July 31, 2002

Dear Sirs,
As a satellite retailer for Echostar Satellite Corporation we strongly oppose the merger. Over the past year we find that Echostar is unwilling or unable to respond to the needs of it's retailer partners and it's subscriber base. The current instability of Echostar's National service & installation capabilities should be of great importance to decision makers as well as stock holders. This information is just now coming to light in the media and represents a significant threat to DBS subscriber satisfaction.

The Retailer Problem.
Since the early days at DISH Network, the ability to make money in the retailer business was almost exclusively tied to attracting new subscribers. Residual income was slow to build and was also tied to new subscriber acquisition. Through the glory days of satellite retailing (1997-2000), sales were brisk and retailers were able to generate sufficient revenue through activation to absorb the costs associated with customer service. At that time DISH was paying us $40 for most service calls…not sufficient really to cover expenses…but the activation income made it worth doing. The retailer compensation package at that time was workable but unstable because it required constant growth.

By June of 2000, the economy began to turn. New activations began to slow. Retailer advertising costs doubled…not as many people were buying things and consumer belts began to tighten. The crushing blow came following 9/11. Time Warner's bad debt began running to Echostar…and became their bad debt. Charlie Ergen responded by requiring retailers to credit qualify customers at their own expense as a means of controlling churn. The Customer Retention Program (CRP) was instituted to make "high churn" retailers pay a significantly higher wholesale cost. This resulted in a 28% drop in new activations and higher operating costs as retailers scrambled to find ways to improve customer service enough to control their churn. This is when I first started contacting Jim Defranco at Echostar about the problem. Activation income was no longer sufficient to support a service department. Retailers began tightening their belts too. I laid off employees, closed the showroom and reduced the size of my service fleet. Retailers that were undercapitalized or slow to respond to market changes began to fail.

By February of 2002 things were dismal. Many retailers were bankrupting. Again I contacted Jim Defranco and begged for policy changes. Things began to change…but not the way I'd hoped. The time period retailers are required to assume full financial responsibility for their new subscribers doubled. More "chargebacks" resulted in less activation and many dealers found themselves sliding into the dreaded "red" category of the CRP. Retailer associations and message boards were full of rumblings. Calls and e-mails from retailers began to go unanswered at Echostar…communication lines were closed to a great extent during this period. Retailers who pressed the issue were deemed "troublemakers". This is about the time that we began hearing similar rumblings from disgruntled employees inside Echostar. By the end of May things started changing for the worse. Echostar instituted new policy changes related to Digital Home Plan (DHP) service compensation and began to force service work out of the hands of retailers and into the lap of DNSC. Retailers lost yet more revenue. DNSC is now buckling under the strain of the load. My customers now call to say they have actually been refused “Free In-Home Service” by DISH. New co-op advertising guidelines now prohibit mentioning a service plan. Low employee moral and high employee turnover began to reduce DNSC’s ability to effectively install and repair satellite equipment. The reason retailers are so vocal about this issue right now is that the resulting consumer dissatisfaction has further increased retailer churn rates, causing even more chargebacks and reducing both activation and residual income for the retailer. Retailers by this time have become furious with Echo and now voicing their opinions loudly to distributors and sympathetic Echo employees; still no help or communication from Echo.

Retailers are on the verge of all out revolt. Customers who were promised “Free In-Home Service” are not getting it and they are showing their displeasure by disconnecting service at an alarming rate. Antidotal evidence suggests many departments inside Echostar are crumbling. And still no answers or co-operation to resolve these problems. Echostar relies on retailers to attract new subscribers. Last year we were responsible for 80% of their growth. I do not believe Echostar won’t help us…I believe they can’t. Some retailers believe Echostar’s intention is to force us out. I don’t share that belief. No competent CEO would intentionally discard the majority of his company’s growth capability, especially when the cost of maintaining those capabilities is so inexpensive and directly tied to bringing in new revenues. I believe that cash flow is at the root of the problem. Whatever the cause…the result is still the same. Charlie Ergen has crippled the retailers.

Thank you for you consideration,
David Nopanen, Alpine Satellite