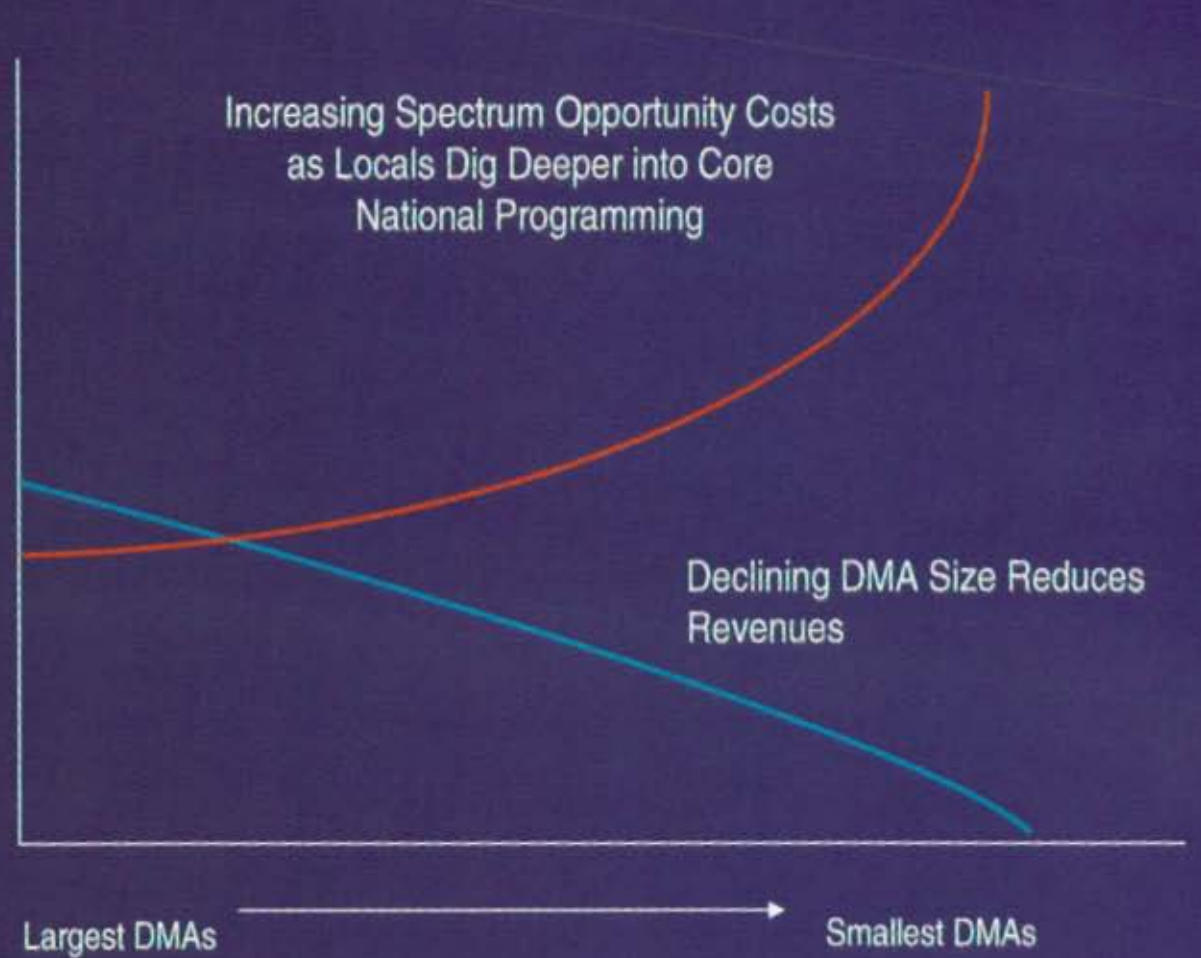
Pre-Merger Local Channel Economics
Costs vs. Benefits

$ Costs

- Opportunity Costs (lost rev. from certain programmers and premium content, loss of current subs, loss of future rev. flows and future subs)
- Direct Costs (backhaul costs, satellite capacity, retrans. fees, ground facilities, etc.)

$ Revenue And Other Benefits

- Local Sub. Fees
- Subscriber Lift due to More Effective Competition with Cable in Limited Areas



Projected Number of DMAs Each Company Will Serve on a Standalone Basis

- DIRECTV: Approximately 70 With DIRECTV 7S (51 without 7S)
- EchoStar: Approximately 50 With EchoStar VII and VIII

Outline of Presentation

- ☑ Brief technical overview of DBS service configuration
- ☑ Current DIRECTV/EchoStar spectrum utilization/programming duplication
- ☑ Each company's ability to provide local service in a limited number of cities
- "Local Channels, All Americans" becomes feasible with the merger
- The merger will free up spectrum for more High Definition Television, near video on demand, interactive services, ethnic programming and better service quality
- Transition process

New EchoStar 1
Current Plan

- If the EchoStar-Hughes merger is successfully consummated, New EchoStar will procure, launch and operate a New EchoStar 1 satellite.
  - Model: TBD
  - Possible Launch Date: Approx. 2 years after the merger closes
  - CONUS slot: 110
  - No. of Transponders: uses 8 DBS frequencies over 38 spot beams for 54 equivalent transponders
  - These frequencies will utilize capacity recovered by eliminating duplicative programming
  - Expected End-of-Life: +15 years after launch

New EchoStar 1, Cont'd

- Supplements spot-beam coverage of DIRECTV 4S and 7S, and EchoStar VII and VIII
- Combined with other satellites, allows service to all 210 DMAs
- Costs approximately $300 million total (satellite, launch, insurance, etc.)
- Supporting ground infrastructure requires additional cost
- Supports achievable transition plan for existing customer base

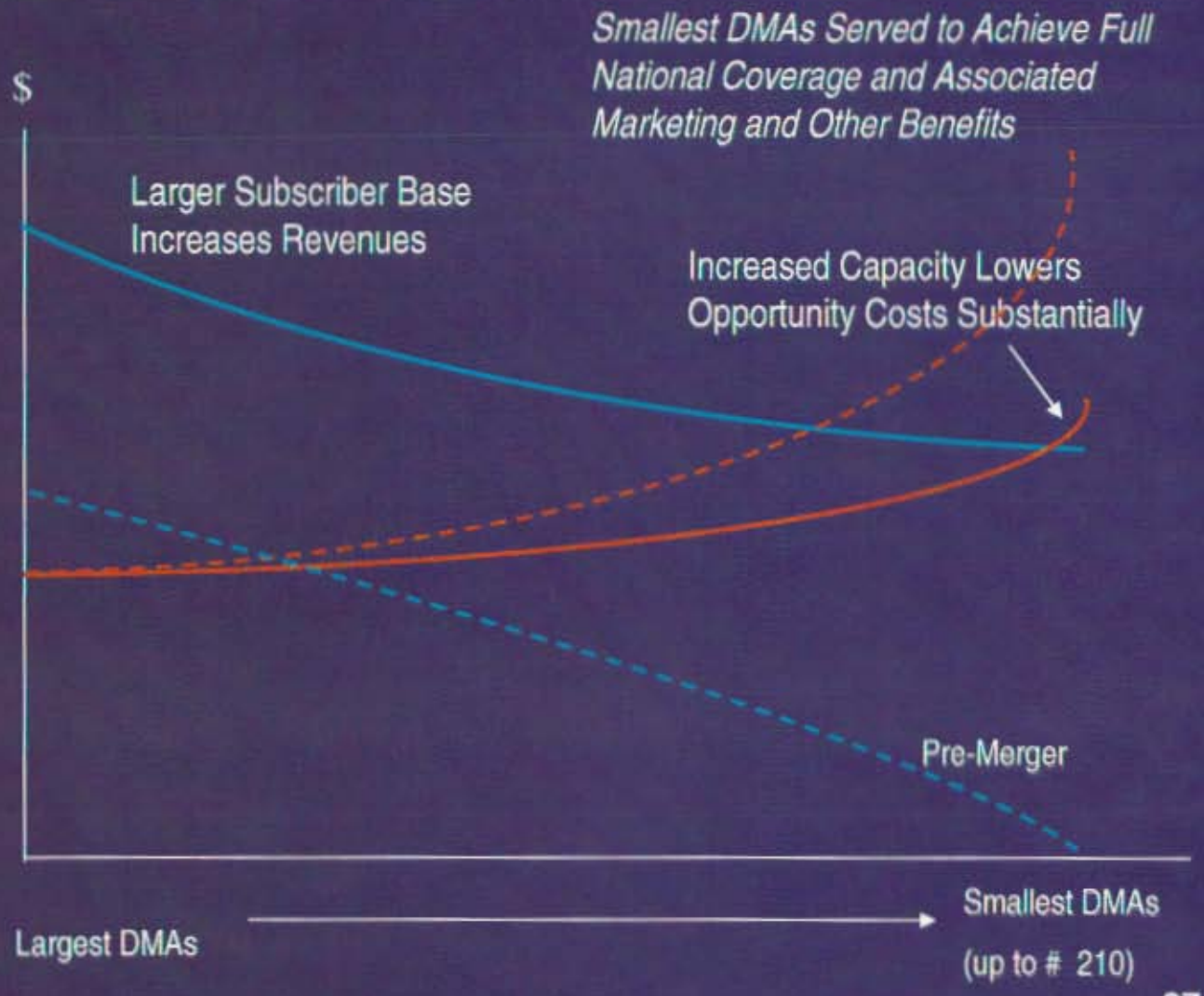
Post-Merger Local Channel Economics
Costs vs. Benefits

$ Revenue And Other Benefits

- Locals Sub. Fees Increase with Subscriber Base
- Inc. Subscriber Lift with Full Local Coverage
- True Nationwide Competition with Cable

$ Costs

- Direct Cost Savings due to Consolidation
- Opportunity Costs Are Reduced Substantially due to Spectrum Efficiencies



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Post-Merger Spectrum Usage

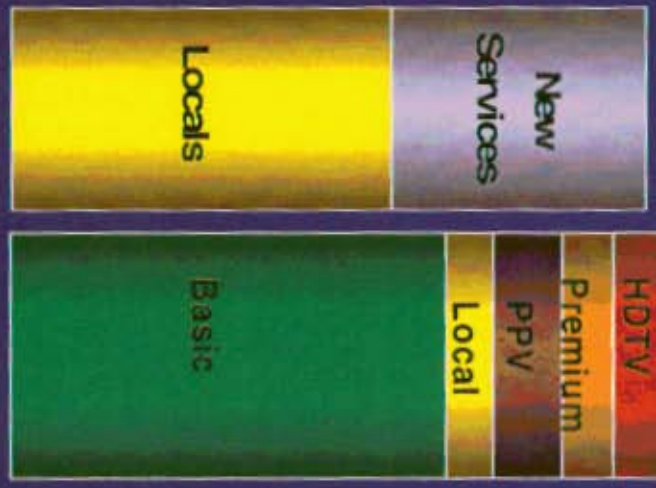
WEST WING

148°

24 transponders

CONUS

101°, 110°, 119°



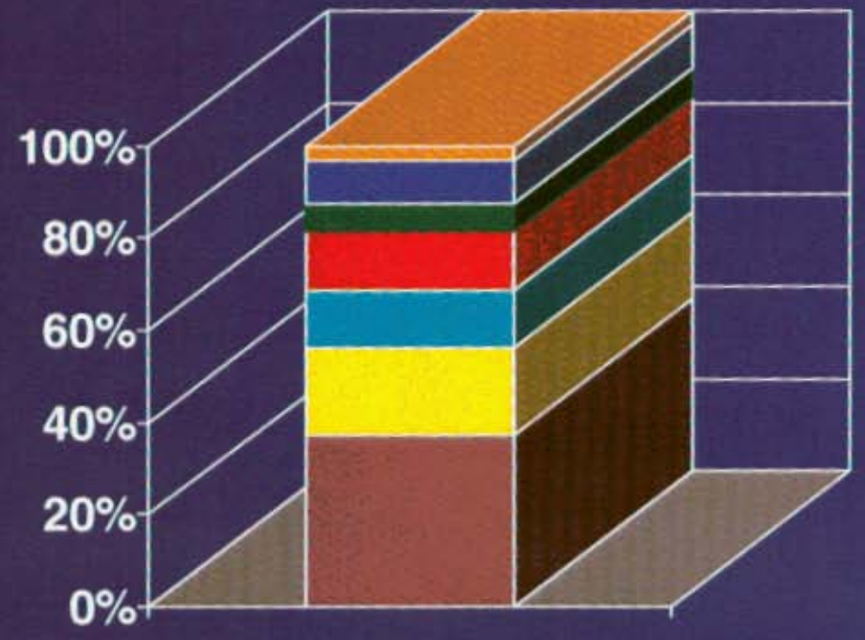
96 transponders

EAST WING

61.5°

17 transponders

Potential New Services



- Public Interest
- Foreign Language
- Interactive
- HDTV
- NVOD / PVR
- General Interest & Niche Programming
- Locals

For Illustrative Purposes only

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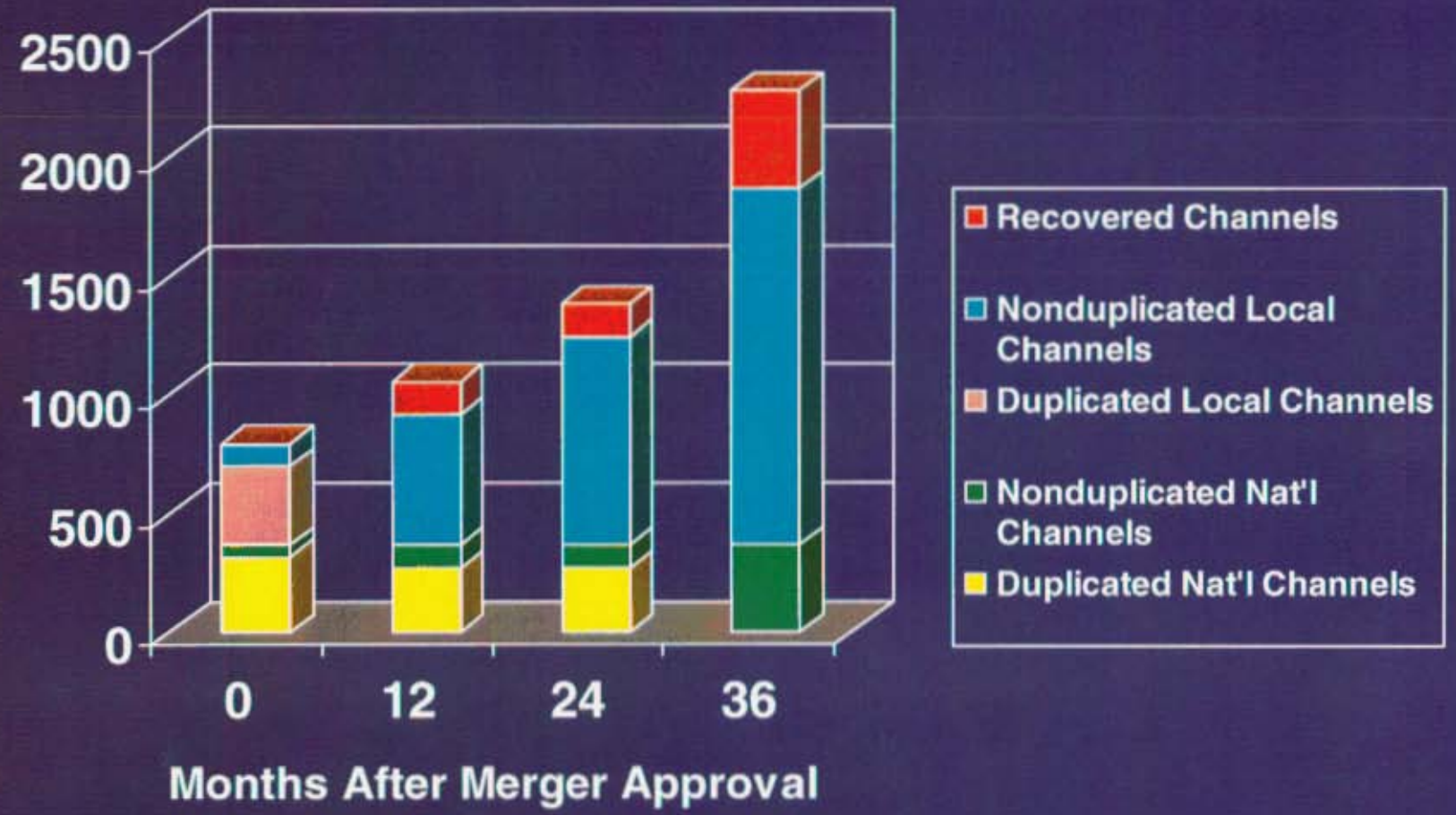
Phased Spectrum Recovery

- Deploy "dual speak" set-top boxes, and triple-LNB dish capable of receiving signals from three orbital locations to all *new* subscribers. Move all DISH Network subscribers to DISH 500, dual LNB system.
- Migrate selected programming and associated subscribers to single platform, in order to free currently used spectrum:
  - Spanish Language and International Services
  - HDTV
  - Selected Locals
- Use EchoStar-VII & VIII to accelerate service to new local markets prior to DIRECTV 7S and New EchoStar 1
- Ultimately place all "core" programming at either 101 W.L. or 110 W.L. orbital location, eliminating duplicated programming and freeing *national* capacity.

Post-Merger Spectrum Recovery



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