Contract set forth above, such inconsistency shall be resolved by giving precedence in the order of the parts as set forth below:

1. Terms & Conditions, Satellite Contract Dated July 14, 1996
2. E-DBS Statement of Work, EXHIBITS A1 and A2
3. E-DBS Spacecraft Performance Specification, EXHIBITS B1 and B2
4. E-DBS Comprehensive Test Plan, EXHIBIT C
5. E-DBS Product Assurance Program Plan, EXHIBIT D

B. While this Contract provides that both Spacecraft Flight #1 and Spacecraft Flight #2 shall be DBS satellites, the parties agree that subject to the provisions of ARTICLE 19, CHANGES, Buyer shall be permitted to specify a payload other than DBS.

C. While this Contract provides that both Spacecraft Flight #1 and Spacecraft Flight #2 shall be base lined at 120 watts of power per transponder in the non-boost mode, Contractor shall, as a goal, attempt to increase the power per non-boosted transponder to 130 watts.

D. No later than November 1, 1996 with respect to Spacecraft Flight #1., and no later than five months following the first construction phase payment for Spacecraft Flight #2, Buyer shall advise Contractor of the specific orbital location and business plan for the transponders on each satellite, respectively, and Contractor agrees that the Spacecraft will be optimized (wave guide routing only) for that orbital location and business plan.

E. The following modifications to the Statement of Work shall promptly be incorporated into the Statement of Work.

1. General Changes

- a. Specific references to spacecraft, orbital slots, facility locations, launch vehicles, launch site locations, frequency tables, etc., shall be changed to the appropriate designation.

- b. References to the Astro Space East Windsor facility/plant shall be changed to Lockheed Martin facility(ies).
- 2. Section 3.4: Buyer-Furnished Items for the Spacecraft (sheet 18)
 - a. Paragraph 6 shall be deleted (requirement to provide communications and data lines).
 - b. Paragraph 9: Launch site security for a non-US launch.
Delete paragraph 9 in its entirety.
 - c. Add paragraph 10:
 - 10. The Buyer shall provide the orbital slot and cities table (with city priority identified) within 20 days following launch of DirectSat Corporation's first DBS satellite, but in no event later than October 1, 1996. The Buyer shall provide business plan requirements relative to channelization/switchability within 105 days ASOC. EIRP & G/Ts from antenna optimization shall be finalized at CDR.
- 3. Section 11.0: Launch Vehicle and Site Interfaces (sheet 39)
 - a. Delete 'x-ray special test facilities' from paragraph 3-g (sheet 40).
- 4. Section 12.0: Launch Operations and Support Services (sheet 41)
 - a. Change the third paragraph, letter j:
From: provide necessary test equipment, materials, pressurants, etc.,...
To: provide necessary test equipment. materials, pressurants, propellants, etc.,...
- 5. Section 13.0: Transfer Orbit Mission Operation (sheet 41)
 - a. Change paragraph 13.1-d:
From: ... with all deployments completed.
To: ... with all deployments completed, and equipped with the necessary hardware and software to perform paragraph 13.1-f below.
 - b. Change paragraph 13.1-f:
From: ... acquisition by the Contractor's SOC and TT&C site.
To: ... acquisition by the Contractor's SOC and TT&C site through all spacecraft and payload testing.
- F. The following modifications to the Performance Specification shall promptly be incorporated into the Performance Specification.

1 - 2

- 1. General Changes
 - a. Specific references to spacecraft, orbital slots, facility locations, launch vehicles, launch site locations, frequency tables, etc., shall be changed to the appropriate designation.
 - b. References to the Astro Space East Windsor facility/plant shall be changed to Lockheed Martin facility(ies).
- 2. Add new section titled: 4.2.1 TWTA Pairing Configuration (sheet 14)
 - a. Section 4.2. 1: TWTA Pairing Configuration
The TWTA channel pairing configuration for the north and south transponder panels, for operation during power boost mode, shall be as follows:

North Channels South Channels

1 & 2	3 & 4
S1 & S2	S3 & S4
5 & 6	7 & 8
9 & 10	11 & 12
S5 & S6	S7 & S8
13 & 14	15 & 16
17 & 26	19 & 28
S9 & S10	S11 & S12
21 & 30	23 & 32
25 & 18	27 & 20
29 & 22	31 & 24

3. Section 5.1: General (sheet 33)

- a. Change the first paragraph, fourth sentence:

From: As a minimum 2 K-band beacon transmitters and 2 K-band command receivers shall be provided.

To: As a minimum 2 K-band beacon transmitters and 3 K-band command receivers shall be provided.

4. Section 5.2.2: Command Uplink Frequency (sheet 33)

- a. Delete the following: The command transmission bandwidth shall be no more than 1.5MHz. The command receiver 3dB bandwidth shall be at least 1.5MHz.

5. Section 5.2.3: Command Antenna (sheet 33)

- a. Change the first sentence:

1 - 3

From: The command system shall use 2 antennas to feed its command receivers.

To: The command system shall use a minimum of 2 antennas to feed its command receivers.

6. Section 8.4. 1: Battery (sheet 45)

- a. Change the first 3 sentences:

From: The energy storage device for supplying power to the satellite during eclipse shall be Ni-H2 batteries. A minimum of two batteries of approximately equal capacity is preferred. A single battery maybe used if it can be shown that there are no single point failures (SPFS) including open circuits.

To: The energy storage device for supplying power to the satellite during eclipse shall be a minimum of two (2) Ni-H2 batteries of approximately equal capacity.

7. Section 9.3. Subsystem Design Requirements (sheet 48)

- a. Change paragraph 5, the last sentence:

From: If optical solar reflector surfaces are used for thermal radiators, the temperature predictions shall account for an EOL value in solar absorptance (alpha) equal to or greater than 0.23 at the end of 15 years.

To: For optical solar reflector surfaces used as thermal radiators, the temperature predictions shall account for an EOL value in solar absorptance (alpha) equal to or greater than 0.23 at the end of 15 years.

ARTICLE 2. EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFORE

A. Upon the full, satisfactory and timely completion and delivery, as required, of each item of work specified below, and acceptance by Buyer thereof in accordance with the requirements of this Contract, Contractor shall be entitled to payment by Buyer of the applicable fixed price specified below, as such price may be adjusted in accordance with the provisions of the Contract, except that the portion related to the In-Orbit payments, as defined in ARTICLE 4, PAYMENT, paragraph B.2 and C.2, shall be paid as set forth in ARTICLE 4. The prices stated below, which are inclusive of In-Orbit payments provided in ARTICLE 4, PAYMENT, paragraphs B.2 and C.2, include all transportation and related charges for delivery of Spacecraft and associated equipment to destination. Except as otherwise provided for herein, the prices stated below include all applicable taxes and all copyright and patent rights necessary to effectuate this Contract.

Item	Quantity	Description	Total Price
1.	1	Spacecraft Flight #1 as defined in EXHIBIT B1	\$80,500,000 (i)
2.	1	Option Spacecraft Flight #2 as defined in EXHIBIT B2	\$78,000,000 (ii), (iii)
3.	1 Lot	Launch and mission support services for Spacecraft Flight #1	NSP
4.	1 Lot	Option Launch and mission support services for Spacecraft Flight #2	NSP
5.	1 Lot	Optional Extra Set of Transmit and Receive Antennas	\$1,200,000
6.	1 Lot	Optional Primary Site Satellite Control Facility ("SCF") Equipment, Software, Setup and Training as provided in the proposal enclosed with transmittal letter '96-Echostar-Con-062', dated May 22, 1996.	\$3,615,000
7.	1 Lot	Optional Primary Site Command Ranging and Telemetry Processing Equipment as provided in CR&T Module/Static Simulator Basis for Cost Estimate, 'gprd-prop-010', dated July 16, 1996.	\$843,966
TOTAL PRICE			\$164,158,966

- (i) Total Price for Spacecraft Flight #1, including without limitation the cost of delivery of Spacecraft Flight #1 to Baikonur, Kazakhstan.
- (ii) Total Price for Option Spacecraft Flight #2, including without limitation the cost of delivery of Spacecraft Flight #2 per ARTICLE 3A.
- (iii) The above price for Option Spacecraft Flight #2 is effective and

valid through December 31, 1996. The firm price for Spacecraft Flight #2 will

2-1

be the above price plus an increase of four percent (4%) per year adjusted monthly from December 31, 1996 through June 30, 1997 if not exercised by December 31, 1996. Contractor reserves the right to re-quote the price and schedule for Spacecraft Flight #2 if the option has not been exercised and the first construction phase payment is not received by Contractor by June 30, 1997. The Payment Plan applicable to Spacecraft Flight #2 in ARTICLE 4, PAYMENT will be modified accordingly.

- B. The Spacecraft will include some imported goods. In the event the Spacecraft and its included imported goods are not exported in a timely manner due to the actions or inactions of Buyer, any duties and penalties arising therefrom will be the responsibility of Buyer. Contractor shall pay such above duties and penalties as may be required by law to be so paid and Buyer agrees to reimburse the Contractor for payments so made.
- C. Prices specified above do not include any costs for security services for Spacecraft located at the designated launch site. Contractor agrees to use its reasonable efforts to get a written quote from a security services provider, promptly following execution of this Contract and valid through early 1998, for the launch of Spacecraft Flight #1 launch from Baikonur, Kazakhstan, and that the cost to Buyer for those services shall be \$375,000, plus actual out of pocket travel and living costs (airfares, etc.), without markup. The above price assumes an eight week launch campaign. If the actual campaign is shorter or longer, an appropriate adjustment to price shall apply. Buyer shall also have the right to source such security services independently until six months prior to the anticipated shipment date for the Spacecraft.
- D. Contractor shall be entitled to an early delivery incentive Payment for each day Spacecraft Flight #1 is delivered to the launch site prior to the required delivery schedule, i.e., February 15, 1998, by an amount of \$50,000 per day, up to a maximum of \$5,000,000. In the event Contractor is entitled to an early delivery incentive Payment in accordance with this paragraph, the amount of any such incentive shall be added to the In-Orbit payments set forth in ARTICLE 4, PAYMENT, paragraph B.2. Notwithstanding the above, Contractor shall not be entitled to an early delivery incentive Payment in the event Contractor is the cause of a launch delay.
- E. OPTION FOR EXTRA RECEIVE AND TRANSMIT ANTENNAS.

Buyer shall have the option, exercisable in its discretion by providing written notice to Contractor, at any time until ten months prior to the commencement of Single Line Flow (or later if Buyer agrees to an equitable adjustment, or to the deletion of testing as necessary in order to maintain schedule), to direct Contractor to commence procurement of an extra set of transmit and receive antennas. If Buyer exercises this option, Contractor shall commence each phase below only following receipt of written notice from Buyer directing Contractor to commence that phase (Buyer recognizes that if it fails to provide written notice prior to the date shown in the schedule for each phase, but subsequently elects to continue the extra

2-2

antenna procurement effort, Contractor shall be entitled to an equitable adjustment, unless Buyer agrees to the deletion of testing as necessary

in order to maintain schedule). Buyer shall make payment to Contractor as shown in the schedule for each phase. If Buyer does not direct that the procurement effort continue to the next phase, no further payments shall be due. If the procurement results in completed procurement and test of the extra set of antennas, then the total amount paid by Buyer shall total \$1.2 million, in which event Buyer may direct that either set of antennas be placed on the Spacecraft.

MILESTONE -----	AMOUNT DUE -----	CUMULATIVE -----	MONTHS AFTER OPTION EXERCISE -----
Turn on Material Procurement	\$440,000	\$440,000	0
Composite Material Received	No Additional Charge (NAC)		
East Mold Complete	NAC		
West Mold Complete	\$100,000	\$540,000	3
East Reflector Complete	\$ 60,000	\$600,000	4
West Reflector Complete	\$100,000	\$700,000	5
Ku Spot Assembly Complete	\$100,000	\$800,000	6
Start Antenna I&T	\$100,000	\$900,000	7
Final Assembly Complete	\$100,000	\$1,000,000	8
Complete Environmental & FAT	\$100,000	\$1,100,000	9
Deliver to Spacecraft	\$100,000	\$1,200,000	10

F. OPTIONAL SATELLITE CONTROL FACILITY OR COMMAND RANGING AND TELEMETRY PROCESSING EQUIPMENT.

- Buyer shall have the option, exercisable at its discretion by providing written notice to Contractor, to purchase the SCF and the additional items set forth in the May 22, 1996 letter "96-EchoStar Con 062" at the prices and delivery schedules set forth therein.
- Buyer shall have the option, exercisable at its discretion by providing written notice to Contractor, to purchase the CRT Module and the additional items set forth in the July 16, 1996 letter "gprd-prop-010" at the prices and delivery schedules set forth therein. The three day training course will be conducted at the primary ground station site. Additionally a reasonable amount of primary site and secondary site on-site integration and test support will be provided. The term "EDC" as discussed in the letter shall mean "months after option exercise". Thus, the schedule "EDC + 6 months" will equal the date of the option exercise plus six months.

ARTICLE 3. DELIVERY SCHEDULE

A. Delivery of Spacecraft Flight #1 shall be made at Contractor's expense to Baikonur, Kazakhstan. Delivery of Spacecraft Flight #2 shall be made at Contractor's expense to any of the following destinations: Kennedy Space Center, Florida, USA; Kourou, French Guiana; Xichang, China; or, Baikonur, Kazakhstan. The term "Destination" as used herein shall refer to the designated launch site set forth herein for the applicable spacecraft. Buyer shall advise Contractor of the destination of Spacecraft Flight #2 within six (6) months of the first construction phase payment for Spacecraft Flight #2. In the event that Buyer changes the designated launch site for Spacecraft Flight #1 or Spacecraft Flight #2, there shall be an equitable adjustment to both price and schedule for the Spacecraft with respect to which the launch site is changed.

B. Delivery shall be as indicated below:

ITEM DESCRIPTION -----	DELIVERY DATE -----
---------------------------	------------------------

- | | | |
|----|--|--|
| 1. | Spacecraft Flight #1. as defined in EXHIBIT B1. | 02/15/1998 |
| 2. | Option Spacecraft Flight #2, as defined in EXHIBIT B2 (Assumes the option is exercised between October 1st and December 31, 1996). | 09/30/1998 |
| 3. | Launch and Mission Operation Support Services Spacecraft Flight #1 | Commencing on Delivery to Launch Site and Continuing Through On Orbit Check Out. |
| 4. | Launch and Mission Operation Support Services Spacecraft Flight #2 (dependent upon exercise of Item 2 above). | Commencing on Delivery to Launch Site and Continuing Through On Orbit Check Out. |
| 5. | Extra Set of Transmit and Receive Antennas. | As Provided in ARTICLE 2, paragraph E. |
| 6. | Optional Satellite Control Facility. | As Provided in ARTICLE 2, paragraph F. |
| 7. | Optional Command Ranging and Telemetry Processing Equipment. | As Provided in ARTICLE 2, paragraph F. |

C. OPTION SPACECRAFT FLIGHT #2 EXERCISE AND DELIVERY.

Buyer shall have the option. exercisable in its discretion by providing written notice to Contractor, to purchase Spacecraft Flight #2. In the event that the option to purchase Spacecraft Flight #2 is exercised prior to October 1, 1996, Contractor shall be required to deliver the Spacecraft 24 months following the date of the option exercise. If the option is exercised between October 1st and December 31, 1996, Contractor shall be required to deliver the Spacecraft September 30, 1998. If the option is exercised later than December 31, 1996, the Contractor shall be entitled to a month for month delay in the delivery schedule.

3-1

ARTICLE 4. PAYMENT

- A. I. The total price stipulated in ARTICLE 2, EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFOR, shall be paid by Buyer to Contractor in accordance with the payment arrangements specified in the following Payment Plans. The amounts specified in the Payment Plans shall in each case be paid by Buyer to Contractor on the dates indicated. Contractor shall submit an invoice for each payment approximately thirty (30) days in advance of the payment due date. Payment to Contractor shall be made by either cable transfer to Citibank N.A. ABA# 021000089, Lockheed Martin, Valley Forge Collection Center A/C #40678043, or by check payable to Lockheed Martin Corporation sent by registered mail to the address and attention of the Lockheed Martin representative designated in ARTICLE 10, PROGRESS MEETING, PRESENTATIONS AND DOCUMENTATION DELIVERABLES, paragraph C. In the event Buyer elects to pay by other than certified check, Buyer's check must be received by Contractor at least seven (7) working days before the required payment date to insure that the funds are available to Contractor on the payment date.

4-1

B. SPACECRAFT FLIGHT #1 PAYMENT PLAN

1. The construction payments applicable to Spacecraft Flight #1 shall be made as follows:

PAYMENT PLAN

 PAYMENT DUE DATE AMOUNT \$ CUMULATIVE

NUMBER		AMOUNT \$	AMOUNT \$
1	July 31, 1996	\$ 500,000	\$ 500,000
2	September 30, 1996	\$17,000,000	\$17,500,000
3	October 31, 1996	\$ 3,500,000	\$21,000,000
4	November 30, 1996	\$ 3,500,000	\$24,500,000
5	December 31, 1996	\$ 3,000,000	\$27,500,000
6	January 31, 1997	\$ 3,000,000	\$30,500,000
7	February 28, 1997	\$ 3,000,000	\$33,500,000
8	March 31, 1997	\$ 2,500,000	\$36,000,000
9	April 30, 1997	\$ 2,500,000	\$38,500,000
10	May 31, 1997	\$ 2,500,000	\$41,000,000
11	June 30, 1997	\$ 2,500,000	\$43,500,000
12	July 31, 1997	\$ 2,500,000	\$46,000,000
13	August 31, 1997	\$ 2,500,000	\$48,500,000
14	September 30, 1997	\$ 2,500,000	\$51,000,000
15	October 31, 1997	\$ 2,500,000	\$53,500,000
16	November 30, 1997	\$ 3,000,000	\$56,500,000
17	December 31, 1997	\$ 3,000,000	\$59,500,000
18	January 31, 1998	\$ 3,000,000	\$62,500,000
19	February 15, 1998	\$ 3,000,000	\$65,500,000

2. In addition to the construction payments required above, Buyer shall pay Spacecraft In-Orbit payments in the amount of \$15,000,000. The Spacecraft In-Orbit payments shall be made in accordance with the requirements set forth in paragraph D. of this ARTICLE.

C. OPTION SPACECRAFT FLIGHT #2 PAYMENT PLAN

1. The construction payments applicable to Spacecraft Flight #2 shall be made at a rate of \$2,750,000 per month for twenty-four (24) months to be paid on the last day of the month commencing on exercise of the option and continuing monthly thereafter. In the event that the option is exercised subsequent to October, 1996, then the payment plan shall be adjusted appropriately to take into account the shortened construction schedule.

4-2

2. In addition to the construction payments required above, Buyer shall pay Spacecraft In-Orbit payments in the amount of \$12,000,000. The Spacecraft In-Orbit payments shall be made in accordance with the requirements set forth in paragraph D. of this ARTICLE.

D. SPACECRAFT IN-ORBIT PAYMENTS

1. The Spacecraft In-Orbit payments for Spacecraft Flights #1 and #2 shall be paid over a period of five (5) years from launch.
2. The In-Orbit payments shall be paid on an equal monthly basis (principal and interest) until full payment has been received by Contractor.
3. For Spacecraft Flights #1 and #2, the interest rate applicable to the monthly In-Orbit payments shall fall between 7.75% and 8.25% per annum and shall be fixed 90 days prior to the scheduled launch and shall be calculated using the prime rate published in the WALL STREET JOURNAL on such date as follows:
 - a. if the prime rate falls between 7.75% and 8.25%, then the In-Orbit payments shall accrue interest at the prime rate.
 - b. if the prime rate is greater than 8.25%, then the In-Orbit payments shall accrue interest at 8.25% per annum.
 - c. if the prime rate is less than 7.75%, then the In-Orbit payments shall accrue interest at 7.75% per annum.

4. The In-Orbit payments, including the interest thereon, will be secured by a written corporate guarantee provided by EchoStar Communications Corporation (ECC). The security will be provided to the Contractor no later than ninety (90) days prior to the scheduled launch date.
5. The Parties are willing to enter into good faith negotiations to establish an alternative to the schedule set out in D.1. above for the Spacecraft In-Orbit payments.

E. Failure to make any payments required hereunder, shall constitute a default by Buyer subject to the provisions of ARTICLE 17, TERMINATION FOR DEFAULT, paragraph F.

F. 1. For the Spacecraft delivered by Contractor which, following Launch, does not achieve Successful Injection, as defined in ARTICLE 5, DEFINITIONS, Contractor shall be entitled to receive for:

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Spacecraft Flight #1:	\$15,000,000
Spacecraft Flight #2:	\$12,000,000

2. In the event Buyer is obligated to make payment to Contractor in accordance with paragraph G.1 above, payment shall be due within ten (10) days from Buyer's receipt of the insurance proceeds required by ARTICLE 34, INSURANCE.
3. The above amounts shall be adjusted to reflect any changes in the In-Orbit payment amounts set forth in paragraphs B.2 and C.2 of this ARTICLE.

G. In the event the Spacecraft is not launched within one hundred eighty (180) days after delivery and final acceptance, in accordance with ARTICLE 7, INSPECTION AND FINAL ACCEPTANCE, Buyer shall commence making In-Orbit payments in accordance with the above as though launch of such Spacecraft had occurred.

H. 1. The Payment Plan set forth in paragraphs B. and C. of this ARTICLE are based on Contractor's successful and timely achievement of each milestone set forth below. In the event that Contractor does not achieve any Milestone on or before the date set forth below, or provide a work-around acceptable to Buyer, Buyer may suspend construction payments until such time as the Milestones are completed. Within five (5) days following Contractor's completion of any such Milestone, Buyer shall pay Contractor for all payments that were required to have been made but were not as a result of the suspension.

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MILESTONE TABLE FOR SPACECRAFT FLIGHT #1

	MILESTONE DESCRIPTION	DATE	MONTHS AFTER FCP*
1	First Construction Payment (FCP)	07/31/96	0
2	Long lead parts/subcontracts ordered**	10/31/96	3
3	Release reflector surface design	12/31/96	5
4	Delta CDR complete	12/31/96	5
5	Begin bus/propulsion subsystem	02/01/97	6
6	Begin board/box manufacturing	03/01/97	7
7	Begin antenna testing	04/01/97	8
8	Begin system module testing	06/01/97	10

9	Antenna testing complete	07/31/97	12
10	Board/box manufacturing complete	09/30/97	14
11	System module testing complete	09/30/97	14
12	Bus/propulsion subsystem complete	09/30/97	14
13	TWTA's received in I&T	09/30/97	14
14	Batteries received in I&T	09/30/97	14
15	Start single line flow	10/30/97	15
16	T/V testing complete	11/30/97	16
17	Vib testing complete	12/31/97	17
18	Range testing complete	01/31/98	18
19	Preshipment review complete	01/31/98	18
20	Deliver Spacecraft Flight #1	02/15/98	18.5

MILESTONE TABLE FOR SPACECRAFT FLIGHT #2

MILESTONE	DESCRIPTION	MONTHS AFTER FCP*
1	First construction payment (FCP)	0
2	Long lead parts/subcontracts ordered**	3
3	Release reflector surface design	5
4	Delta CDR complete	5
5	Begin bus/propulsion subsystem	10
6	Begin board/box manufacturing	11
7	Begin antenna testing	12
8	Begin system module testing	14
9	Antenna testing complete	16
10	Board/box manufacturing complete	18
11	System module testing complete	18
12	Bus/propulsion subsystem complete	18
13	TWTA's received in I&T	18
14	Batteries received in I&T	18
15	Start single line flow	19
16	T/V testing complete	20
17	Vib testing complete	21
18	Range testing complete	22
19	Preshipment review complete	22
20	Deliver Spacecraft Flight #2	23

*Work arounds that do not affect schedule will satisfy the milestone event.

** Long Lead Parts List (see below)

Long Lead Parts List

Description	Part #	Quantity
Structure (core & panels)	AOL20053900G1	1
Arcjets/PCU	20032538P1	4
	20032538P2	1
	20032538P4	4
Tanks	20037244P3	2
	20053744P106	1
	20053743P69	2
Output Muxes	20055073P1	2
	20055073P2	2
	20055073P3	44
	20055073P4	2
	20055073P5	2
Input Muxes	20055070P1	1
	20055070P2	1
	20055070P3	2

	20055070P4	1
	20055070P5	1

Command Receiver	2005288P1	2

Beacon Transmitter	20036633P2	1
	20036633P3	1
	20036633P6	1

SSPA	20066163P1	1
	20066163P2	1

OBC	20032940P101	1

LAE	200482202P3	1

REAs	20032536P1	6
	20032537P1	12

Battery Cells	20032568P99	98

TWTA	TBD	44

2. The above Milestone Tables shall be Buyer's sole measurement of whether Contractor is making adequate progress toward completion of the Spacecraft required hereunder.

4-6

ARTICLE 5. DEFINITIONS

A. Successful Injection

Injection of the Spacecraft shall be considered successful if:

1. No damage to the Spacecraft occurs which can be shown to have resulted from a launch vehicle malfunction.
2. The elements of the transfer orbit established by the launch vehicle and the spin axis orientation at time of separation are within the three sigma limits of the launch vehicle established by the Launch Agency.
3. The Spacecraft has reached a Satisfactory Orbit and is deployed for satisfactory operation.

B. SATISFACTORY ORBIT

The spacecraft is deemed to have achieved a Satisfactory Orbit if the following conditions are satisfied:

1. The spacecraft is located in the operational geostationary orbit longitude position designated by Buyer.
2. The spacecraft orbit parameters are specified as follows:
 - (a) Inclination tolerance is + or - 0.1 degrees
 - (b) Longitude tolerance is + or - 0.1 degrees

C. LAUNCH

For purposes of Spacecraft Flight #1, assuming a Proton launch, the term Launch means the ignition of the first stage motors of the Launch Vehicle that has been integrated with the payload with the intention to complete the launch mission, followed by physical separation from all the ground support equipment.

For purposes of Spacecraft Flight #2, or if Spacecraft Flight #1 is not launched on a Proton launch vehicle, then the definition of Launch shall be negotiated in good faith between Contractor and Buyer at the time of designation of the launch vehicle.

ARTICLE 6. (RESERVED)

ARTICLE 7. INSPECTION AND FINAL ACCEPTANCE

A. INSPECTION

Buyer, or its designated representative, shall have the right to witness and review the results of the final acceptance testing at the system level of the deliverable hardware at the facilities of Contractor. To allow Buyer to most effectively schedule the monitoring stated above, Contractor shall give Buyer timely notification of the acceptance testing of the deliverable hardware.

B. FINAL ACCEPTANCE

Final acceptance of the items to be delivered hereunder shall be in accordance with the requirements of this Contract, including the EXHIBITS. Delivery and acceptance shall be as provided herein.

1. Each Spacecraft furnished under this Contract shall be tested by Contractor, and in the case of Spacecraft to be delivered to storage, shall be finally accepted by Buyer upon demonstration at Contractor's facility, prior to delivery of Spacecraft to storage, by means of test results obtained pursuant to the test requirements set forth in EXHIBIT C, that the Spacecraft meets the performance specifications set forth in EXHIBIT B.
2. In the case of Spacecraft delivered for launch, upon arrival of Spacecraft at the launch site, as required by EXHIBIT A, Contractor shall promptly conduct an inspection and, if required, test the Spacecraft, in accordance with the requirements of EXHIBIT C, in the presence of Buyer. Buyer shall either finally accept the Spacecraft in writing or notify Contractor in writing of those particulars in which the Spacecraft to be delivered does not meet the requirements of this Contract. Upon remedy of such particulars to meet the requirements of this Contract, the Spacecraft shall be deemed to have been delivered and finally accepted.
3. Final acceptance of non-Spacecraft items shall take place after delivery by Contractor to the destination and, if required, completion of installation and inspection. Buyer shall either finally accept the item(s) in writing or notify Contractor in writing of those particulars in which the items to be delivered do not meet the requirements of this Contract. Upon remedy of such particulars to meet the requirements of this Contract, the item involved shall be deemed to have been delivered and finally accepted.

ARTICLE 8. TITLE AND ASSUMPTION OF RISK

- A. Unless otherwise stated herein, the following shall apply:
 - 1. Title and risk of loss or damage to a Spacecraft shall pass to Buyer at Launch, except that title and risk of loss or damage to a Spacecraft delivered to storage shall pass as set forth in ARTICLE 31, SPACECRAFT STORAGE.
 - 2. Title and risk of loss or damage to non-Spacecraft items shall pass to Buyer upon final acceptance.
- B. Buyer agrees to cause its insurer(s) to waive all rights of subrogation against Contractor and its officers, agents, servants, subsidiaries and employees.

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ARTICLE 9. ACCESS TO WORK

- A. For the purpose of observing the quality of Contractor's performance of work, Contractor shall afford a limited number of Buyer's personnel access to all work in process at Contractor's facility. Contractor will request and attempt to obtain similar access to work related to Buyer's Spacecraft that is being performed at Contractor's major subcontractors.
- B. Information disclosed to Buyer pursuant to this ARTICLE shall be subject to the limitations set forth in ARTICLE 25, DISCLOSURE AND USE OF INFORMATION BY THE PARTIES.

9 - 1

ARTICLE 10. PROGRESS MEETINGS, PRESENTATIONS AND DOCUMENTATION DELIVERABLES

A. MEETINGS AND PRESENTATIONS

In addition to any other meetings called for under the provisions of this Contract and without limitation thereto, Contractor shall provide the manpower, facilities, materials and support required to conduct the following periodic meetings and presentations:

- 1. Informal Project Manager meetings.
- 2. Technical Review meetings as determined by Contractor's Project Manager.
- 3. Quarterly Summary Executive Reviews.

Copies of view graphs or other documents utilized during these meetings shall be furnished or be made available to Buyer. Buyer's management personnel, as may be deemed appropriate by Buyer, shall be invited to the Quarterly Summary Executive Reviews. Contractor shall be represented by its Project Manager and such other personnel as are specifically required to support the particular presentation. All periodic meetings shall be held at Contractor's facility.

B. DISTRIBUTION OF REPORTS

All materials, reports and documentation furnished pursuant to this ARTICLE shall be the property of Buyer subject to the limitations set forth in ARTICLE 25, DISCLOSURE AND USE OF INFORMATION BY THE PARTIES, except that, Contractor or its subcontractors may retain copies for their own purposes, including the using of such materials and reports in the performance of other contracts.

10-1

C. CORRESPONDENCE

All correspondence, including notices, reports and documentation deliverables, to be provided to Buyer or Contractor under this Contract shall be sent to Buyer or Contractor as follows:

E-DBS 90 Inverness Circle East Englewood, Colorado 80112	Lockheed Martin Corporation P.O. Box 800 Princeton, NJ 08543-0800
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Attention: Mr. C. Ergen	Attention: Mr. L.J. Kiefer
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Phone: 303-799-8222 Ex 4701 Telecopy: 303-799-0354	Phone: 609-490-6228 Telecopy: 609-490-3395
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D. The only representatives of Buyer and Contractor authorized to sign contractual documents are:

BUYER Mr. C. Ergen Mr. D. Moskowitz	CONTRACTOR Mr. R.T. McFall Mr. T.D. Sisley Mr. L.J. Kiefer Mr. P.H. Wiggett
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Or others authorized by written delegation of the E-DBS Board of Directors	Or others authorized by written delegation of Mr. R.T. McFall
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10-2

ARTICLE 11. RIGHTS IN DATA

- A. Except as provided in paragraph B. below, Buyer shall have an unlimited right to use, duplicate, and disclose the information contained in the Programming and Control Handbook furnished pursuant to EXHIBIT A; however, if any written material furnished as part of said document is copyrighted, Buyer shall have an unaudited right to make copies of such copyrighted material and to use such copies for any Buyer purpose without payment of additional compensation to Contractor to the extent that Contractor has the authority to grant such right. In the event Contractor does not have such right, Contractor will exert its best efforts to obtain such rights for Buyer.
- B. All data that are or may be delivered or disclosed by either party to the other shall be subject to ARTICLE 25, DISCLOSURE AND USE OF INFORMATION BY THE PARTIES.
- C. Notwithstanding any other provision hereof, the ownership and title to copyrights and in computer programs and its related documentation delivered to Buyer by Contractor in accordance with this Contract shall remain in Contractor or its licensor. Contractor shall grant to Buyer a paid up non-exclusive, non-transferable license to use (including "to duplicate" and "to adapt") solely for the Buyer Program, the copies of computer programs and its related documentation specified in the Contract required for the operation of articles deliverable under this Contract.

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ARTICLE 12. PUBLIC RELEASE OF INFORMATION

During the term of this Contract, neither party, its affiliates,

subcontractors, employees, agents and consultants shall release items of publicity of any kind, including, without limitation, news releases, articles, brochures, advertisements, prepared speeches, company reports or other information releases, related to the work performed hereunder, including the denial or confirmation thereof, without the other party's prior written consent which consent shall not be unreasonably withheld.

12-1

ARTICLE 13. INDEMNIFICATION

- A. Each party shall indemnify and hold the other party and its officers, agents, servants, subsidiaries and employees, or any of them harmless from any loss, damage, liability or expense, resulting from damage to all property, private or public, and injuries, including death, to persons caused by any act or omission of the indemnifying Party and/or the indemnifying Party's agents or representatives at any tier or any of them, and at its expense shall defend any suits or other proceedings brought against the indemnified Party and/or its officers, agents, servants, subsidiaries and employees, or any of them, on account thereof, and shall pay all expenses and satisfy all judgments which may be incurred by or rendered against them, in connection therewith. Either Party shall have the right to settle any claim or litigation against which it indemnities hereunder. This ARTICLE is subject to ARTICLE 8, TITLE AND ASSUMPTION OF RISK.
- B. Further and notwithstanding any other provision hereof, Buyer shall indemnify and hold harmless Contractor, its officers, agents, subsidiaries, and employees from any liabilities, losses and damages including costs, expenses and damages incurred by Contractor in connection with any and all claims after passage of title thereto to Buyer which shall occur in accordance with ARTICLE 8, TITLE AND ASSUMPTION OF RISK, except any such liabilities, losses and damages that are caused by the gross negligence or willful misconduct of Contractor. Buyer shall procure and maintain comprehensive general liability insurance in an amount with insurers acceptable to contractor, which insurance shall name Contractor and the other indemnities hereunder as insured. Buyer shall furnish Contractor with a waiver of its insurance carriers' rights of subrogation and with insurance obligations under this ARTICLE. Such insurance shall also provide that the insurers shall give thirty (30) days prior notice to Contractor prior to the effective date of cancellation or termination of such insurance.
- C. Contractor shall not be liable to Buyer, customers of Buyer or their customers for any damages resulting: (i) any loss or destruction of the Spacecraft or (ii) failure of the Spacecraft or its subsystems to operate satisfactorily. Buyer agrees to enter into suitable agreements with its customers to effect the foregoing limitation of Contractor's liability. Buyer also agrees to cause insurers to waive all right of subrogation against Contractor and its employees. The foregoing shall not relieve Contractor of its obligations under ARTICLE 21, WARRANTY, of correction or replacement during the warranty period set forth in such ARTICLE.

13-1

ARTICLE 14. PATENT INDEMNIFY

- A. Contractor shall defend Buyer from and against all claims, actions, suits and proceedings alleging that the manufacture of any Spacecraft, delivered under this Contract or the use, lease, sale or other disposition of any such Spacecraft infringes any U.S. patent, and shall pay any final judgment or settlement, provided Contractor is given prompt written notice of any such claim, action, suit or proceeding and full authority to resist, defend and settle such claim. Buyer shall provide at Contractor's request such assistance and

information as may be required by Contractor.

- B. If an injunction or other order is obtained against the manufacture, use, lease, sale or other disposition of any Spacecraft hereunder, Contractor agrees to use its best efforts either to procure rights so that such Spacecraft and the manufacture, use, lease, sale or other disposition thereof is no longer infringing or to modify or replace such Spacecraft so that it is no longer subject to such order. In the event that such injunction or order becomes permanent and that neither of the foregoing alternatives is suitably accomplished and Contractor is unable to reasonably perform its obligations hereunder, Buyer may proceed under ARTICLE 17, TERMINATION FOR DEFAULT.
- C. While neither Party presently contemplates Buyer's providing Contractor with any designs, specifications or instructions, in the event Buyer does provide any designs, specifications or instructions, Buyer shall indemnify and hold Contractor harmless against any expense, judgment or loss for infringement of any U.S. patents or trademarks which result from Contractor's compliance with such designs, specifications or instructions.
- D. No sales or lease hereunder shall convey any license by implication, estoppel or otherwise, under any proprietary or patent rights of Buyer, to practice any process with such product or part, or for the combination of such product or part with any other product or part.
- E. Contractor shall not be liable for any costs or expenses incurred without Contractor's written authorization and in no event shall Contractor's total liability to Buyer under, or as a result of compliance with, the provisions of this ARTICLE exceed the aggregate Spacecraft price for all Spacecraft under construction or delivered. Contractor shall in no event be liable for loss of use or for incidental, indirect, or consequential damages, whether in contract or in tort. The foregoing states the entire Warranty by Contractor and the exclusive remedy of Buyer, with respect to any alleged patent infringement by such product or part.

14-1

ARTICLE 15. INDEMNIFICATION FOR TAXES

Contractor shall assume responsibility, and shall save Buyer, its officers, agents, employees, servants, subsidiaries and assignees, or any of them, harmless from taxes (exclusive of sales, use, income and personal property taxes), which may be required under present federal, state, or local laws and which become due by reason of the performance of work under this Contract, and shall execute and deliver such other and further documents, and comply with such requirements of said laws, as may be necessary thereunder to confirm and effectuate this Contract, including making of payment of any interest or penalties related to or arising from such taxes.

15-1

ARTICLE 16. EXCUSABLE DELAYS

Without limiting any other provision specifying what constitutes an excusable delay under this Contract, acts of God or of the public enemy; acts of the Government in its sovereign or contractual capacity, including Government priorities, allocations, regulations or orders affecting materials, facilities, or completed Spacecraft (including changes in the launch specifications in effect on the Date of this Amendment); fires; floods; snow storms; earthquakes; epidemics; quarantine restrictions; strikes; wars; freight embargoes; or any other events which cause failure or delay to perform hereunder, and in every case are beyond the reasonable control and without fault or negligence of Contractor hereunder shall constitute an excusable delay, if notice thereof is given to Buyer as soon as possible but in no event later than within thirty (30) days after such event shall have

occurred. In the event of a delay resulting from any of the above causes, the delivery requirements shall be extended for the period of the excusable delay.

16-1

ARTICLE 17. TERMINATION FOR DEFAULT

DELETE the text of the ARTICLE in its entirety and replace it with:

- A. Buyer may, by written Notice of Default sent by registered letter to Contractor, terminate the whole or any part of this Contract in any one of the following circumstances:
1. If Contractor fails to make delivery of the supplies or to perform the services within the time specified herein.
 2. If Contractor fails to perform any of the other provisions of this Contract or so fails to make progress as to endanger performance of this Contract in accordance with its terms, and in either of these two circumstances does not act to correct such failure within a period of thirty (30) days (or such longer period as Buyer may authorize in writing) after receipt of notice from Buyer specifying such failure.
- B. To the extent the Contract is terminated under this ARTICLE, Buyer shall use all reasonable efforts to utilize all work in process hereunder in order to mitigate any costs sustained by Buyer as a result of Contractor's default. Contractor will pay to Buyer all costs reasonably incurred by Buyer in obtaining all of the work described in ARTICLE 2, EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFORE, paragraph A., according to the schedule set forth in ARTICLE 3, DELIVERY SCHEDULE, paragraph B., provided that Buyer enters into a Contract for such work within twelve (12) months of Contractor's default.
- C. If this Contract is terminated as provided in this ARTICLE, Contractor shall:
1. be paid the Contract price for items delivered.
 2. be paid the cost plus reasonable profit for work in process, materials in stock and services for which Buyer takes delivery.
 3. protect and preserve property in the possession of Contractor in which Buyer has an interest.
- D. The remedies set forth in this ARTICLE shall be the sole recourse to which Buyer is entitled in the event of Contractor's default, and Contractor shall have no liability for special, indirect, incidental or consequential damages for lost profits or lost revenues.
- E. Subsequent to final acceptance of each of the Spacecraft pursuant to paragraph B. of ARTICLE 7, INSPECTION AND FINAL ACCEPTANCE, the provisions of this ARTICLE shall not affect payment of In-Orbit payments under the terms of ARTICLE 4, PAYMENT, paragraphs B.2 and C.2 and ARTICLE 2, EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFORE.

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EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFORE.

- F. In the event Buyer fails to perform any obligation which it is required to perform pursuant to this Contract, Contractor may, if such failure is not corrected within thirty (30) days after written notice of such failure is given by Contractor, stop work on this Contract and consider this entire Contract to be terminated due to the default of Buyer. Contractor shall be entitled to compensation as set forth in ARTICLE 18, TERMINATION FOR CONVENIENCE. Further, Contractor shall also be entitled to all of the Security set forth in ARTICLE 4,

PAYMENT, paragraph F.1.

- G. If, after notice of termination of the Contractor's right to proceed under the provisions of this ARTICLE, it is determined for any reason that the Contractor was not in default under the provisions of this ARTICLE, or that the delay was excusable under the provisions of ARTICLE 16, EXCUSABLE DELAYS, the rights and obligations of the Parties shall be the same as if notice of termination had been issued pursuant to ARTICLE 18, TERMINATION FOR CONVENIENCE.

17-2

ARTICLE 18. TERMINATION FOR CONVENIENCE

- A. Buyer, by written notice to Contractor, may terminate this Contract in whole, or in part, for any reason or for Buyer's Convenience at any time prior to final acceptance of all the work. In the event of termination by the Buyer of any spacecraft subsequent to the start of such Spacecraft's construction, it is agreed that the termination charges shall be negotiated but shall not exceed the total of the Total Price for the Spacecraft so terminated as set forth in ARTICLE 2, EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFORE, hereof. The termination charges shall include the total costs, both direct and indirect, reasonably incurred by Contractor with respect to termination and settlement with all vendors and subcontractors, plus a profit of fifteen (15) percent. Buyer shall maintain the required Security set forth in ARTICLE 4, PAYMENT, paragraph F., until all claims are satisfied.
- B. Direct and indirect costs shall be determined in accordance with Contractor's standard accounting practice and shall be verified, at Buyer's expense, by an independent Certified Public Accounting firm to be mutually agreed upon by the buyer and Contractor.
- C. Buyer shall pay Contractor the aforesaid termination charges within thirty (30) days following the submission of an invoice. Upon payment of Contractor's invoice, Contractor shall deliver to Buyer all termination inventory which has not been credited by Contractor against the termination charges set forth in paragraph D.2 below. In the event Contractor's invoice is not paid within thirty (30) days following submission, Buyer shall be in default pursuant to ARTICLE 17, TERMINATION FOR DEFAULT, paragraph F.
- D. Final payment shall be in the amount of the total termination charges, less the following:
 - 1. Amounts previously paid by Buyer to Contractor with respect to the terminated work pursuant to ARTICLE 4, PAYMENT, hereof; and
 - 2. Amounts representing the total of Contractor's costs with respect to the terminated work of segregable items of inventory not desired by Buyer and which Contractor elects to retain for its use.

In the event the amount set forth in this paragraph D. above exceeds the termination charges defined in paragraph A. of this ARTICLE, Contractor shall promptly refund such excess to Buyer.

- E. In no event shall the total amount paid to Contractor pursuant to this Agreement, including termination charges paid pursuant to this ARTICLE, exceed the total price stated in ARTICLE 2, EQUIPMENT AND SERVICES TO BE FURNISHED AND PRICES THEREFORE, hereof.

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- F. Subject to the limitations in paragraph E above, the provisions of this ARTICLE shall not affect the payment of In-Orbit payments under the terms of ARTICLE 4, PAYMENT, paragraphs B.2 and C.2, with respect to any spacecraft.

- G. Notwithstanding anything herein, Buyer's termination of any spacecraft, pursuant to this ARTICLE, shall constitute a termination of all subsequent spacecraft.
- H. Contractor agrees to use all reasonable efforts to assist Buyer in disposing/selling of the work in process upon termination pursuant to this ARTICLE.

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ARTICLE 19. CHANGES

DELETE the text of the ARTICLE in its entirety and replace it with:

Buyer may, from time to time between the effective date and completion of this Contract, by written change order issued by Buyer, make changes within the general scope of this Contract in drawings, designs, specifications, method of shipment or packing, quantities of items to be furnished, place of delivery, postpone delivery, require additional work, or direct the omission of work. If any such change causes an increase or decrease in costs of, or the time required for, the performance of this Contract, an equitable adjustment shall be made in the price, or delivery schedule, or both, and any other affected provision, and this Contract shall be modified in writing accordingly. Any claim by Contractor for adjustment under this paragraph shall be deemed waived unless asserted in writing within thirty (30) days from the date of receipt by Contractor of the change order. The amount of the claim shall be stated when it is submitted, or at a later date, not to exceed sixty (60) days from the date for assertion of the claim, which later date shall be requested at the time of such submission. All changes and equitable adjustments pursuant to this ARTICLE shall be subject to negotiation between and approval by both Parties prior to the implementation of any such change. Except for Excusable Delays pursuant to ARTICLE 16, EXCUSABLE DELAYS, none of the Contract dates will change unless authorized by C. Ergen or D. Moskowitz.

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ARTICLE 20. ASSIGNMENT

- A. Neither party ,shall assign or delegate this Contract or any of its rights, duties, or obligations thereunder to any other person without the prior express written approval of the other party, such approval shall not be unreasonably denied. Nothing contained in this ARTTCLE shall restrict Contractor from subcontracting work or procuring parts/materials or services in the ordinary course of performance of this Contract.
- B. Buyer may assign this Contract, provided Buyer can reasonably demonstrate that any such proposed assignee is in at least as good financial condition as the Buyer at the effective date of this Contract.
- C. In the event that Buyer reasonably determines that it is prudent to transfer construction of any Spacecraft hereunder to any other affiliate in order to more appropriately fulfill its Federal Communications Commission ("FCC") "due diligence" requirements at the 175 degree west, the 121 degree west or other orbital location, and provided the affiliate assumes all rights and obligations of Buyer with respect to that Spacecraft, then Buyer and Contractor agree to divide this Contract into two separate contracts, and that the 175 degree west (or the 121 degree west or other orbital location) Spacecraft shall be purchased (completed) under a substantially identical contract with that affiliate.

ARTICLE 21. WARRANTY

- A. Contractor warrants that the goods or services furnished hereunder shall be free from any defects in material or workmanship.
- B. Buyer shall have the right at any time during the period of this warranty and irrespective of prior inspections or acceptance to reject any goods or services not conforming to the above warranty and require that Contractor at its expense, correct or replace as promptly as is reasonably possible, at Contractor's option, such goods or services with conforming goods or services.
- C. For the Spacecraft, this warranty shall run for a period of one (1) year from the date of final acceptance by Buyer or until Intentional Ignition, whichever is sooner.
- D. Except for the Spacecraft, this warranty shall run for a period of one (1) year from the date of final acceptance by Buyer.
- E. Contractor shall pass on or assign to Buyer all warranties on goods or services given by suppliers or manufacturers other than Contractor to the extent to which Contractor is permitted by the terms of its purchase contracts with such suppliers or manufacturers.
- F. THIS WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES, WHETHER STATUTORY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. CONTRACTOR SHALL HAVE NO OTHER LIABILITY, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY LIABILITY FOR SPECIAL, INCIDENTAL, INDIRECT, OR CONSEQUENTIAL DAMAGES, OR FOR BUYER'S COST OF EFFECTING COVER, OR FOR FAILURE OR NONPERFORMANCE OF PROPERTY OR FOR LOST PROFIT OR REVENUES.

ARTICLE 22. ARBITRATION

- A. Any dispute or disagreement arising between the Parties in connection with any interpretation of any provision of this Contract, or the compliance or noncompliance therewith, or the validity or enforceability thereof, or any other dispute under any ARTICLE hereof which is not settled to the mutual satisfaction of the Parties within thirty (30) days (or such longer period as may be mutually agreed upon) from the date that either party informs the other, in writing, that such dispute or disagreement exists, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, in effect on the date that such notice is given.
- B. Either party which demands arbitration of the controversy shall, in writing, specify the matter to be submitted to arbitration and, at the same time, choose and nominate a competent person to act as an arbitrator, thereupon, within fifteen (15) days after receipt of such written notice. The other party to this agreement shall, in writing, choose and nominate a competent arbitrator. The two arbitrators so chosen shall meet and endeavor to resolve the question in dispute, and, if they agree upon such determination, the determination so made shall be in writing and signed by both arbitrators. If such two arbitrators fail to agree, they shall forthwith select a third arbitrator, giving written notice to both Parties of the choice so made and fixing a time and place at which both Parties may appear and be heard with respect to such controversy. In case the two arbitrators shall fail to agree upon a third arbitrator within a period of seven (7) days, or if for any other reason there shall be a lapse in the naming of an arbitrator or arbitrators, or in the filling of a vacancy, or in the event of failure or refusal of any arbitrator or arbitrators to attend or fulfill his or their duties, then upon application by either Party to the controversy, an arbitrator or arbitrators shall be named by the American Arbitration

Association.

- C. The arbitration award made shall be final and binding upon the Parties and judgment may be entered thereon, upon the application of either Party by any court having jurisdiction. The relief that may be awarded by the arbitrators under any arbitration arising from this Contract may not exceed actual compensatory damages. In no event may the arbitrators award punitive damages.
- D. Each party shall bear the cost of preparing and presenting its case, and the cost of arbitration, including the fees and expenses of the arbitrator or arbitrators, will be shared equally by the Parties unless the award otherwise provides.

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ARTICLE 23. APPLICABLE LAW

- A. This Contract shall be interpreted and enforced in accordance with the laws of the State of New York.
- B. This Contract is subject to all applicable laws and regulations and each Party agrees to comply with all such applicable laws and regulations.

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ARTICLE 24. ENTIRE AGREEMENT

This Contract constitutes the entire agreement between the Parties and supersedes all prior understandings, commitments, and representations with respect to the subject matter. It may not be amended, modified, or terminated (other than as specifically provided in the ARTICLES hereof), and none of its provisions may be waived, except by a writing signed by an authorized representative of the Party against which the amendment, modification, termination or waiver is sought to be enforced. The paragraph headings herein shall not be considered in interpreting the text of this Contract.

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ARTICLE 25. DISCLOSURE AND USE OF INFORMATION BY THE PARTIES

- A. If documents supplied by one party to the other are marked with a proprietary legend, the receiving party shall take all necessary steps to ensure that the documents and contents of such documents are not disclosed to any person other than a person employed or engaged by the receiving party, whether under subcontract or otherwise, for the performance of this Contract. Any such document supplied hereunder shall be returned to the disclosing party together with any copies thereof promptly upon written request of the disclosing party, except for one copy to be retained for legal purposes. Whenever the receiving party makes copies of such proprietary documents for performance of work covered by this Contract, the receiving party shall mark each such copy as proprietary to the disclosing party.
- B. Any disclosure to any person permitted under paragraph A. of this ARTICLE shall be made under the same conditions that apply to the initial disclosure and shall extend only so far as may be necessary for the purposes of this Contract. Any such disclosure to a person other than an employee of the receiving party shall be made pursuant to a written confidential disclosure agreement or with prior written approval of the disclosing party.
- C. Except with the written consent of the disclosing party, the receiving party

shall not make use of any document mentioned in paragraph A. of this ARTICLE other than for the purposes of this Contract.

- D. The obligations and restrictions imposed by this ARTICLE shall not apply to the following:
1. Information that is or becomes available to the public from a source other than the receiving party, before or after the effective date of this Contract.
 2. Information that is authorized for release in writing by the disclosing party.
 3. Information that is lawfully obtained by the receiving party from a third party.
 4. Information that is known by the receiving party prior to such disclosure.
 5. Information that is, at any time, developed by the receiving party completely independently of any disclosure or disclosures from the disclosing party.
 6. Information that is reasonably necessary to support a patent application, the subject matter of which belongs to the receiving party and which the receiving party discloses to an appropriate Patent Agent or Patent Office and/or Court of any country in pursuance thereof.
- E. Neither party shall be liable for inadvertent or accidental disclosure of such information marked as proprietary if such disclosure occurs despite both Parties exercising reasonable efforts to preserve and safeguard such information.

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- F. Neither party shall be liable for the disclosure of any technical information of the other party pursuant to any legally enforceable requirement of the U.S. Government, or any agency or department thereof.
- G. No license, under any patents, is granted or implied by merely conveying data or information under this Contract.
- H. Any proprietary disclosure to either party, if made orally, or visually, shall be identified at the time of disclosure and shall be promptly confirmed in writing by the disclosing party and identified as proprietary information, if the disclosing party wishes to keep such information proprietary under this Contract.
- I. The obligations of this ARTICLE shall be effective for a period of three (3) years from the date of termination or expiration of this Contract.

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ARTICLE 26. PERMITS AND LICENSES

DELETE this ARTICLE 26 in its entirety and replace it with a new ARTICLE 26 as follows:

ARTICLE 26. EFFECTIVE DATE

The term Effective Date of the Contract (EDC), as used in this Contract, shall mean the 18th day of July 1996.

ARTICLE 27. PERMITS AND LICENSES

- A. This Contract is subject to all applicable U.S. laws and regulations relating to the export of Spacecraft, technical data and other equipment and services being furnished pursuant to, or to be utilized in connection with, this Contract (hereinafter in this ARTICLE referred to as "Licensed Items") and to all applicable laws and regulations of the country or countries to which Spacecraft, technical data, and other equipment and services are exported or are sought to be exported.
- B. Contractor shall use its best efforts to obtain such U.S. Government approvals and licenses for export of the "Licensed Items." Buyer shall not be liable for any additional cost associated with Contractor processing any export license application for delivery of any Spacecraft.
- C. If, within a reasonable time, the U.S. Government fails to grant a required approval or license to Contractor to export the "Licensed Items" or revokes or suspends such an approval or license subsequent to its grant, or grants such a license or approval subject to conditions, this Contract shall, nevertheless, remain in full force and effect. In the event of such U.S. Government action or inaction, deliveries and acceptance of all items to be furnished by Contractor shall be made at locations within the continental U.S. as agreed upon between the Parties. Such U.S. Government action or inaction shall not otherwise modify in any way the rights and obligations of the Parties under this Contract except to relieve Contractor of any obligations which cannot be performed without such an approval or license and to make the price and delivery schedule subject to equitable adjustment in accordance with ARTICLE 19, CHANGES, to reflect the obligations of which Contractor is relieved.
- D. If, within a reasonable time, any foreign country or countries to which such "Licensed Items" are sought to be exported fails to grant a required approval or license or suspends or revokes a required approval or license subsequent to its grant, or grants a license subject to conditions, or if any foreign country or countries to which such "Licensed Items" are exported fails to grant an approval or licenses to utilize the "Licensed Items" for the purpose for which exported, this Contract shall, nevertheless, remain in full force and effect. In the event of such foreign country or countries action or inaction, deliveries and acceptance of all items to be furnished by Contractor shall be made at locations within the continental U.S. as agreed upon between the Parties. Such foreign government action or inaction shall not otherwise modify in any way the rights and obligations of the Parties under this Contract except to relieve Contractor of any obligations which cannot be performed without such an approval or license and to make the price and delivery schedule subject to equitable adjustment in accordance with ARTICLE 19, CHANGES, to reflect the obligations of which Contractor is relieved.

ARTICLE 28. LIMITATION OF LIABILITY

In no event shall Contractor be liable, whether in contract, tort or otherwise, for special, incidental, indirect or consequential damages, including, without limitation, failure or non-performance of property or for lost profit or revenues.

ARTICLE 29. SPACECRAFT TEST AND HANDLING EQUIPMENT

Contractor shall provide Spacecraft unique test and handling equipment at the Launch Site, during the period between delivery of the Spacecraft to the Launch Site, and final acceptance for use in connection with the inspection and final acceptance of the Spacecraft pursuant to ARTICLE 7, INSPECTION AND FINAL ACCEPTANCE. Title to such equipment shall remain with Contractor.

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ARTICLE 30. LIQUIDATED DAMAGES

- A. Contractor acknowledges that its failure to deliver Spacecraft Flight #1 or Spacecraft Flight #2 to the launch site on or before the delivery dates set forth in ARTICLE 3, DELIVERY SCHEDULE, may cause serious damage to Buyer, the amount of which may be difficult or impossible to prove.
1. The amount of Liquidated Damages applicable to Spacecraft Flight #1 shall be \$50,000 per day and shall not exceed a total of \$5,000,000.
 2. The amount of Liquidated Damages applicable to Spacecraft Flight #2 shall be \$33,333 per day and shall not exceed a total of \$5,000,000.
- B. Contractor and Buyer agree that such liquidated damages, without further proof of same, shall be deemed to represent the damages actually sustained by reason of such delay.
- C. The liquidated damages are intended to be compensatory and do not constitute a penalty.
- D. These amounts are firm, fixed and not subject to adjustment due to changes in economic conditions. The Contractor's total liability for late delivery of Spacecraft Flight #1 and Spacecraft Flight #2 shall not exceed the specified liquidated damages.
- E. Any interval of excusable delays as defined in ARTICLE 16, EXCUSABLE DELAYS, shall be excluded from the period for which liquidated damages accrue. However, such time period shall continue at the conclusion of the excluded interval as if no such interruption had occurred.
- F. In the event Contractor is required to pay Buyer Liquidated Damages as provided in this ARTICLE, the amount of any such payment shall be applied against (reduce) the In-Orbit payments associated with the applicable Spacecraft as set forth in ARTICLE 4, PAYMENT, paragraphs B.2 and C.2.

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ARTICLE 31. LIQUIDATED DAMAGES

DELETE this ARTICLE in its entirety and replace it with a new ARTICLE 31 as follows:

ARTICLE 31. SPACECRAFT STORAGE

- A. If as a result of a delay or failure to launch, through no fault of Contractor, Buyer requests Contractor to store the Spacecraft within sixty (60) days of completion of in-plant acceptance testing, the Contractor shall store, at a site designated by Buyer and such site shall be subject to the approval of Contractor, or if no site is designated by Buyer, at a site designated by Contractor, one or more of the Spacecraft delivered under this Contract. Title and risk of loss to the Spacecraft to be stored shall pass to Buyer after the first six (6) months of storage and storage shall commence on that date on a month-to-month basis. The cost for the first six (6) months of storage shall be the responsibility of Contractor. Should the Spacecraft remain in storage beyond the six (6) month period, the provisions of ARTICLE 8 "TITLE AND ASSUMPTION OF RISK" shall apply, and the Buyer shall be responsible for all storage costs (in excess of six (6) months). Buyer shall be responsible, except in the event of negligence or willful

misconduct by the Contractor, for all transportation cost and insurance to cover the risk and expense of loss or damage of the Spacecraft in transit, (i) from Contractor's facility to storage, (ii) from its facility to the storage site, (iii) from the storage site to the launch site or (iv) if necessary, from the storage site to the refurbishment site and then to the launch site.

- B. Upon the request of Buyer, the Contractor shall provide periodic testing, necessary equipment, and environmental maintenance suitable for prevention of deterioration to the Spacecraft during the period of storage. The cost for such service shall be subject to ARTICLE 19, CHANGES, and shall be negotiated upon the request of such services by Buyer. Any deterioration to a Spacecraft while in storage shall be at Buyer's risk and shall be corrected at Buyer's expense, unless such deterioration is to be corrected by the Contractor under ARTICLE 21, WARRANTY.
- C. If at any time after storage begins, Buyer elects to launch the stored Spacecraft, the Contractor shall inspect, test and refurbish as necessary such Spacecraft to a launch-ready condition and arrange for transit to the launch site as directed by Buyer. The cost for such services shall be subject to ARTICLE 19, CHANGES, and shall be negotiated in good faith by the Contractor and Buyer at the time such services are required. Notwithstanding anything in this ARTICLE, Contractor will be responsible for transportation from Contractor's facility or any other Contractor selected facility to the launch site as set forth in ARTICLE 3, DELIVERY SCHEDULE, paragraph A., provided that such transportation occurs within six (6) months of successful completion of in-plant acceptance testing.
- D. In the event a Spacecraft is placed into storage as a result of paragraph A. above, Contractor shall be entitled to commencement of the In-Orbit payments associated with such Spacecraft in accordance with the provisions of ARTICLE 4, PAYMENT. Notwithstanding the foregoing, in the event that Contractor's late delivery of the Spacecraft is the sole cause of the Spacecraft having to be placed into storage, the In-Orbit payments shall commence at the earlier of sixty (60) days after Spacecraft launch or twenty-four (24) months from the placement of the Satellite into storage.

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ARTICLE 32. (RESERVED)

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ARTICLE 33. INSURANCE

- A. In order to protect against financial losses associated with the risks between Launch and continuing for five (5) years thereafter, Buyer, as the representative party insured, shall enter into an insurance contract, naming the Contractor as a party insured and covering the In-Orbit payments specified in ARTICLE 4, PAYMENT, paragraphs B.2 and C.2. Buyer shall bear all responsibility for payment of insurance premiums associated with the aforementioned insurance policy.
- B. The details of the insurance Contract referred to in the preceding paragraph shall be reasonably acceptable to Contractor.
- C. When the Buyer applies for insurance regarding risks relating to the launching of the Spacecraft, the Contractor shall furnish Buyer with such information regarding the Spacecraft as is requested by the insurers.
- D. When, after taking delivery of the Spacecraft, the Buyer applies for insurance regarding risks of the Spacecraft's malfunctioning or non-performance during the life span specified for it in the Performance

Specifications, Contractor shall furnish the Buyer with such information regarding the Spacecraft as is requested by the insurers.

- E. When Buyer obtains such insurance, Buyer agrees to cause its insurer(s) to waive all rights of subrogation against Contractor and its officer, agents, servants, subsidiaries and employees.

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

ECHOSTAR DBS CORPORATION

LOCKHEED MARTIN CORPORATION

By: /s/ David K. Moskowitz

By: /s/ Peter H. Wiggett

Title: Senior Vice President

Title: Director Contracts
Astro Space Commercial

Agree as to the guarantee.

ECHOSTAR COMMUNICATIONS
CORPORATION

By: /s/ David K. Moskowitz

Title: Senior Vice President

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

PRIMARY EARNINGS PER SHARE CALCULATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	1995	1996	1995	1996
INCOME DATA :				
Net loss	\$ (1,787)	\$ (22,554)	\$ (4,027)	\$ (29,775)
Preferred stock dividends	(301)	(301)	(602)	(602)
Net loss applicable to common shares..	\$ (2,088)	\$ (22,855)	\$ (4,629)	\$ (30,377)
COMMON AND COMMON EQUIVALENT SHARES:				
Weighted average common shares	33,988	40,432	33,655	40,404
Equivalent common shares from warrants	--(a)	--(a)	--(a)	--(a)
Equivalent common shares from stock options	--(a)	--(a)	--(a)	--(a)
Common and common equivalent shares...	33,988	40,432	33,655	40,404
EARNINGS PER COMMON SHARE:				
Net loss per common and common equivalent shares	\$ (.06)	\$ (.57)	\$ (.14)	\$ (.75)

(a) Excludes common stock equivalents which are antidilutive.

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

FULLY DILUTED EARNINGS PER SHARE CALCULATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	1995	1996	1995	1996

INCOME DATA :

Net loss applicable to common shares	\$ (2,088)	\$ (22,855)	\$ (4,629)	\$ (30,377)
	-----	-----	-----	-----

COMMON

AND COMMON EQUIVALENT SHARES:

Weighted average common shares	33,988	40,432	33,766	40,404
Equivalent common shares from warrants...	-- (a)	-- (a)	-- (a)	-- (a)
Equivalent common shares from stock options	-- (a)	-- (a)	-- (a)	-- (a)
Weighted average common shares from conversion of preferred stock	-- (a)	-- (a)	-- (a)	-- (a)
	-----	-----	-----	-----
Common and common equivalent shares	33,988	40,432	33,766	40,404
	-----	-----	-----	-----

EARNINGS PER COMMON SHARE:

Net loss per common and common equivalent shares	\$ (.06)	\$ (.57)	\$ (.14)	\$ (.75)
	-----	-----	-----	-----

(a) Excludes common stock equivalents and convertible preferred stock which are antidilutive.

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ACCOMPANYING CONSOLIDATED BALANCE SHEET OF ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES AS OF JUNE 30, 1996 AND THE RELATED CONSOLIDATED STATEMENTS OF INCOME AND CASH FLOWS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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<FN>

<F1>INCLUDES SALES OF PROGRAMMING.

<F2>INCLUDES THE COST OF PROVIDING PROGRAMMING.

<F3>NET OF AMOUNTS CAPITALIZED.

</FN>