• We have gone deeply after the digital terrestrial and local channel developments. We are going to have the boxes available to receive both all the ATSC digital terrestrial formats and DirecTV receive capabilities in the marketplace first quarter.

• As I said, in a matter of weeks we are launching the other foreign-language services.

• New media and high-definition services by the end of the year.

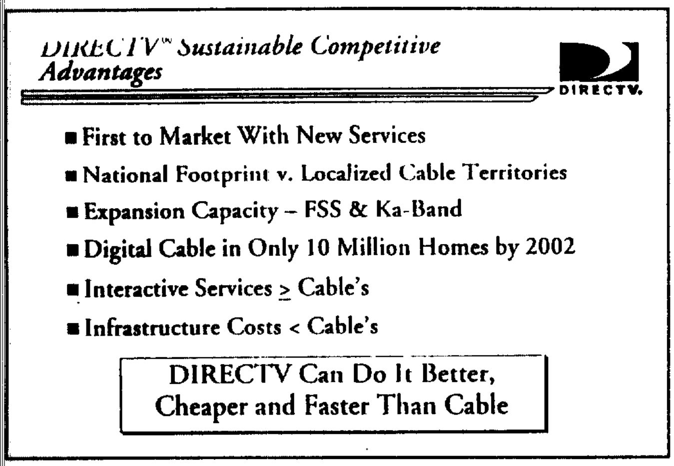

Figure 10

In summary:

• We have always been first to market with new services, including digital television. This is a timely day, by the way. This is our fourth anniversary today. We sold our first DSS receiver on June 17, 1994. Stan and I were down in Jackson, Mississippi. I think it was a matter of three days before we had a subscriber in virtually all 48 contiguous states.

• We have the capacity to expand, as we are doing with FSS, and have at our same 101° orbit location twice the bandwidth in the Ka-band frequency. Once we facilitize it, that will allow for a very simple consumer solution of a single dish with 200% more capacity than what we have today.

• I think even some of the most optimistic projections have digital cable with some 10 million subscribers by the year 2002. We don't take that threat lightly. We are aggressively, as you can see by our growth numbers, going after subscribers now because the subscribers we get we tend to keep. We have the lowest churn rate in the industry.

• And I think we will have greater capability for interactive services, including all the data application sets.

• Our infrastructure costs are certainly lower than cable's. We can do it better, faster, cheaper than cable.

We'll save the questions for later. Thank you.

MR. ZIA: Thank you, Eddy.

Next up is Carl Vogel, who, as most of you know, is an old face to this group, although today he wears a different hat. We are grateful to have Carl here after just his first week on the job as Chairman and CEO of Primestar, a role which, I guess, makes him the man of the hour. Carl, welcome back.

PRIMESTAR

Carl Vogel

Chairman & Chief Executive Officer

MR. VOGEL: Thanks, Karim. It's nice to be back.

I have heard both of those presentations before, and actually gave one once. I'll do my best with Primestar. As Karim said, I've been there four days. My start date is July 1st.

With respect to Primestar, I will answer a couple of questions. I did know about the Justice Department decision before I took the job, and I did know all the Board members before I took the job.

• Primestar, without its recent historical problems, is a leading provider of satellite entertainment. We have over 3.2 million subscribers, which includes the 1.2 million Superstar customers.

I listened to Eddy's presentation with interest. He said he had the lowest churn and he was first to market. We have the highest churn, we have the largest dish, and we're not first to market. But the good news is that there is a lot of opportunity, I think, going forward.

• We are positioned to create a lot of economies of scale. Primestar has been an entity of five very disparate management teams that have just been brought together April 1st, and my job is to rationalize that cost structure even further. I think there is great opportunity at Primestar to do so.

• We do have multiple product lines. What we mean by that is we have a C-band product with our Superstar acquisition, we have a medium-power product, and, hopefully, we will have a high-power product in the future.

• We do have good customer service. We spent a ton of money investing in this. I don't know if we'll continue to spend a ton of money because, as I said, I think we have to rationalize the cost structure of five different operators with five very different points of view.

• We are well capitalized to fund our future growth, but we need more capital, frankly, to solve our Justice Department problem.

The focus of our rollup I think is really important. For the first time, Primestar has the opportunity to have a single national message deployed on a national basis.

We had an umbrella marketing campaign out of Philadelphia that talked a lot about Primestar. I think our advertising was quite effective. Yet, how that was executed at the field level was confusing, at best. The good news is that was consolidated on April 1st. The bad news is we are not as far along as we need to be there, but I think we have the steps and the foundation in place to go forward quite aggressively.

We do have improved financial performance in this entity because we can rationalize our cost structure. For example, when Primestar was put together, it had 110 regional offices to support our "service guaranteed" message. That is down to 60 today, and it may be going lower. I have only been there four days, but, to my knowledge, we still have 60. That translates into about $70 million of operating efficiencies. I think we have a greater opportunity to create more operating efficiency.

If you look at Primestar on a macro basis, the medium-power business alone generates about $1.5 billion in annual revenues. Roughly $300 million of that is lease fees. I would submit that if I cut that lease fee in half, I will cut my churn quite significantly; if I cut my churn quite significantly, our economic model is quite good.

So, notwithstanding our problems at high power, I think we have a good business at medium power. It's not as good as Eddy's business — I don't know if it's as good as Stan's business; I think it's as good as Charlie's business — but it's a different business. But, nonetheless, all is not lost at Primestar.

It is a platform for our Superstar acquisition — which we think we can use to convert C-band subs to the Primestar platform — and, hopefully, our ASkyB transaction.

The ASkyB transaction is clearly an important issue for Primestar. I am 100% focused on that. It is something that we need to do. It is something that is going to require restructuring of our ownership and Board structure.

Gerry Levin recently said that he's willing to do that. The folks at TSAT have already done it by virtue of their spinoff. There will be a change in the Primestar ownership structure if we want to be successful at high power.

It obviously increases our cash flow; we've got a customer base we can market to; the Superstar transaction, I think, give us the opportunity with the brand recognition; and it gives us $55 million of cash flow to our business.

In terms of the ASkyB transaction:

• As I said, it takes the dish size issue out of the equation for us.

• My sense is that News Corp is willing to work with us. I've obviously spoken to them as well.

• It increases our capacity.

• It reduces our hardware cost materially.

• It reduces our installation cost materially.

• It makes Primestar, notwithstanding the rhetoric, a true competitor in the industry.

• It helps our retail distribution. I'll get into what our retail distribution is today, but I would submit it's much stronger than I thought it was when I was at EchoStar. I've been pleasantly surprised with the strength of our retail distribution and the enthusiasm of our distribution channel.

Just this last week, Ken Carroll, our CFO, called me and said I had to attend a meeting with all of our C-band distributors. We now, for the first time, have a national footprint, no territorial restrictions. They have been waiting for that opportunity for four years. And it's good to be in a room with people that aren't quite as jaded by some of our other issues, who are excited about selling the Primestar product. So our distribution, I think, is good and will improve.

• And obviously, if we can complete this transaction, we minimize our space segment costs to our medium-power service.

Our ownership is going to change. A lot of these names will change; some will stay the same. But for us to be successful with the Justice Department, they have been very clear that cable ownership is a problem. We've heard that loud and clear and we're going to do our best to change it. So say goodbye to this slide because the next time we talk it's going to be a lot different.

In terms of our competitive advantages:

• We do have over 2 million subscribers. That is not a bad business.

• We do have a churn problem. It's fixable. Our churn problem, I think, is a function of a model that is two years old, frankly. When that irrational competitor that I used to work for at EchoStar went to $199, we didn't do anything at Primestar. Well, now is the time to do something, and I think you will see us be quite aggressive in the market with programs to retain our subscriber base, to have a consistent channel lineup, a consistent pricing structure, and consistent retail programs. I think all that, at the end of the day, helps us from the churn perspective.

• The customers like our product. The good news is we added 70,000 subs last month. The bad news is we lost 65,000. The bad news, I think, a lot has to do with the rollup structure. The bad news is we have five different organizations that haven't figured out how to work together. The good news is those are fixable issues. We do not have a revenue-side problem at Primestar.

• In terms of converting the C-band subs, I think we have an opportunity there to take advantage of the Primestar brand. We have an opportunity to take advantage of our strong distribution, stronger than I originally anticipated. We have a very cost-effective way to convert those customers. We have a scheduling and service infrastructure. I don't think we've done a very good job of saying, "We have a lifetime service guarantee." I can tell you we have the costs for a lifetime service guarantee, and the customers need to see value in that particular cost structure or we have to change it. That has not been done. Those discussions have just begun.

Our distribution channels, as I said, are quite diverse.

• We've got a lot of TVRO dealers. They are effectively served by four master agents, all of which have been in the business a long time, two of which I tried to get while I was at EchoStar. We signed them up just last week. They are, as I said, excited about going forward with us.

• We also have full-service providers at over 300 locations. These are our larger providers — could be TVRO, could be cellular. We have a special program for those people and, generally, they are exclusive to us.

• The 1-800-PRIMESTAR is, I think, a strong differentiator for Primestar. We have a huge investment in our call center infrastructure. We have four call centers, all of which I think provide the necessary service infrastructure and a direct selling opportunity for us.

• Direct sales: 2,000 agents, generally pegged through our 1-800-PRIMESTAR number.

• We have over 8,000 consumer retail outlets, principally led by Radio Shack. Radio Shack has been a wonderful partner for Primestar, and we expect them to be a wonderful partner going forward.

We have put a lot of money into our superior customer service. Primestar's cost structure, at least relative to my experience at EchoStar, is materially higher. I don't know if it needs to be materially higher. It certainly doesn't need to be materially higher if the customers are not going to pay the premium. So we are in the process of evaluating that and, hopefully, bringing our cost structure more in line with what the market expects — and, frankly, what we can afford.

We have "worry-free" maintenance. That doesn't mean anything to me. I think "lifetime service guarantee" means a little bit more. So you'll see us change our marketing and our position. But, as I said, we have over 60 offices in the field that serve this particular function. And, as I said, if we can differentiate that and gain a premium for that, we will continue to do it. If we can't, we have to go in a different direction.

So I think that we have done a good job of service. As a result, we have the number one rating from J.D. Power & Associates. But, frankly, I don't know if we can afford it.

Right now, we have an infrastructure that's built in a medium-powered world designed to execute a high-power strategy. When the definition of all that comes together for us, I think you will see some changes as well at Primestar.

In terms of our strategy, it is really pretty simple. We are trying to migrate away from a medium-power business to a high-power business. Those keys are held by the Justice Department. We want to drive the car, so we are going to change the people sitting in the seats, basically. And, hopefully, we will be successful at the Justice Department. We may; we may not. If we are not, as I said earlier, Primestar in the medium-power business generates $1.5 billion of gross revenues; I think we can do something about the churn; and, without getting into all the details, I think we can generate just in the medium-power business — and we'd have to change our cost structure — approximately $200 million of free cash flow.

Now, that is going to take some heavy lifting from a cost perspective, but I think that is certainly doable. If we are not going forward in high power, as I said earlier, we don't need to maintain a high-power infrastructure for a medium-power business.

But overall, our goal is to move to high power. I came to this opportunity because I believe that we have an opportunity to fix the problem at the Justice Department. I'm convinced — I have talked to the shareholder group — that they're willing to do that and are willing to be reasonable. That may be an oxymoron with the Board members, but we'll see over time. But I'm confident we can do our best, at least put some opportunities in front of them that they will be able to decide on.

Primestar today is a small market play within our medium-power business. Obviously, Primestar tomorrow has the opportunity to access a great deal of extra subscribers and really get into the urban/suburban market and compete with what are very good competitors, to my left. That's all we are really trying to do. That's all I'm really trying to do. I want to get in the game. I like this game. I got a taste of it when I was at EchoStar. I like the taste. I think we have an opportunity at Primestar.

We are down, but we are certainly not out, at this point, and we have a great opportunity in the future. It's going to require some heavy lifting. Nonetheless, I think our goal, from a strategy standpoint, is to get to that next level.

In terms of revenue and subscriber growth, you really ought to talk to Ken Carroll about this, because I don't know anything about the history. But we have continued to grow our business. If we weren't interested in competing, I doubt that we would see this type of growth rate and I doubt that we would spend the type of capital that we put into this business.

I think my competitors would honestly say that Primestar is a factor in the market. We may not be that big a factor, but

I can tell you we compete at the retail shelf, we compete with the TVRO dealer, we compete with share of mind in the customer market, especially in the rural market. We have certainly been in a competitive business, and our results certainly point that out.

EBITDA follows the same thing. Our problem is free cash flow. That problem is churn. That problem is fixable. Our goal is to continue to reduce churn, and I think we have a lot of bullets in our gun to do that:

• Consistent price point is a good place to start, certainly for our basic packages.

• Lower lease fees is also something we have the opportunity to do.

• Greater execution of five disparate entities will make a big difference. Even though we have four of the five partners using the same billing vendor, those are five different databases. To integrate that and to execute those business rules is not a simple task.

So, going forward, I think we will be much more successful in managing our churn issues.

In conclusion, I think that the best is yet to come for Primestar. I'm making a personal bet on that. I think that I made that bet as an informed investor.

• We are a leading satellite provider.

• We have a good, solid core subscriber base.

• We are in a large and growing market. I think digital television, really led by the people to my left, has captured the hearts and minds of the American public, and I don't see that changing any time in the future.

• We have a great customer service infrastructure — in fact, it might be too good. Nonetheless, we have a great customer service infrastructure that will allow us to grow our business in the future.

• The economic benefits of the rollup we haven't even seen. In fact, we still, up until about four days ago, talked about the way we did it at Time Warner Satellite, TSAT, Cox, Comcast, and Media One. I don't really care how we did it at those entities; I care how we do it at Primestar. So that has just begun and, hopefully, we will get, not only strong economic benefits, but real tangible benefits from a direction perspective.

• We've got the conversion potential of the C-band subscribers. That is a good cash flow business for us, worst case. We hope to have those positions with the ASkyB transaction in the future.

• Primestar has a good management team, a dedicated group of people. They have experience, they work hard, they're committed to the business, they want to compete, and that's really all that we're trying to look at in the future.

• A strong sponsorship group. We have had strong sponsors. We are going to have different sponsors in the future.

Overall with respect to Primestar, I'm excited about the opportunity. I think there is a fair degree of up-side. There is also an incredible degree of uncertainty. But I think the future will be much brighter than the past for Primestar.

Thanks very much for your time.

Mr. Zia: Thanks, Carl.

Our next speaker is Stan Hubbard, President and CEO of United States Satellite Broadcasting. USSB was one of the earliest proponents of the DBS business, back in the early 1980s, and is now a pure premium movie provider with DirecTV under the DSS platform. With that, I'd like to welcome back, for his fourth year in a row at this conference, Stan Hubbard.

UNITED STATES SATELLITE BROADCASTING

Stanley E. Hubbard

President & Chief Executive Officer

Mr. Hubbard: Thank you.

This is a nice group to be with because if you look over at the table with all of the DBS providers represented, over the last 12 months, this group has added 2.2 million net new subscribers to the DBS business, and they did that at a time when, in the middle of that 12-month period, the cable industry very loudly pronounced — and I think this was at the Winter Show — that "the sun has set on DBS." Well, the sun has not set.

I'm going to talk a little bit about DSS. I think Eddy has talked most about that, so I will try to position USSB within DSS. But specifically for the business that we're a part of, I think that we are now in our eighth or ninth month of growth ahead of the previous month and the year earlier period. So it's an exciting time to be part of the DBS business.

Figure 1 represents what we certainly believe is strong growth. We all know the story of DBS, and I think we know the story specifically of DSS — the fastest-selling consumer electronics product ever introduced. Compared to other products — whether it's VCRs, camcorders, color TVs, CDs, or computers — DSS continues to pace ahead all the others.

Today, 3.7 million homes with a digital satellite system, can receive all of the channels and services of both DirecTV and U.S. Satellite Broadcasting, and that's true with every DSS

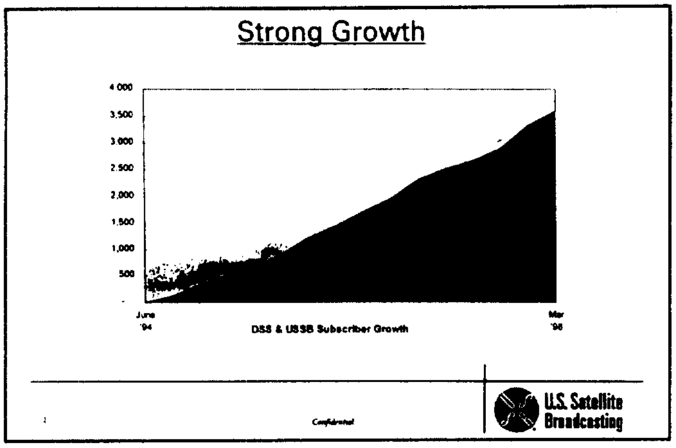

Figure 1

system that's out there; and it's going to be true when Thomson and perhaps other manufacturers build the DSS receiver into their digital television sets or digital terrestrial television receivers.

Within DSS, our business is premium movie channels. You see where we are in terms of subscribers, roughly half of the DSS business. I'll talk a little bit about our focus, but we do substantially better than other distributors of subscription television with premium movie channels. Certainly a large part of that is because of our ability and our willingness to focus.

Our revenues show the same kind of growth.

Our focus is really pure — it's premium movie channels. Going back to the early 1980s, after we had finished our agreement with DirecTV to build and launch satellites and share a system together, we chose for ourselves a niche that we thought we really could make special, that we really could excel with, and that could be an extremely important part of what is now known as the digital satellite system. We focused on premium movie channels. We wanted everything that HBO had, we wanted everything that Showtime had, we wanted the multichannel versions.

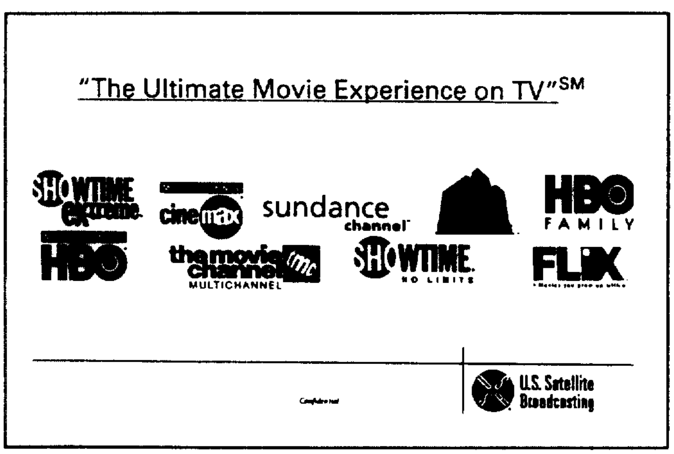

Figure 2

I think today we carry more channels, more screens, from both HBO and Showtime than any other distributor, and we do a pretty great job with it. We're in about half of the homes with a digital satellite system, and we have a substantially higher level of multi-premium households.

In March of this year, after several months of working closely with DirecTV on integrating the basic channels that we had in our packages into DirecTV's packages, DirecTV now has the largest selection of basic channels available anywhere from any subscription television provider. That also allowed us to launch some additional movie channels — FXM movies from Fox, Showtime Extreme — and there will be some announcements coming sometime this summer of some new services that we'll be doing with HBO and Showtime to add to that premium line-up.

And, just like Eddy said on DirecTV, as we have added programming since we started four years ago — and happy anniversary, Eddy — we have not increased our prices either, and we don't have an expectation to do that.

When we moved the basics out of our business, which really didn't help us, didn't help our focus, we actually increased our margins. We have an anomaly in churn, where homes that just took basic channels from us switched out, and that was reported in March. We will have an update on that coming out in a few weeks, when we report the June quarter. We moved those out. The business is stronger, as we said, based on it.

We also have the ability to bring in big events. HBO and Showtime are both leaders in boxing, and so we have taken boxing on as an important part of our business. When you look at big events on a pay-per-view basis, it could be 4% or 5% of our net revenue in a given year. If we could get Tyson back, it might even be bigger than that.

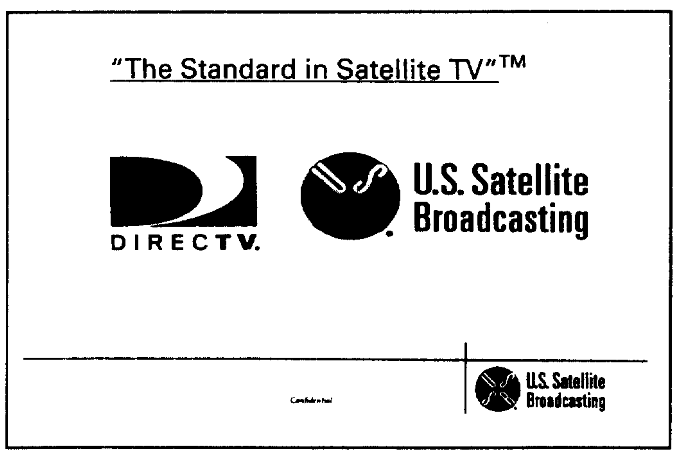

Figure 3

With the premium movie channels that we deliver, with the basic channels and sports and the really unprecedented lineup that DirecTV has, which together bring more than 225 channels to the digital satellite system, with the brands that manufacture and distribute DSS, I think what we have really accomplished over the course of four years is to become the standard in satellite TV.

The digital satellite system is the only subscription television service available anywhere that has two programming providers, not just one, and that is, we believe, an important, and certainly an interesting, consumer dynamic, and a differentiating dynamic from what anyone else has, and I think certainly what any other provider will have.

We work closely with DirecTV because we do share the system, we do share the universe of homes. Today, I believe, 1 in every 26 American households has a digital satellite system.

We work on promotions. Eddy talked about some programming promotions that we invest in together, that we work on together with retailers. We work closely together to build growth.

Rick Westerman talked about the importance of local television channels to DBS. Absolutely, although we differ from EchoStar in approach, we think that the approach to local television has to be as close to a 100% solution as it possibly can be, and we believe that the only way to do that is by allowing American families to understand that with an antenna they can get local television stations with better picture and sound, and always free.

Remember the days before cable. U.S. household penetration of television was over 95%. Antennas worked well. And particularly, people in the fringe areas understand them because cable came last to them.

So, together with DirecTV, we founded the Antenna Education Coalition. We brought together most of the world's antenna manufacturers, the Consumer Electronics Manufacturers Association, the National Association of Broadcasters, Thomson, and Sony, and some others, into a pretty great group.

We have come up with a public relations campaign. There was an article a few weeks ago in *U.S. News and World Report* that finally says: "You know what? You can get local TV without cable" — which, believe it or not, comes as a surprise to a lot of consumers. This is something that will not just benefit DSS, it will benefit this whole industry, because people do believe you can only get local stations with cable, and that's not true.

Not that we're here to try to promote local TV over our system, but we know from our research that if people don't believe they can get local TV, they will not choose a competitor to cable, like DBS. With almost 75% of our new customers today coming from cable, that is important.

Starting at the end of this month, in Minneapolis/St. Paul, Indianapolis, and Philadelphia, there will be a pretty sophisticated mapping program. Walking into any DSS retailer, you will be able to see where you live and point to a spot on the map where your home is. The mapping technique we have used takes into account real terrestrial signal propagation issues, including buildings and terrain. If you are in a blue area, for example, you'll be able to go over to Circuit City and they'll say, "Here's your good, better, best antenna solution," based on the brands and the models that they carry. If you're in Best Buy, there will be a different set of brands and models. By the end of this year, by the holiday season, that should be rolled out across the country in every retailer. I certainly believe that is going to be one of the most important things that this industry can do to accelerate our growth even further.

As the terrestrial TV industry goes to digital, that is going to be an important change in the way people receive and view their television sets. It will be an important change in the way retailers and manufacturers present their television sets.

In a digital terrestrial world, even in a market like Manhattan, where local signals are the most difficult to get, signal strength is really the only issue. As long as there is an appropriate signal strength, you will be able to get crystal-clear signals with an antenna in a place like Manhattan. That is going to help transform the industry, and retailers and manufacturers and local broadcasters are finally going to have a vested interest to help us tell American families the story of how you can get local TV without cable.

We work with DirecTV on distribution, including retail promotions. We worked with them on recently completed, soon-to-launch agreements with some telephone companies to distribute DSS to their customers. I know we'll all be talking and hearing more about that in the months ahead, as we go through 1998.

And certainly, there are lots of things that we haven't even been able to address that we will be able to do with DirecTV over time. I think Eddy shares my view and my commitment, that we will do what is best for the subscribers and what is best for the long-term growth of this business.

We have talked in the past about potential opportunities at 110° and 148°. We do have an authorization for three transponder frequencies at 110° and we do have an authorization for eight transponder frequencies at 148°. And, I think, from the time of our IPO back in January 1996, we have always cautioned, "Don't give us any credit for these opportunities, but we're going to try to make something of them." But also, don't look at them as a liability, because we are not going to build a business that is going to put any significant liabilities on the business that our shareholders have invested in and shown confidence in us for.

We recently saw that both DirecTV and Tempo turned in their Western locations. I think DirecTV had 157° and Tempo had 166°. At 148°, which is a slot that doesn't cover much of the United States — we are still reviewing our options — I think that one of the things that people should expect is we probably will turn those back in to the FCC. At 110°, we continue to put together a business plan which, as has been discussed, is an Internet-to-home-via-satellite business, but we will not do it unless we put together the appropriate strategic and financial relationships to make that happen and move forward as an independent business. But again, I would ask anyone not to give us credit, but also not to look at it as a liability.

Our movie focus has positioned us very nicely in the business that we share with DirecTV. We have built a business certainly with mixed confidence from Wall Street. We hope that we continue to earn confidence and we hope that Wall Street will, sooner rather than later, recognize value where it doesn't today.

We still have a strong balance sheet. We have over $80 million of cash and equivalents. We have no debt. We have more than enough cash and equivalents to take us through our stated goals and our own expectations of positive cash flow in 1999 and real, bona-fide, sustainable earnings in the year 2000.

MR. ZIA: Thanks, Stan.

QUESTIONS & ANSWERS

MR. ZIA: Carl, on the ownership restructuring of Primestar you alluded to, should we assume that would mean a complete disposition by the cable companies? And would that imply a new investor would be coming in; and, if so, any hints on who that might be?

MR. VOGEL: No hints. I think the Justice Department is clear on what we need to do. My goal is to try to accommodate those demands to the greatest extent possible, given the financial capacity of the market at the time. So whether or not it's a complete takeout or something pro rata, I can't comment. My preference is a complete takeout, because I think that is what Justice has asked for.

MR. ZIA: For the rest of the panelists, each of you has shown an acceleration in subscriber growth over the past year. To what do each of you attribute the success, and what do you think it will take to sustain that success?

MR. WESTERMAN: In EchoStar's case, I think our success in year-over-year growth has come primarily from expanding our distribution capabilities. Today, we are in about 12,000 points of sale. By the end of the year, we will be somewhere north of 15,000 points of sale, the balance of that growth being primarily consumer electronics-driven, where we have a relatively smaller presence today.

I think that in our particular circumstance we have been extremely successful with the TVRO industry. Those folks rely on sticking dishes in the ground to put food on the table for their families. We have been able to pretty successfully win the battle for their hearts and minds by putting dollars in their pockets.

MR. HARTENSTEIN: I would summarize quickly by saying a simplification of the consumer offer on all fronts, both a simple solution and an attractive offer, which we have I think brought to the market, and promoting the same and stepping up the level of promotion; continuing our quality level of product that we are delivering, and the overall value proposition that customers have come to appreciate from us, both in the dollar value and on a comparative basis to what they can get from cable. Three-quarters of our new subs are coming from cable homes. And finally, most importantly, as we approach 4 million, it's the positive word of mouth that we are getting.

MR. ZIA: Stan, you alluded to 2.2 million additions over the past year. Any projections for the next 12 months?

MR. HUBBARD: I will not make projections, but I'll just add a little to what Rick and Eddy said. We know from research that the number one place that people get information on buying a satellite system is from someone they know that has one. One in 26 families has DSS — I don't know what the number is for EchoStar or Primestar. But there's just a better understanding out there. All of us, the manufacturers and the retailers, are better at telling the story more simply. I think that we should expect to see continued strong sales as we go through the next 12 months and beyond.

QUESTION: Would a spinoff, like the TSAT program in which they spun off to their shareholders, be a viable alternative for Primestar?

MR. VOGEL: I don't know. I think it's certainly one of the alternatives that we are looking at. I think a better alternative from the Justice Department's perspective is to change the complexity or the constitution of our Board. In that scenario I'm not quite sure who my Board members would be, and I would have to define that to the Justice Department.

But from my perspective and the rest of the people at Primestar, we are trying to put together a scenario that works for Justice and works for our shareholders based on the information we have at the time. We are not going to go back with a menu approach; we are going to go back, hopefully, with a solution. Although that may be *a* solution, I am not so sure that is *the* solution. But it certainly could go a long way.

But to comment on any one preference versus another, or the probability of Justice's approval on any scenario, would be very difficult to do.

Question: With the cable industry having data and interactive services in the next couple of years, how do you plan to match that?

Mr. Hartenstein: If you look at the applications that exist today and the applications that are being proposed in the future, there is no huge difference in terms of the signature of those vis-à-vis their asymmetry. Hundreds of kilobits of download, megabits — I mean, hell, we can do that; we've been doing that for four years.

The back channel is the question, and there are very few applications that I have yet seen, or seen proposed, that require anything more than you can already pump through the existing back channel we have with every one of our subscribers, the built-in modem that we have in our settop boxes and the phone line connection.

The question is how much bandwidth you have to do that. We have a good amount reserved. As I indicated before, with the additional platforms that we are putting up, both the Galaxy III-R and the spectrum that we have available to us at 101°, I think we will be there to serve all of those. Our strategy is going to be to embrace the best ones and incorporate the operating systems on our advanced settop boxes that will enable those.

We are doing all of that. We've got many more engineers working at DirecTV today than we did when we first launched this, and we're looking at all the applications for that.

Mr. Hubbard: If I could just add to that, I think one of the things that we also always need to remember is you can't compare the efficiency of the cable distribution plant to the efficiency of any one of our DBS systems. DBS is certainly the most efficient distribution system ever devised.

You also have to remember that people love to watch television; it's the way that they entertain their families. We know that our customers aren't rich families; they are families with very average income, household income in the mid-$40,000 range, very average lifestyles. When cable rolls out its digital television tiers, I think that is going to be great for this industry, because they are going to have to start telling people about multichannel HBO and multichannel Showtime; they're going to have to tell people about immense pay-per-view capabilities and other viewing options. That is going to put people into a mode of making some decisions, and when people are making decisions, that is certainly when and where we want to be there.

The other thing that will happen is if you look at their basic lineup, which is going to continue to largely be on their analog distribution, and when customers are told of the quality of the digital signals and the kind of a choice, and even when they get them, I think those cable customers are going to be hard pressed to accept the quality of picture and sound that will continue to come on that analog tier.

Mr. Westerman: I would agree with both those comments. We certainly don't think that the asymmetric nature of the distribution will be a limiting factor at all in terms of data services. We plan to roll out product sometime in the fourth quarter. By the end of the summer, we will have a card from Adaptec with a satellite receiver built into it; and by Christmas time, we will have a satellite receiver that has a WebTV-like capability built into it so that you can view Internet data over the television as well.

Question: Can you discuss the more aggressive steps EchoStar has taken in terms of getting new subscribers?

Mr. Westerman: We have pretty much taken the lead in terms of reducing the up-front cost of getting into satellite television. I think we have probably been the most aggressive in terms of promotions and bringing on new customers. Around this time last year, we introduced a new package with a lower price point that dropped our average revenue per sub from roughly $39.50 down to $38.00.

What we have done since then is to expand our programming packages by adding new channels and raising prices. At the same time, we also announced to our dealers — we had 700 of them at our headquarters last week — that we are going to be coming out with a new package of services with more channels at an even higher price point, which we think will drive customers more to our mid-range package, which will have the effect of increasing revenue per sub. So we fully expect to be north of $40 by the end of the year.

At this point we are primarily focused on getting subs in the door. I think probably a year from now and going forward, as you see year-over-year trends begin to decline, we will really become more aggressive in terms of trying to up-sell our existing base.

Question: Carl, you mentioned your preference for a complete takeout versus pro rata. Can you expand on what you meant by that?

Mr. Vogel: A complete takeout is roughly, I think, 117 million shares. Put whatever price you want on it, that's a big number. That is my preference, and I believe that to be the preference of the Justice Department. Certainly from a corporate finance perspective, I would rather have it be pro rata, but I don't think that gets us to where the Government is asking us to go.

I can't predict if anything we do is going to get us where the Government wants us to go, but I think that goes a long way. As I said in my presentation, we are all ready, willing, and able to compete. Our cable partners have invested a lot of money and time in this business and have been after the 110° slot for over four years in various consternations. So there is no lack of effort in approach.

But predicting whether or not we will be successful at Justice is not a recipe for success. We are just going to have to put together what we think is a financeable alternative, present it to our existing controlling shareholders, see if they accept it, and then bring that proposal to Justice.

Certainly from the financial perspective, I think pro rata is a great idea, but I don't know that that's where we need to be at the end of the day.

QUESTION: Can you all talk about what's happening in terms of box costs and what impact that has on subscriber acquisition cost?

MR. VOGEL: Mine are way too high, frankly. We're in a Digicipher-1 technology and paying way too much money. If we remain in Digicipher-1, we are going to de-feature the box and bring the cost down materially so our net cost of churn is less. If we go to the high-power model, I think we have the opportunity to bring new partners that are already in the business to our box platform, which will bring down the cost in the Primestar model.

I've got a pretty good idea of what EchoStar's costs are, so I know what the target is. I think in Primestar's case, we have a box that you could run over with a garbage truck and it wouldn't break. I don't know a lot of guys that are running over their boxes with garbage trucks. I think we have a great opportunity to significantly lower the cost of the Primestar box — maybe not all the way to where our competitors are, because, frankly, they are ahead of the game from a design perspective — but we have a big opportunity at Primestar.

MR. HARTENSTEIN: From our perspective, in a few weeks our lead manufacturer, Thomson, will announce that it is building its 5,000,000th DSS receiver. When you think about that, that's a pretty astounding number. North of 20% of our subscribers now have more than one receiver in their homes, and, given our distribution breadth, there is obviously a huge pipeline requirement.

Our other manufacturers are very quickly coming up to speed. Our sister subsidiary, Hughes Network System, will be building north of half-a-million DSS receivers this year alone, and that doesn't count Sony and some of the others. Generation-4 product is coming from Thomson later this year. So I think that is indicative of where costs are going — downwards — and you see the price being reflected at retail.

While the cost is going down, the feature set is going up, and we're looking at additional feature sets beyond what we're talking about: an ATSC layer for digital terrestrial in our first/second-quarter-next-year boxes as an option; Dolby-Digital, which we are starting in two weeks, as an option for the audiophiles, and I think what will become standard as part of the high-def boxes; and then, the other enhanced guide interactive type of boxes, the boxes that are going to have an on-board 2-gigabyte hard drive on them, that we're looking for early next year. As the costs of other technologies are coming down, I think it is going to become feature-rich at far lower prices than when we launched this four years ago to the day.

MR. WESTERMAN: Our subscriber acquisition costs have been declining steadily over the past year. The first quarter of last year, they were north of $400. In the first quarter of 1998, they were roughly $250. The primary reason for that decline was engineering hardware costs out of the box.

We will be introducing our third-generation box this Fall. We just shipped, I think, approximately our 2,500,000th box. Our third generation of hardware will bring our average price point — because we have a range of models — down to the very low $200 range. We think there is an integral relationship between box cost and subscriber acquisition cost, because you can't justify going out and paying north of $400 for a subscriber when you're making a box for less than $200.

Having said that, we feel very comfortable paying somewhere around the $300 range to bring on new subscribers, with current churn levels where they are.

QUESTION: Has Primestar explored the possibility of hiring an investment banker?

MR. VOGEL: No, we have not engaged a banker at this point. We have had no lack of interest, I'll say that, and we have had no lack of interesting proposals from a number of bankers that are soliciting us for our business. I think you will see us do something in the near term, but we haven't engaged anybody at this point.

QUESTION: Are there interesting international opportunities that you are pursuing?

MR. HARTENSTEIN: I am going to interpret that question as operating DBS-type businesses. The answer is yes, and we are there. DirecTV as a branded product is available now in 12 countries in Latin America through our Galaxy Latin America partnership, of which Hughes Electronics is a 60% owner. That business has been up and running two years.

In mid-December of last year, which would make it now about six months old, we launched a business in Japan, DirecTV Japan. Those are nascent businesses — certainly the Japanese business is. We are approaching 150,000 subscribers in Japan already, and we are north of 350,000 with our partners in Latin America.

We are looking at other places of the world where there may be opportunities. But, frankly, we have not found one that we are ready to light on yet or found the right set of partners, so I would call it sort of a market monitoring and observation role.

To echo one of Carl's comments, there is no shortage of interest from the far corners of the Earth for this, for all the obvious reasons of it being a very efficient means of distribution for delivery of entertainment, information, and data. So we will constantly be looking at those opportunities from the DirecTV perspective.

Mr. Vogel: At Primestar, we have a full plate here in the United States. But I have been involved with a company called Star Choice Communications, which has the same technology platform we have at Primestar. There may be an opportunity in the long run to do something more on a North American plan. North America is certainly where Primestar will focus in the near term. But beyond that, I think we will stick to our knitting at home.

Mr. Westerman: As far as EchoStar is concerned, we have partnered with two international telephone companies, one being Bell Canada and its Express Vu DBS service, which is marketed under DISH Network Canada; the second being Telefonica, the Spanish telephone company and its Via Digital service, where we are the primary digital receiver supplier.

At this point, we are looking at a number of different ventures around the world, so we are fairly optimistic that we will be doing increased international business going forward.

Question: Carl, you mentioned restructuring the settop boxes and leases. How sustainable is that model going forward?

Mr. Vogel: The presumption is that we maintain a fairly consistent subscriber base and that we lower our lease payments. I come from the school of thought that although dish size is important, programming price points are as or more important. We do have a subscriber relationship with the customer and there has to be a true reason to leave.

The way I get to that $200 million of free cash flow is essentially by having a consistent revenue stream of about $1.2 billion — and that is taking into account our planned reduction in our programming price points — and operating that business at about a 30% margin, which is very doable given our current structure, and having a cost including churn of roughly $360 or $370, and that is essentially redeploying the boxes rather than buying new.

In that model we have a good business. It's not, as I said earlier, as exciting as Eddy's business, but it is a sustainable, significant, multichannel television provider. And the game isn't over either at 110°. I can assure you that if we are not successful at 110°, we will continue to certainly go forward on a medium-power basis. But we will also attempt to find a high-power solution, as maybe some of the regulations change. We are not done is the short answer.

But, without getting into specifics, I think it is really taking the business down to a pure subscription television business, reducing the infrastructure. As I said, we have duplicative infrastructure right now because Primestar has been trying to go high-power for four years. So I think there is an opportunity to reduce costs.

I can guarantee you we will significantly de-feature the box. And I think when we do all that, we have a good business opportunity, certainly for our bond holders — not as an exciting equity story, but clearly a sustainable business.

Mr. Zia: I'd like to thank all our panelists.