GENERAL MOTORS CORP
Form PRER14A
July 11, 2002

AMENDMENT NO. 2 TO

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the registrant x

Filed by a party other than the registrant o

Check the appropriate box:

x Preliminary proxy statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

o Definitive proxy statement

o Definitive additional materials

o Soliciting material pursuant to Rule 14a-12

GENERAL MOTORS CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (Check the appropriate box):

x No fee required.

o $125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid: ______

(2) Form Schedule or Registration Statement No.: ______

(3) Filing party: ______

(4) Date filed: ______

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such State.

PRELIMINARY DRAFT DATED JULY 11, 2002, SUBJECT TO COMPLETION

Solicitation of Written Consent of General Motors Corporation Common Stockholders

Information Statement for EchoStar Communications Corporation Common Stockholders

PROSPECTUS OF

HEC HOLDINGS, INC.

Class A Common Stock and Class C Common Stock, par value $0.01 per share

The Separation of Hughes from GM and the Hughes/EchoStar Merger

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GM is asking GM $1 2/3 par value common stockholders and GM Class H common stockholders to approve certain matters relating to the following transactions:

- **the separation from GM of the business of Hughes Electronics by the distribution to GM Class H common stockholders of up to 1,046,014,137 shares of Class C common stock of a newly formed company, HEC Holdings, Inc., that will own all of the outstanding stock of Hughes; and**

- **the combination of the businesses of Hughes and EchoStar Communications immediately after the separation by the merger of EchoStar with HEC Holdings, which will issue up to 427,605,611 shares of Class A common stock to EchoStar s Class A common stockholders and up to 326,623,573 shares of Class B common stock to EchoStar s Class B common stockholders. The combined company will be renamed EchoStar Communications Corporation.**

The Hughes/EchoStar merger has already been approved by the stockholders of EchoStar. Therefore, EchoStar is not asking its stockholders to take any further action.

As a result of these transactions, GM Class H common stockholders will receive one share of Class C common stock of the new EchoStar in exchange for each share of GM Class H common stock they own and EchoStar Class A common stockholders will receive about 1.3699 shares of Class A common stock of the new EchoStar in exchange for each share of EchoStar Class A common stock they own.

The Class A common stock and Class C common stock offered by this document will be listed on either the New York Stock Exchange or the Nasdaq Stock Market under the symbols and , respectively.

WE URGE YOU TO READ THIS DOCUMENT CAREFULLY, INCLUDING

THE SECTION ENTITLED RISK FACTORS THAT BEGINS ON PAGE 50.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these transactions or the securities to be issued in connection with these transactions. In addition, neither the Securities and Exchange Commission nor

any state securities commission has passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This document, which is dated , 2002, is a combined Consent Solicitation Statement of GM and Information Statement of EchoStar, as well as a Prospectus of HEC Holdings, and is first being mailed to the stockholders of General Motors and EchoStar on or about , 2002.

To the GM $1 2/3 par value common stockholders and the GM Class H common stockholders:

General Motors is proposing to separate the business of its Hughes Electronics subsidiary from GM by exchanging one share of Class C common stock of HEC Holdings, a newly formed subsidiary of GM that will own all of the outstanding stock of Hughes, for each outstanding share of GM Class H common stock. Immediately after the separation, the businesses of Hughes and EchoStar will be combined by the merger of EchoStar with HEC Holdings, which will issue shares of Class A common stock and Class B common stock to EchoStar s common stockholders. The new company formed in the merger will be named EchoStar Communications Corporation. The new EchoStar formed by the merger will continue to provide multi-channel subscription television service under the DIRECTV brand name. The Hughes/ EchoStar merger will create one of the nation s largest subscription television platforms, with about 17.5 million subscribers based upon the combined number of subscribers of Hughes and EchoStar as of March 31, 2002.

As a result of the transactions, the GM Class H common stock will be eliminated and GM will no longer have tracking stock. The GM $1 2/3 par value common stock will remain outstanding and will be GM s only class of common stock after the transactions. Immediately before the separation of Hughes, GM will receive a dividend from Hughes of up to $4.2 billion, and GM s retained economic interest in the financial performance of Hughes, which is currently about %, will be reduced by an amount that reflects the dividend. If GM continues to hold any retained economic interest in Hughes after that reduction, it will receive a corresponding number of shares of the new EchoStar Class C common stock as part of the transactions.

Upon the completion of the Hughes/EchoStar merger, based on assumptions described in this document:

the new EchoStar Class A common stock would represent about % of the outstanding common stock of new EchoStar and about % of the total voting power of new EchoStar;

the new EchoStar Class B common stock would represent about % of the outstanding common stock of new EchoStar and about % of the total voting power of new EchoStar; and

the new EchoStar Class C common stock would represent about % of the outstanding common stock of new EchoStar and about % of the total voting power of new EchoStar.

THE BOARD OF DIRECTORS OF GENERAL MOTORS HAS UNANIMOUSLY APPROVED THE TRANSACTIONS AND RECOMMENDS THAT YOU VOTE TO APPROVE EACH OF THE PROPOSALS SUBMITTED FOR YOUR APPROVAL BY EXECUTING AND RETURNING THE ENCLOSED CONSENT CARD OR SUBMITTING YOUR CONSENT THROUGH THE INTERNET OR BY TELEPHONE AS SOON AS POSSIBLE.

GM has already approved the Hughes/EchoStar merger as the sole stockholder of both Hughes and HEC Holdings. However, other aspects of the transactions require GM common stockholder approval and, accordingly, none of the transactions will be completed unless this approval is obtained. If the GM $1 2/3 par value common stockholders and GM Class H common stockholders, each voting separately as a class and voting together as a single class based on their respective per share voting power, do not approve the transactions, Hughes will remain a wholly owned subsidiary of GM and neither the Hughes/ EchoStar merger nor the GM/ Hughes separation transactions will occur. Therefore, your vote on these matters is very important. This document contains important information about the GM/ Hughes separation transactions and the Hughes/ EchoStar merger. **We urge you to read this document carefully, including the section entitled Risk Factors that begins on page 50.**

We strongly support the separation of Hughes from GM and the combination of the Hughes and EchoStar businesses, and we join with the board of directors of General Motors in enthusiastically recommending that you vote in favor of the transactions.

G. Richard Wagoner, Jr. *President and Chief Executive Officer* *General Motors Corporation*	Jack A. Shaw *President and Chief Executive Officer* *Hughes Electronics Corporation*

To the common stockholders of EchoStar Communications Corporation:

We intend to combine our business with the business of Hughes Electronics pursuant to a merger that will be completed immediately following the separation of the business of Hughes from its current parent company, General Motors, by means of a split-off of HEC Holdings, a newly formed company that will hold all of the outstanding stock of Hughes immediately prior to the split-off, to the GM Class H common stockholders. Immediately after the split-off of HEC Holdings from GM, the businesses of Hughes and EchoStar will be combined pursuant to a merger of HEC Holdings and EchoStar. The surviving corporation in the merger will be named EchoStar Communications Corporation and will be the issuer of the shares of Class A common stock and Class B common stock that EchoStar common stockholders will receive in the merger. The new EchoStar formed by the merger will continue to provide multi-channel subscription television service under the DIRECTV brand name. The Hughes/ EchoStar merger will create one of the nation s largest subscription television platforms, with about 17.5 million subscribers based upon the combined number of subscribers of Hughes and EchoStar as of March 31, 2002.

In connection with the Hughes/ EchoStar merger, each of you who holds EchoStar Class A common stock will receive about 1.3699 shares of the new EchoStar Class A common stock in exchange for each share of EchoStar Class A common stock you own and EchoStar Class B common stockholders will receive about 1.3699 shares of the new EchoStar Class B common stock in exchange for each share of EchoStar Class B common stock they own. You should understand that a trust which I control currently owns all of the outstanding shares of EchoStar Class B common stock. You should also understand that you will not receive any fractional share of common stock in the new EchoStar. Instead, you will receive a cash payment for your fractional share. Upon the completion of the Hughes/ EchoStar merger, based on assumptions described in this document:

the new EchoStar Class A common stock would represent about % of the outstanding common stock of new EchoStar and about % of the total voting power of new EchoStar;

the new EchoStar Class B common stock would represent about % of the outstanding common stock of new EchoStar and about % of the total voting power of new EchoStar; and

the new EchoStar Class C common stock would represent about % of the outstanding common stock of new EchoStar and about % of the total voting power of new EchoStar.

As the holder of all of the outstanding shares of EchoStar Class B common stock, the trust which I control will hold about % of the total voting power of new EchoStar.

The boards of directors of EchoStar, Hughes and HEC Holdings have already approved the Hughes/ EchoStar merger. In addition, General Motors, as the sole stockholder of both Hughes and HEC Holdings, and a trust controlled by me, as the holder of EchoStar Class B common stock representing about 90% of the voting power of EchoStar, have already approved the Hughes/ EchoStar merger. As a result, no further action on your part is required to approve the Hughes/ EchoStar merger. However, we believe that it is important for you to be informed about the Hughes/ EchoStar merger. Thus, this document is being sent to you for your information only.

THE HUGHES/ ECHOSTAR MERGER HAS ALREADY BEEN APPROVED BY THE STOCKHOLDERS OF ECHOSTAR. AS A RESULT, WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

This document contains important information about the Hughes/ EchoStar merger. **We urge you to read this document carefully, including the section entitled Risk Factors that begins on page 50.**

I am excited about the opportunities that the Hughes/ EchoStar merger will create for us, for you and for our customers.

Charles W. Ergen
Chairman of the Board of Directors and
Chief Executive Officer
EchoStar Communications Corporation

ADDITIONAL INFORMATION

This document incorporates important business and financial information about GM, Hughes, PanAmSat Corporation (which is currently approximately 81% owned by certain subsidiaries of Hughes) and EchoStar from other documents that are not included in or delivered with this document. You may obtain these documents at the SEC s website, www.sec.gov , and you may also obtain certain of these documents at the following websites:

GM: Documents relating to GM are available at GM s website, www.gm.com by selecting Investor Information, then selecting Financial Data and finally selecting SEC Filings;

Hughes: Documents relating to Hughes are available at Hughes website, www.hughes.com by selecting Investor Relations and then selecting SEC Filings;

PanAmSat: Documents relating to PanAmSat are available at PanAmSat s website, www.panamsat.com by selecting Investor Relations and then selecting SEC Filings/ Annual Report; and

EchoStar: Documents relating to EchoStar are available at EchoStar s website, www.echostar.com by selecting about us, then selecting Investor Relations and finally selecting SEC Filings.

We are not incorporating the contents of the websites of the SEC, GM, Hughes, PanAmSat, EchoStar or any other person into this document. We are only providing information about how you can obtain certain documents which are incorporated into this document by reference at these websites.

This information is available to you without charge upon your written or oral request as described below. Written and telephone requests by GM common stockholders for any of the documents about GM, Hughes, PanAmSat or EchoStar should be directed to GM as indicated below:

GM Fulfillment Center

MC 480-000-FC1
30200 Stephenson Hwy.
Madison Heights, Michigan 48071
Telephone: ( ) -

Written and telephone requests by EchoStar common stockholders for any of the documents about EchoStar, GM, Hughes or PanAmSat should be directed to EchoStar as indicated below:

EchoStar Communications Corporation

5701 South Santa Fe Drive
Littleton, Colorado 80120
Attention: Kim Culig
Telephone: ( ) -

If you would like to request copies of any documents, please do so no later than , 2002 in order to ensure timely delivery. This date is five business days prior to the end of the minimum 20 business day consent solicitation period required by the SEC because certain information has been incorporated into this document by reference.

For additional information about where to obtain copies of documents, see Where You Can Find More Information beginning on page 355.

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You should rely only on the information contained in, or incorporated by reference into, this document. We have not authorized anyone to provide you with information different from that contained in, or incorporated by reference into, this document. This does not constitute any offer to sell, nor any solicitation of an offer to buy, the securities offered by this document in any jurisdiction where

offers and sales are not permitted under the laws of such jurisdiction. In addition, this does not constitute a solicitation of a consent or vote to approve the transactions or any other matter in any jurisdiction where such a solicitation is not permitted under the laws of such jurisdiction. The information contained in, or incorporated by reference into, this document is accurate only as of the date of this document regardless of the time of delivery or of any sale of the securities offered by this document.

You should understand that the number of shares of Class A common stock, Class B common stock and Class C common stock of the new EchoStar to be issued or distributed in the transactions as indicated on the cover of this document are estimates of the maximum number of shares to be issued or distributed to the stockholders indicated on the cover of this document. In addition, the number of shares of Class C common stock of the new EchoStar indicated on the cover of this document does not reflect the number of shares that may be held by GM immediately after the completion of the GM/Hughes separation transactions because that number is not determinable at this time. You should note that the maximum numbers of shares indicated on the cover of this document are based on various assumptions and the actual number of shares to be issued or distributed in the transactions could be different than these numbers.

QUESTIONS AND ANSWERS ABOUT THE TRANSACTIONS

Q1. What are the GM/Hughes separation transactions?

A1. The GM/Hughes separation transactions are a series of proposed transactions involving General Motors and Hughes that are designed to separate Hughes from GM and prepare it to complete the proposed merger with EchoStar. There are two integral components to the GM/Hughes separation transactions:

Hughes Recapitalization. Currently, GM has a retained economic interest of about % in the financial performance of Hughes. The remaining about % represents the economic interest of GM Class H common stockholders in Hughes. Immediately before the separation of Hughes from GM, Hughes will distribute to General Motors a dividend of up to $4.2 billion and GM s retained economic interest in Hughes will be reduced by an amount that reflects the dividend. After the payment of the dividend, an internal reorganization will occur so that HEC Holdings, a newly formed subsidiary of GM, will own all of the outstanding stock of Hughes.

Hughes Split-Off. Immediately after the Hughes recapitalization, HEC Holdings will be separated from General Motors by means of a split-off and will become an independent, publicly owned company. As a result of the split-off, the GM Class H common stockholders and, if applicable, GM will become stockholders of HEC Holdings. The answers to Question 3 and Question 4 below describe what General Motors and its common stockholders will receive in the Hughes split-off.

After the GM/Hughes separation transactions, HEC Holdings will complete the proposed merger with EchoStar as described in the answer to Question 2 below.

For more information, see pages 9, 81 and 215.

Q2. What is the Hughes/ EchoStar merger?

A2. The Hughes/EchoStar merger is the proposed transaction that will combine the businesses of Hughes and EchoStar. Immediately after the completion of the GM/Hughes separation transactions, EchoStar will merge with HEC Holdings, which will be the surviving corporation and will issue its Class A common stock and Class B common stock in the Hughes/EchoStar merger. HEC Holdings will be renamed EchoStar Communications Corporation, which we sometimes refer to as the new EchoStar. The answer to Question 3 below describes what EchoStar common stockholders will receive in the Hughes/EchoStar merger.

For more information, see pages 11, 88 and 221.

Q3. What will I receive if the transactions occur?

A3. *GM Class H Common Stockholders.* As part of the GM/Hughes separation transactions, GM Class H common stockholders will receive one share of Class C common stock of HEC Holdings in exchange for each share of GM Class H common stock they own, and all outstanding shares of GM Class H common stock will be redeemed and canceled. After the Hughes/EchoStar merger, the shares of Class C common stock of HEC Holdings will remain outstanding and will then be shares of Class C common stock of the new EchoStar. Therefore, as a result of the transactions, GM Class H common stockholders will no longer be holders of the Class H tracking stock of General Motors, which is a stock of GM designed to provide holders with financial returns based on the financial performance of Hughes. Instead, the former GM Class H common stockholders will be holders of a more conventional common stock of the new EchoStar.

GM $1 2/3 Par Value Common Stockholders. We currently expect that GM $1 2/3 par value common stockholders will not receive any shares of HEC Holdings or the new EchoStar. GM $1 2/3 par value common stockholders will, however, retain their shares of GM $1 2/3 par value common stock after the transactions. After the transactions, the GM $1 2/3 par value common stock will be GM s only class of common stock, and GM will be a company primarily focused on its core automotive and related businesses. GM $1 2/3 par value common stockholders will then have only an indirect interest in the

financial performance of Hughes to the extent of any ownership interest that GM may have in the new EchoStar after the transactions as described in the answer to Question 4 below.

EchoStar Common Stockholders. Common stockholders of EchoStar will receive the following in the Hughes/EchoStar merger:

EchoStar Class A common stockholders will receive 1/0.73, or about 1.3699, shares of the new EchoStar Class A common stock in exchange for each share of EchoStar Class A common stock they own; and

EchoStar Class B common stockholders will receive 1/0.73, or about 1.3699, shares of the new EchoStar Class B common stock in exchange for each share of EchoStar Class B common stock they own. A trust controlled by Charles W. Ergen, the Chairman of the Board of Directors and Chief Executive Officer of EchoStar, currently owns all of the outstanding shares of EchoStar Class B common stock.

For more information, see pages 9, 84, 88 and 175.

Q4. What will GM receive if the transactions occur?

A4. The transactions are expected to provide significant value to GM and its common stockholders. The transactions offer a significant premium to GM and its common stockholders for their economic interests in Hughes, as described in greater detail elsewhere in this document. The transactions are also designed to provide significant liquidity to GM in respect of GM s current retained economic interest in Hughes. If the transactions occur:

GM will receive a dividend from Hughes of up to $4.2 billion as part of the Hughes recapitalization;

GM may receive shares of Class C common stock of HEC Holdings, which would remain outstanding after the Hughes/EchoStar merger and would then be shares of Class C common stock of the new EchoStar. Any of these shares that are not disposed of by GM as described in the next bullet below would be retained by General Motors for up to five years following the completion of the GM/Hughes separation transactions; and

GM may dispose of up to an aggregate of 100 million shares of GM Class H common stock and/or new EchoStar Class C common stock in exchange for satisfaction of outstanding liabilities of GM to certain of GM s creditors between now and six months following the completion of the Hughes/EchoStar merger. To the extent that GM does not transfer all of these shares in debt-for-equity exchanges, GM may sell the shares for cash during the six months following the completion of the Hughes/ EchoStar merger or may retain the shares for up to five years following the completion of the GM/Hughes separation transactions.

As described in greater detail elsewhere in this document, the amount of the dividend from Hughes and the number of shares of Class C common stock of HEC Holdings that GM would receive in the transactions, including the number of shares which could be used by GM in GM share dispositions described in the third bullet above, cannot be definitively determined until the time of the completion of the GM/Hughes separation transactions because each will depend upon certain factors that will not be known until that time. The number of shares of Class C common stock of HEC Holdings that GM would receive in the GM/Hughes separation transactions will be determined based on the value of GM s retained economic interest in Hughes at the time of the Hughes split-off, as reduced to reflect the dividend from Hughes to be received by GM as part of the Hughes recapitalization. Therefore, only if and to the extent that the value of GM s retained economic interest in Hughes at that time is more than the amount of the dividend from Hughes would GM retain any shares of Class C common stock of HEC Holdings immediately following the completion of the GM/Hughes separation transactions.

For more information, see pages 19 and 79.

Q5. When will the transactions be completed?

A5. We are working diligently to complete the transactions as soon as reasonably possible. However, we will not complete the transactions unless certain important conditions are satisfied. These conditions include, among other things, the requisite GM common stockholder approval of the transactions and the receipt of important antitrust and other regulatory approvals of the transactions. Assuming that all of the conditions are satisfied within the time frame we currently anticipate, we expect to complete the transactions during the second half of 2002.

For more information, see page 77.

Q6. What are GM common stockholders being asked to approve?

A6. GM $1 2/3 par value common stockholders and GM Class H common stockholders, each voting separately as a class and voting together as a single class based on their respective per share voting power, are being asked to approve an amendment to the GM restated certificate of incorporation and to ratify two matters relating to the transactions. The transactions will not take place unless these three matters are approved by GM $1 2/3 par value common stockholders and GM Class H common stockholders. In addition, GM s common stockholders are being asked to approve a further amendment to the GM restated certificate of incorporation to reflect the elimination of the GM Class H common stock after the completion of the transactions, but the transactions are not conditioned on approval of this further charter amendment.

Proposals 1 through 3, all of which relate to the transactions, are separate matters to be voted upon by GM common stockholders but are expressly conditioned upon the approval of each of the other of these three proposals (but not proposal 4). This means that ALL THREE of these proposals must be approved by GM $1 2/3 par value common stockholders and GM Class H common stockholders in order for GM to obtain the requisite GM common stockholder approval of the transactions. The transactions described in this document will not be completed, even if all of the other conditions are satisfied or waived, if the requisite GM common stockholder approval of these three matters is not received.

The proposals are as follows:

Proposal 1: Approval of GM Charter Amendment. This proposal is to approve an amendment to the GM restated certificate of incorporation that would be filed in order to give GM the ability to implement the GM/Hughes separation transactions. The amendment would add three important provisions to the GM restated certificate of incorporation and make certain other clarifying changes to facilitate the transactions. They would:

provide for the reduction by the GM board of directors of GM s retained economic interest in Hughes to reflect the dividend of up to $4.2 billion to be received by GM in the GM/Hughes separation transactions;

provide for GM to split off HEC Holdings by exchanging one share of Class C common stock of HEC Holdings for each outstanding share of GM Class H common stock; and

provide that the provisions of the GM restated certificate of incorporation that provide for a recapitalization of GM Class H common stock into GM $1 2/3 par value common stock at a 120% exchange rate under certain circumstances will not apply to the GM/Hughes separation transactions.

Proposal 2: Ratification of the GM/Hughes Separation Transactions. This proposal is to ratify the GM/Hughes separation transactions as described in this document.

Proposal 3: Ratification of the Hughes/EchoStar Merger. This proposal is to ratify the Hughes/ EchoStar merger as described in this document.

Proposal 4: Approval of the Second GM Charter Amendment. This proposal is to approve a further amendment to the GM restated certificate of incorporation to eliminate certain provisions relating to the GM Class H common stock that will no longer be necessary after the completion of the transactions.

The completion of the transactions is NOT expressly conditioned upon the approval by GM $1 2/3 par value common stockholders and GM Class H common stockholders of proposal 4. However, proposal 4 will not be implemented unless proposals 1 through 3 are approved and the transactions are completed.

For more information, see pages 170 and 335.

Q7. Will GM Class H common stockholders be forgoing any rights that they have now by approving the matters being submitted to them?

A7. Yes. By approving the proposals relating to the transactions, GM Class H common stockholders will be forgoing certain rights that might otherwise be available to them under certain circumstances:

First, GM Class H common stockholders will be approving transactions that do not give rise to the right of GM Class H common stockholders to have their shares of GM Class H common stock exchanged for shares of GM $1 2/3 par value common stock at a 120% exchange rate, as currently provided for under certain circumstances pursuant to provisions of the GM restated certificate of incorporation. If the 120% recapitalization provision had been applicable to the transactions described in this document, which would have been the case but for the provision of the GM charter amendment expressly providing that it shall not apply to the transactions, each share of GM Class H common stock they hold would have been exchanged for shares of GM $1 2/3 par value common stock that would have been valued at $, representing a premium of 20% to the GM Class H common stockholders as of a specified period preceding the public announcement of the transactions. As a result, each share of GM Class H common stock would have been exchanged for of a share of GM $1 2/3 par value common stock.

Second, GM Class H common stockholders will be approving and consenting to an asset transfer consisting of the dividend of up to $4.2 billion from Hughes to GM without the further distribution of a portion of that dividend from GM to the GM Class H common stockholders in accordance with their tracking stock interest in Hughes. If such an asset transfer from Hughes to GM were to be made without the consent of both classes of GM common stockholders (or other action by the GM board of directors), the transfer could, under certain circumstances pursuant to a policy statement of the GM board of directors, result in the distribution of a portion of the dividend of up to $4.2 billion to GM Class H common stockholders. Assuming a dividend of $4.2 billion and based on a calculation of the GM Class H common stockholders tracking stock interest in Hughes as of , 2002, such an asset transfer from Hughes to GM could have required a pro rata distribution of about $ billion to the GM Class H common stockholders under a notional application of the GM board policy statement.

You should understand, however, that if the requisite GM common stockholder approval of the transactions is not obtained, the transactions will not occur and GM Class H common stockholders will similarly have no right to exchange their shares for shares of GM $1 2/3 par value common stock at a 120% exchange rate or to receive any distribution from GM based on an asset transfer from Hughes to GM.

For more information, see pages 54, 108, 172, 173, 336 and 338.

Q8. What is the effect of ratification of certain matters as proposed in Proposals 2 and 3?

A8. Ratification is an expression of approval by stockholders of one or more matters for which their approval is not required as a matter of law. The principal effect of such approval by GM s common stockholders will be to strengthen the ability of GM and its directors to defend the transactions against any subsequent challenge in litigation, including by any dissident stockholders who may challenge the fairness of the transactions.

In addition, by ratifying the GM/Hughes separation transactions, which involves the distribution of the dividend of up to $4.2 billion from Hughes to GM and the related reduction of GM s retained economic interest in Hughes by a commensurate amount, GM $1 2/3 par value common stockholders and GM Class H common stockholders will be approving and consenting to, pursuant to the GM board policy statement, an asset transfer from Hughes to GM without a further distribution of a portion thereof from GM to GM Class H common stockholders in accordance with their tracking stock interest in Hughes, as described above.

For more information, see pages 20, 171 and 336.

Q9. What is the GM board of directors recommendation regarding the proposals being submitted to GM common stockholders?

A9. The GM board of directors has unanimously approved the transactions and recommends that GM $1 2/3 par value common stockholders and GM Class H common stockholders vote to approve each of the proposals described in this document by executing and returning the enclosed consent card or submitting your consent through the Internet or by telephone as soon as possible.

For more information, see pages 20, 124, 175 and 339.

Q10. Which GM common stockholders are entitled to vote on the transactions?

A10. Only GM $1 2/3 par value common stockholders and GM Class H common stockholders who held shares on the record date, , 2002, are entitled to vote on the transactions.

For more information, see page 340.

Q11. Why are EchoStar common stockholders not being asked to vote on the proposed transactions?

A11. Approval of the Hughes/ EchoStar merger by EchoStar requires the approval of a majority of the voting power of all outstanding shares of EchoStar common stock. A trust controlled by Charles W. Ergen, the Chairman of the Board of Directors and Chief Executive Officer of EchoStar, as the holder of all of the outstanding shares of EchoStar Class B common stock, which represents about 90% of the voting power of all outstanding shares of EchoStar common stock, has already executed a written consent approving the Hughes/ EchoStar merger. This action alone was sufficient to obtain the vote of the EchoStar common stockholders necessary to approve the Hughes/ EchoStar merger. As a result, no further action is required on the part of any EchoStar stockholder, and the EchoStar stockholders are not being asked to vote on the Hughes/ EchoStar merger or any other matters, submit a proxy or take any other action. This document is being sent to EchoStar common stockholders for their information only.

For more information, see pages 182 and 347.

Q12. What should I do now?

A12. *GM Common Stockholders.* GM $1 2/3 par value common stockholders and GM Class H common stockholders whose shares are not held in street name through a broker should complete, date, sign and return the enclosed consent card or submit their consent through the Internet or by telephone as directed in this document and in the related materials as soon as possible.

If you are a GM $1 2/3 par value common stockholder or GM Class H common stockholder and you participate in certain employee savings plans identified elsewhere in this document, your consent will serve as a voting instruction for the plan trustees, plan committees or independent fiduciaries of those plans, who will vote your shares of GM common stock held in any of these employee savings plans in accordance with your instructions. You may submit your consent for shares held in any of these employee savings plans by executing and returning the enclosed consent card or by submitting your consent through the Internet or by telephone. You should understand that procedures differ among these employee savings plans with respect to the voting of shares for which no consent is received. These procedures are explained in greater detail elsewhere in this document.

If your shares of GM $1 2/3 par value common stock and/or GM Class H common stock are held in street name by a broker, your broker will vote your shares only if you provide instructions to your broker on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without your instructions, your shares of GM common stock will not be voted in connection with the transactions, which will have the same effect as voting against the transactions.

Before submitting your consent or instructing your broker on how to vote, we urge all GM common stockholders to review and carefully consider the information contained in and incorporated by reference into this document, including the factors described in the section entitled Risk Factors beginning on page 50.

EchoStar Common Stockholders. EchoStar common stockholders do not need to take any action because, as explained in the answer to Question 11 above, the required EchoStar stockholder approval of the transactions has already been received. Accordingly, this document is being sent to EchoStar common stockholders for their information only. Nevertheless, this document contains important information about the Hughes/ EchoStar merger and we therefore urge EchoStar common stockholders to review it carefully.

For more information, see pages 335 and 347.

Q13. What happens if a GM common stockholder does not submit a consent?

A13. If a GM $1 2/3 par value common stockholder or a GM Class H common stockholder does not submit a consent, it will have the same effect as a vote against the proposals relating to the transactions, which approval is a condition to the completion of the transactions. Therefore, we urge all GM $1 2/3 par value common stockholders and GM Class H common stockholders to please complete, date, sign and return the enclosed consent card or submit a consent through the Internet or by telephone as soon as possible. However, with respect to shares held through employee savings plans, procedures differ among the plans with respect to the voting of shares for which no consent is received. These procedures are explained in greater detail elsewhere in this document. Your vote is important regardless of the number of shares that you own.

For more information, see pages 340, 341 and 342.

Q14. Can GM common stockholders revoke their approval once the consent is submitted?

A14. Yes. Any GM $1 2/3 par value common stockholder or GM Class H common stockholder can revoke his or her consent, or any withholding of consent, at any time prior to the requisite GM common stockholder approval of the transactions. GM common stockholder approval of the proposals relating to the transactions will occur as soon as consents representing the requisite GM common stockholder approval described above in the answer to Question 6 are delivered to General Motors in accordance with Delaware corporation law, but no sooner than 20 business days after the date this document is mailed to GM common stockholders. However, if General Motors does not receive the number of consents required within 60 days of the earliest dated consent delivered to General Motors in accordance with Delaware corporation law, the requisite GM common stockholder approval of the proposals relating to the transactions will not have occurred.

You can revoke your consent by filing with the Secretary of General Motors a written notice stating that you would like to revoke your consent. You can also revoke your consent, or any withholding of consent, by filing with the Secretary of General Motors another consent bearing a later date or by voting subsequently through the Internet or by telephone. You should send any written revocations to the Secretary of General Motors at the following address (unless you hold your shares through an

employee savings plan, in which case you should check the procedures for revocation that have been established for the plan):

General Motors Corporation
Renaissance Center
P.O. Box 300
Mail Code 482-C38-B71
Detroit, Michigan 48265-3000
Attention: Secretary

For more information, see page 340.

Q15. Should I send in my stock certificates now?

A15. No. You should NOT send in your stock certificates at this time. You will receive further correspondence regarding the exchange of shares after the transactions have been completed.

Q16. What should I do if I have other questions?

A16. If you are a GM $1 2/3 par value common stockholder or GM Class H common stockholder and you have any questions about the GM/ Hughes separation transactions or the Hughes/ EchoStar merger, how to complete and submit your consent card or how to submit your consent through the Internet or by telephone, or if you would like to request additional copies of this document, please contact the GM consent solicitation agent as indicated below:

Morrow & Co., Inc.
445 Park Avenue
5th Floor
New York, New York 10022
( ) - (Toll-Free) for calls in the United States, Canada and Mexico
( ) - (Collect) for calls outside the United States, Canada and Mexico

If you are an EchoStar common stockholder and have any questions about the Hughes/ EchoStar merger, or if you would like to request additional copies of this document, please contact EchoStar as indicated below:

EchoStar Communications Corporation
Investor Relations
5701 South Santa Fe Drive
Littleton, Colorado 80120
Telephone: ( ) -

You may also obtain free copies of documents publicly filed by GM, Hughes, PanAmSat and EchoStar at the SEC s website at www.sec.gov , and you may also obtain certain of these documents at GM s website at www.gm.com or at Hughes website at www.hughes.com or at PanAmSat s website at www.panamsat.com or at EchoStar s website at www.echostar.com . We are not incorporating the contents of the websites of the SEC, GM, Hughes, PanAmSat, EchoStar or any other person into this document, but are providing this information for your convenience.

For more information on how to obtain copies of documents, see Where You Can Find More Information on page 355.

SUMMARY

In this summary, we highlight selected information which we describe in greater detail elsewhere in this document. This summary does not contain all of the important information contained in this document. You should read carefully this entire document and the other documents to which we refer for a more complete understanding of the GM/Hughes separation transactions, the Hughes/EchoStar merger and the other related transactions. In addition, we incorporate by reference into this document important business and financial information about GM, Hughes, PanAmSat and EchoStar that is set forth in other documents which these companies have filed publicly with the SEC. You may obtain the information incorporated by reference into this document without charge by following the instructions in the section entitled Where You Can Find More Information that begins on page 355.

The Companies

General Motors Corporation (See page 246)

General Motors is primarily engaged in the automotive and, through its wholly owned Hughes subsidiary, the telecommunications industries. Additional information about Hughes is included below. General Motors is the world s largest manufacturer of automotive vehicles. GM also has financing and insurance operations and, to a lesser extent, is engaged in other industries. GM s other operations include the designing, manufacturing and marketing of locomotives and other heavy-duty transmissions.

As a result of the GM/Hughes separation transactions, the Hughes business will be separated from GM.

GM s principal executive offices are located at 300 Renaissance Center, Detroit, Michigan 48265-3000 and GM s telephone number is (313) 556-5000.

Hughes Electronics Corporation (See page 261)

Hughes is a leading global provider of digital entertainment, information and communications services and satellite-based private business networks. Hughes has been a pioneer in many aspects of the satellite communications industry, and its technologies have driven the creation of new services and markets and have established Hughes as a leader in each of the markets it serves.

Hughes is currently a wholly owned subsidiary of General Motors. However, as a result of the GM/ Hughes separation transactions, the business of Hughes will be separated from GM and, as a result of the Hughes/ EchoStar merger, the business of Hughes will become part of New EchoStar.

Hughes principal executive offices are located at 200 North Sepulveda Boulevard, El Segundo, California 90245 and Hughes telephone number is (310) 662-9688.

EchoStar Communications Corporation (See page 279)

EchoStar operates two business units: the DISH Network and EchoStar Technologies Corporation. The DISH Network is a direct broadcast satellite subscription television service in the United States. EchoStar Technologies Corporation is engaged in the design, development, distribution and sale of direct broadcast satellite set-top boxes, antennae and other digital equipment for the DISH Network and the design, development and distribution of similar equipment for international satellite service providers.

As a result of the Hughes/ EchoStar merger, the business of EchoStar will become part of New EchoStar.

EchoStar s principal executive offices are located at 5701 South Santa Fe Drive, Littleton, Colorado 80120 and EchoStar s telephone number is (303) 723-1000.

New EchoStar

HEC Holdings will be the surviving corporation in the Hughes/ EchoStar merger and will become New EchoStar. HEC Holdings will be the company whose shares of Class C common stock will be distributed in the Hughes split-off and whose shares of Class A common stock and Class B common stock will be distributed in the Hughes/ EchoStar merger. HEC Holdings is a newly formed company that is currently a wholly owned subsidiary of General Motors. HEC Holdings has not yet conducted any significant activities other than those relating to its formation, matters relating to the GM/ Hughes separation transactions, the Hughes/ EchoStar merger and other related transactions and the preparation and filing of this document.

In the Hughes/ EchoStar merger, EchoStar will be merged with HEC Holdings and the name of HEC Holdings will be changed to EchoStar Communications Corporation. Immediately after the Hughes/ EchoStar merger, the business of New EchoStar will consist of the combined businesses currently conducted separately by Hughes and EchoStar. Hughes will then be a wholly owned subsidiary of New EchoStar.

HEC Holdings principal executive offices are currently located at 200 North Sepulveda Boulevard, El Segundo, California 90245 and HEC Holdings phone number is currently (310) 662-9688. After the completion of the Hughes/ EchoStar merger, New EchoStar s principal executive offices will be located at 5701 South Santa Fe Drive, Littleton, Colorado 80120 and New EchoStar s telephone number will be (303) 723-1000.

Description of the Transactions

(See pages 76 and 200)

The transactions that are the subject of this document principally consist of the GM/ Hughes separation transactions and the Hughes/ EchoStar merger, but also include other related transactions contemplated by the agreements among GM, Hughes, HEC Holdings and EchoStar. The obligations of the companies to complete the transactions that are the subject of this document are subject to the satisfaction or waiver of certain conditions, which are discussed below at Conditions to Completing the Transactions. The transactions are structured so that the Hughes/ EchoStar merger will occur immediately after the completion of the GM/ Hughes separation transactions.

Let us tell you more about the transactions:

The GM/ Hughes Separation Transactions (See pages 81, 200 and 215)

The proposed GM/ Hughes separation transactions are designed to split off the Hughes business from GM and prepare it to complete the proposed combination with EchoStar. As a result of the GM/ Hughes separation transactions, HEC Holdings, which will be the parent company of Hughes at the time of the completion of the Hughes split-off, will become an independent, publicly owned company immediately prior to the Hughes/ EchoStar merger.

Hughes Recapitalization. Immediately before the split-off of Hughes from General Motors, Hughes will declare and pay a dividend of up to $4.2 billion to General Motors. Upon receipt of this dividend, GM s retained economic interest in Hughes will be reduced by an amount that reflects the dividend. After its receipt of the Hughes dividend distribution, GM will contribute all of the outstanding stock of Hughes to HEC Holdings. As a result, HEC Holdings will be the parent company of Hughes. In exchange for the contribution of Hughes stock to HEC Holdings, General Motors will receive shares of HEC Holdings Class C common stock such that GM holds a number of shares of HEC Holdings Class C common stock equal to the number of outstanding shares of GM Class H common stock plus a number of shares representing the remaining portion of GM s retained economic interest in Hughes.

Hughes Split-Off. After the Hughes recapitalization, HEC Holdings will be separated from General Motors by means of a distribution of shares of HEC Holdings Class C common stock to the GM Class H common stockholders in exchange for and redemption of their shares of GM Class H common stock and, as a result, will become an independent, publicly owned company. Immediately following

the Hughes split-off, HEC Holdings will be owned entirely by the former GM Class H common stockholders and, if applicable, GM. If and to the extent required in order to maintain the tax-free status of the Hughes split-off under certain limited circumstances described elsewhere in this document, GM may make a pro rata distribution to the GM $1 2/3 par value common stockholders of a portion of the HEC Holdings Class C common stock it receives in the Hughes recapitalization.

Other Separation-Related Arrangements. The GM/Hughes separation transactions include certain other arrangements related to the Hughes recapitalization and the Hughes split-off. As described in greater detail elsewhere in this document, these arrangements generally address matters relating to the separation of the Hughes business from General Motors pursuant to the Hughes split-off. Among other things, GM and Hughes have entered into arrangements with respect to indemnification matters, the allocation and sharing of taxes, intellectual property and the administration of certain employee matters.

Reduction in GM s Retained Economic Interest in Hughes (See pages 78 and 82)

The reduction of GM s retained economic interest in Hughes as part of the Hughes recapitalization as described above will occur by adjusting the allocation between the two classes of GM common stock based on the actual amount of the Hughes dividend distribution and the average market price of GM Class H common stock during a specified period preceding the time of the completion of the GM/Hughes separation transactions. The number of shares of HEC Holdings Class C common stock, if any, that GM will hold immediately after the completion of the Hughes split-off will be based on the amount of GM s retained economic interest in Hughes, if any, after that interest has been reduced to reflect the Hughes dividend distribution.

The GM restated certificate of incorporation allocates the earnings of Hughes between the two classes of GM common stock. The percentage of Hughes earnings that is allocable to the GM $1 2/3 par value common stock represents what we sometimes refer to as GM s retained economic interest in Hughes. We measure the value of GM s retained economic interest in Hughes with reference to the market value of the GM Class H common stock and the number of shares of GM Class H common stock outstanding. For illustrative purposes, the following table sets forth a range of hypothetical values for GM s retained economic interest in Hughes, after giving effect to the payment of the dividend from Hughes to GM as part of the Hughes recapitalization, based on the number of shares of GM Class H common stock outstanding on , 2002 and a range of hypothetical average market prices of GM Class H common stock. You should note that at prices below $ per share, the transactions would not be completed unless GM elects to voluntarily reduce the number of shares subject to GM share dispositions and/or the amount of the Hughes dividend distribution to less than $4.2 billion as discussed further below at Purposes of the Transactions Liquidity and Value Provided to GM and GM Common Stockholders. We further note that, in order to maintain the tax-free status of the Hughes split-off, GM is required to distribute at least 80% of the HEC Holdings Class C common stock in the Hughes split-off. Accordingly, to the extent necessary to satisfy this condition, GM could be required to distribute excess shares as described elsewhere in this document.

Illustrative Calculation of Effect of Hughes Recapitalization on Economic Interests in Hughes

		Economic Interests In Hughes After the Hughes Recapitalization			
Average GM Class H Common Stock Price	**Amount of Hughes Dividend to GM**	**GM Class H Common Stockholders**		**GM**	
	(in billions)	(in billions, except percentages)			
$	$	$	(%)	$	(%)
$	$	$	(%)	$	(%)
$	$	$	(%)	$	(%)
$	$	$	(%)	$	(%)
$	$	$	(%)	$	(%)

The chart above is intended to illustrate how the Hughes recapitalization may affect the retained economic interest of GM in Hughes and the interest of the GM Class H common stockholders in Hughes based on a range of hypothetical average market prices of GM Class H common stock. We will not know, however, until immediately before the completion of the GM/ Hughes separation transactions, the actual amount of the Hughes dividend distribution, the corresponding reduction of GM s retained economic interest in Hughes, the interest of the GM Class H common stockholders in Hughes after the reduction and GM s retained economic interest, if any, in Hughes after the reduction. These amounts could vary materially from the amounts shown in the illustration due to differences between our assumptions and the actual facts and circumstances existing at the time the GM/ Hughes separation transactions are completed, including the average market price of GM Class H common stock during the specified period preceding the completion of the GM/Hughes separation transactions.

In addition, other factors may affect GM s retained economic interest in Hughes between now and the completion of the GM/ Hughes separation transactions. For instance, any debt-for-equity exchanges, as described below at GM Share Dispositions, completed by GM prior to the Hughes split-off would involve the issuance of new shares of GM Class H common stock by GM and would have the effect of reducing GM s retained economic interest in Hughes and increasing the number of outstanding shares of GM Class H common stock by the number of shares issued in the debt-for-equity exchanges.

The Hughes/ EchoStar Merger (See pages 88 and 221)

Immediately after the completion of the Hughes split-off, the businesses of Hughes and EchoStar will be combined pursuant to the merger of EchoStar and HEC Holdings, with HEC Holdings as the surviving corporation. In connection with the Hughes/ EchoStar merger, the name of HEC Holdings will be changed to EchoStar Communications Corporation.

GM Share Dispositions (See pages 95 and 204)

The transaction agreements permit GM to dispose of up to 100 million shares of GM Class H common stock and/or New EchoStar Class C common stock, in the aggregate, between now and the date that is six months after the completion of the Hughes/ EchoStar merger. During this period, GM may issue new shares of GM Class H common stock, or distribute any shares of New EchoStar Class C common stock it holds after the Hughes/ EchoStar merger, as applicable, by exchanging such shares for the satisfaction of outstanding liabilities of GM to certain of GM s creditors. To the extent that GM does not transfer all of these shares in debt-for-equity exchanges, GM may sell the shares for cash during the six months following the completion of the Hughes/EchoStar merger or may retain the shares for up to five years following the completion of the GM/Hughes separation transactions. Any GM share dispositions would provide GM with liquidity and, if structured as debt-for-equity exchanges, would permit GM to benefit from debt reduction. However, any GM share dispositions will also reduce GM s retained economic interest in Hughes or its interest in New EchoStar, as the case may be.

The aggregate number of shares that GM may issue, sell or distribute in GM share dispositions is 100 million shares. However, this maximum number of shares is subject to reduction under certain circumstances in order to satisfy one of the conditions to the completion of the GM/Hughes separation transactions and Hughes/EchoStar merger as described below at Conditions to Completing the Transactions. Also, GM may not receive, and thus may not transfer in GM share dispositions, any shares of New EchoStar Class C common stock in excess of the value of GM s retained economic interest in Hughes as reduced to reflect the Hughes dividend distribution.

Financings and Related Matters (See page 97)

The completion of the proposed Hughes/EchoStar merger and related transactions will require about $7.025 billion of cash, of which:

up to $2.7 billion will be needed in order to refinance the indebtedness to be incurred by Hughes to pay a portion of the $4.2 billion Hughes dividend distribution to GM;

up to about $4.125 billion will be needed in order to repay other obligations of Hughes (including a $1.5 billion loan and other borrowings under credit facilities provided by GMAC) and to fund the operations of New EchoStar after the completion of the Hughes/EchoStar merger; and

the remainder of about $0.2 billion will be needed in order to pay estimated fees and expenses in connection with the Hughes/EchoStar merger and related transactions.

At the time of the signing of the Hughes/EchoStar merger agreement, EchoStar had about $1.5 billion of available cash on hand and, accordingly, EchoStar and Hughes obtained $5.525 billion in bridge financing commitments for the Hughes/EchoStar merger and related transactions. These bridge financing commitments have been reduced to $3.325 billion as a result of the sale of $700 million of aggregate principal amount senior notes due 2009 issued by a wholly owned indirect subsidiary of EchoStar and the $1.5 billion investment by Vivendi Universal in EchoStar Series D convertible preferred stock. Any other financings that EchoStar or Hughes completes prior to the completion of the Hughes/EchoStar merger would further reduce the bridge financing commitments on a dollar-for-dollar basis. The remaining $3.325 billion of cash required in connection with the Hughes/EchoStar merger, which we refer to as the Hughes/EchoStar merger financing, is expected to come from new cash to be raised by EchoStar, Hughes or a subsidiary of Hughes on or prior to the completion of the Hughes/EchoStar merger through public or private debt or equity offerings, bank debt or a combination thereof.

To the extent that such cash is not raised in these ways, the bridge financing commitments are designed to fund the amount of the shortfall. Under the bridge financing commitments, a number of major banks have committed to lend up to $3.325 billion, which is the amount necessary for the remainder of the Hughes/EchoStar merger financing. Before the banks are obligated to lend this amount, however, Hughes, EchoStar and the banks must negotiate and finalize loan documents that would govern the loans. The banks currently are bound by a commitment letter. Whether or not final documents are entered into, the banks can terminate their commitment for a number of reasons, as described elsewhere in this document. As of the date of this document, we do not believe that any events have occurred that would allow any of the banks to terminate their commitments.

Hughes previously had the right to terminate the Hughes/ EchoStar merger agreement if the agreement or agreements documenting the remainder of the Hughes/ EchoStar merger financing had not been entered into, or the definitive terms of such agreement or agreements had not been agreed, by April 26, 2002. Hughes, EchoStar and GM agreed in April, however, to extend this date to June 25, 2002, and have recently agreed to further extend the June 25, 2002 date to a date not less than 45 calendar days after the filing of Amendment No. 2 to the registration statement of which this document is a part.

In addition, pursuant to the Hughes/ EchoStar merger agreement, EchoStar agreed that by a specified date it would take certain actions to address the triggering of change in control provisions under certain indentures of EchoStar or its subsidiaries, or submit to Hughes, for its good faith consideration, an alternative plan for otherwise addressing the change in control provisions. Subsequent to the signing of the Hughes/ EchoStar merger agreement, GM, Hughes and EchoStar agreed to extend to September 15, 2002 the deadline for EchoStar to take such actions or agree with Hughes on an alternative plan for addressing this issue. If any alternative plan suggested by EchoStar is rejected by Hughes, EchoStar will be required to take certain actions to promptly (and in any event within a specified period of time) address the triggering of such change in control provisions. For more information, see The Transactions Description of the Transactions Hughes/ EchoStar Merger Financings.

The amount of the Hughes/EchoStar merger financing that may be raised by EchoStar prior to the Hughes/EchoStar merger is severely restricted by the agreements among GM, Hughes and EchoStar and the terms of the bridge financing commitment.

Liquidity and Funding Needs of New EchoStar (See page 102 and the Risk Factors section beginning on page 50)

As discussed above at Financings and Related Matters, the completion of the proposed Hughes/ EchoStar merger and related transactions (including the up to $4.2 billion Hughes dividend distribution to GM) will require about $7.025 billion of cash, of which $3.325 billion of cash remains to be raised. This remaining

$3.325 billion of cash is expected to be financed by debt or equity offerings by EchoStar, Hughes or a subsidiary of Hughes on or prior to the completion of the Hughes/EchoStar merger. New EchoStar or its subsidiaries, as applicable, will assume any new indebtedness incurred at EchoStar, Hughes and/or their respective subsidiaries. New EchoStar will also inherit the existing substantial indebtedness of EchoStar and its subsidiaries upon the completion of the Hughes/EchoStar merger.

Substantially all of the $7.025 billion of Hughes/EchoStar merger financing is expected to be expended in connection with the completion of the Hughes/EchoStar merger. New EchoStar is currently expected to require substantial additional financing following the completion of the Hughes/EchoStar merger to fund capital expenditures and costs and expenses in connection with funding its operations, domestic and international investments and its growth strategy and the repayment of indebtedness, particularly in light of the significant cash requirements of certain parts of the Hughes business.

Among the capital expenditures that New EchoStar currently plans to undertake following the completion of the Hughes/EchoStar merger is the deployment of a new satellite that would enable New EchoStar to deliver local broadcast television in all 210 designated market areas in the United States. In the past, Hughes and EchoStar have typically been able to construct, launch and insure their satellites for a cost in the range of about $175 million to about $350 million.

In addition, New EchoStar is also expected to incur substantial expenses in connection with the integration of the businesses of Hughes and EchoStar, including up to $2.5 billion over a two- to four-year period following the completion of the Hughes/EchoStar merger to standardize and update the set top box equipment used by customers to receive New EchoStar s direct broadcast satellite signals.

It is also expected that New EchoStar will become obligated to pay significant retention bonuses, severance benefits and pension enhancements to certain employees of Hughes as a result of the Hughes/ EchoStar merger. The retention bonus payments are expected to be up to about $110 million, while the amount of severance benefits to be paid to executives of Hughes with change-in-control agreements could be up to $41 million, depending on decisions to layoff such executives, if any. Additional amounts to be paid for severance benefits and pension enhancements will depend upon, among other things, the number of Hughes employees that are terminated as a result of the Hughes/EchoStar merger, and could be material.

EchoStar or New EchoStar, as the case may be, may also require a significant amount of cash either to solicit consents from the holders of certain of its debt instruments and/or otherwise to comply with its obligations under the terms of the relevant indentures as a result of the Hughes/ EchoStar merger constituting a change in control under the relevant indentures.

Based on the above as well as other factors, we currently anticipate that New EchoStar will experience net losses through 2003, and could continue to experience net losses for years subsequent to 2003 for the reasons discussed elsewhere in this document.

New EchoStar will depend upon the earnings of its subsidiaries and the payment of funds by its subsidiaries to it (or a subsidiary obligor) in the form of loans, dividends or other payments in order to service its or such subsidiary s debt obligations, and we cannot assure you that these subsidiaries will be able to make such payments to New EchoStar or any such subsidiary in an amount sufficient to pay the principal of or interest on the indebtedness owed by New EchoStar or any such subsidiary, including the Hughes/ EchoStar merger financing. In addition, the terms of New EchoStar s and its subsidiaries indebtedness, including the terms of the indebtedness incurred in connection with the Hughes/EchoStar merger financing, will contain restrictions and covenants that limit the operational and financial flexibility of New EchoStar and its subsidiaries, likely including severe limitations on the ability of New EchoStar s subsidiaries to pay dividends and make other distributions to New EchoStar or the relevant subsidiary obligor. These restrictions on the ability of New EchoStar s subsidiaries to make payments and other distributions to New EchoStar or the relevant subsidiary obligor will make it more difficult for New EchoStar to satisfy its expected significant funding needs, including the significant cash requirements of certain parts of the Hughes business.

In addition, under the agreements among EchoStar, Hughes, HEC Holdings and GM, New EchoStar s ability to issue any additional equity or equity-linked securities for two years following the completion of the Hughes/EchoStar merger will be severely restricted, absent possible favorable IRS rulings. The extent to which New EchoStar would raise additional funds and the timing of financing activities following the completion of the Hughes/ EchoStar merger would depend, among other things, upon New EchoStar s cash on hand and operating needs following completion of the merger, its strategic plans related to subscriber acquisition, satellite construction and launch and the realization of the expected merger synergies. In this regard, New EchoStar s strategic plans would also be influenced by the attractiveness and availability of financing and other general economic conditions affecting the business of New EchoStar at the time such strategic investment decisions are contemplated.

New EchoStar s additional funding requirements following the completion of the Hughes/ EchoStar merger are expected to vary based on the factors described above, but in any event are expected to be significant. To the extent that New EchoStar does not have sufficient income or other sources of cash to fund its operating needs following the completion of the merger, it will be necessary for New EchoStar to either reduce its operating costs, sell assets or, given that New EchoStar will be severely restricted in its ability to raise equity capital for two years following completion of the Hughes/ EchoStar merger, incur additional indebtedness to finance its activities. We currently believe that New EchoStar will be able to fund its operating activities from operating income and through a combination of one or more of cash on hand, asset sales, debt financing and, if favorable IRS rulings are obtained, equity financing.

PanAmSat Stock Sale (See pages 104 and 235)

If the Hughes/ EchoStar merger agreement is terminated because certain financing or regulatory-related conditions have not been satisfied, EchoStar and Hughes have agreed that, subject to the terms and conditions contained in the PanAmSat stock purchase agreement, EchoStar will purchase the approximately 81% interest in PanAmSat held by certain subsidiaries of Hughes for a purchase price of $22.47 per share, or an aggregate amount of about $2.7 billion. This purchase price was determined by valuing Hughes indirect interest in PanAmSat on the basis of a 5% premium over the average market price of PanAmSat stock during a specified period preceding October 28, 2001. The purchase price is payable, depending on the circumstances, either solely in cash or in a combination of cash and either debt or equity securities of EchoStar. Hughes agreed to the PanAmSat stock sale because it will provide near-term liquidity to Hughes in the event that the Hughes/ EchoStar merger cannot be completed because financing for the Hughes/ EchoStar merger or certain regulatory approvals of the Hughes/ EchoStar merger cannot be obtained. Hughes currently expects that the proceeds of any PanAmSat stock sale would be used to repay outstanding debt obligations of Hughes and to fund Hughes operations under circumstances in which the Hughes/ EchoStar merger was not completed.

The PanAmSat stock sale is subject to a number of conditions which must be satisfied before that transaction could be completed, including, among other things, the expiration or termination of the waiting period applicable to the PanAmSat stock sale under the Hart-Scott-Rodino Act, the absence of any effective injunction or order which prevents the completion of the PanAmSat stock sale and the receipt of Federal Communications Commission approval for the transfer of licenses in connection with the PanAmSat stock sale.

EchoStar Regulatory Termination Fee (See pages 93 and 234)

EchoStar will be required to pay Hughes a $600 million termination fee, in the circumstances described in greater detail elsewhere in this document, if:

EchoStar or Hughes terminates the Hughes/ EchoStar merger agreement as a result of a permanent injunction or final and nonappealable order prohibiting the Hughes/ EchoStar merger in an action brought by a federal, state or local authority under U.S. federal or state antitrust laws or FCC regulations; or

Hughes terminates the Hughes/ EchoStar merger agreement because the waiting period applicable to the Hughes/ EchoStar merger under the Hart-Scott-Rodino Act does not expire or terminate by late

December 2002 or because of a failure to obtain FCC approval by early January 2003 (in each case, subject to extension under certain circumstances).

It is currently expected that any proceeds received by Hughes in payment of this fee would be used to repay outstanding debt obligations of Hughes and to fund Hughes operations.

GM/Hughes Termination Fee (See pages 93 and 234)

Hughes will be required to pay EchoStar a $600 million termination fee, in the circumstances described in greater detail elsewhere in this document, if:

- EchoStar terminates the Hughes/EchoStar merger agreement because GM fails to obtain the requisite GM common stockholder approval of the transactions, but only under certain circumstances where GM or Hughes enters into an agreement with respect to a competing transaction to the transactions, which generally refers to an alternative strategic transaction involving Hughes and any third party other than EchoStar; or

- EchoStar or Hughes terminates the Hughes/ EchoStar merger agreement because GM enters into, or the GM board of directors approves or recommends to GM common stockholders for their approval, a competing transaction or because, under certain circumstances, the GM board of directors provides notice to EchoStar that it cannot or will not be able to recommend the transactions or is required to change or revoke its recommendation of the transactions to GM common stockholders for their approval.

Structure of the Transactions

In order to help you better understand the GM/ Hughes separation transactions and the Hughes/ EchoStar merger and how they will affect GM, HEC Holdings, Hughes and EchoStar, the charts below illustrate, in simplified form, the following:

BEFORE THE TRANSACTIONS: The organizational structures of GM, HEC Holdings, Hughes and EchoStar before the GM/ Hughes separation transactions and the Hughes/ EchoStar merger;

THE HUGHES RECAPITALIZATION: The steps involved in and the effects of the Hughes recapitalization on GM, HEC Holdings and Hughes; and

AFTER THE TRANSACTIONS: The organizational structures of GM, Hughes and New EchoStar (i.e., HEC Holdings) immediately after the GM/ Hughes separation transactions and the Hughes/ EchoStar merger.

***BEFORE* THE TRANSACTIONS**

THE HUGHES RECAPITALIZATION

***AFTER* THE TRANSACTIONS**

Purposes of the Transactions
(See pages 105 and 179)

There are two principal purposes of the transactions. First, the transactions are expected to better position the businesses of Hughes and EchoStar to compete in the multi-channel video programming distribution market and, overall, in the telecommunications industry. Second, the transactions are expected to provide significant liquidity and value to GM and its common stockholders.

New EchoStar Business Opportunities

After the transactions, New EchoStar will be one of the nation s largest subscription television platforms. The transactions are expected to provide New EchoStar with greater opportunities and financial resources to develop an expanded competitive business and an opportunity to realize significant economies of scale and generate substantial cost and revenue synergies. In particular, among other things, New EchoStar will seek to:

- eliminate duplicate programming and utilize reclaimed broadcast spectrum to deliver more program and service offerings;
- standardize the EchoStar and DIRECTV set-top boxes, which is expected to both reduce manufacturing costs and enable improved anti-piracy protection;
- combine and improve the distribution networks of EchoStar and DIRECTV;
- consolidate customer service and other facilities and infrastructure;
- reduce subscriber acquisition costs, subscriber churn, programming costs and eliminate duplicative overhead;
- introduce local-into-local broadcast channel service in all designated market areas;
- expand two-way high-speed broadband;
- expand high-definition television, video-on-demand, pay-per-view and educational programming offerings; and
- generate new sources of local and national advertising revenue.

We believe that New EchoStar s broadband offerings could play an important role in spanning the digital divide between urban and suburban customers with multiple choices for high-speed Internet access and rural customers with limited choices for high-speed Internet access. Furthermore, on February 26, 2002, EchoStar and Hughes announced a new proposal that is designed to enable New EchoStar to deliver local broadcast television channels in all 210 designated market areas in the United States as soon as 24 months after the completion of the Hughes/ EchoStar merger. This time frame is dependent upon the details of the Hughes/EchoStar merger transition process and the spectrum reclamation efforts of New EchoStar and could be subject to change. In their joint satellite application filed with the FCC, the companies detailed a technically and commercially feasible Local Channels, All Americans plan developed by EchoStar and DIRECTV engineers that is designed to allow New EchoStar to offer every consumer in the contiguous continental United States, Alaska and Hawaii access to satellite-delivered local television channels.

In the filing, the companies seek authority to launch and operate a new spot-beam satellite that, when combined with four existing and under-construction EchoStar and DIRECTV spot-beam satellites and spectrum efficiencies achieved by combining frequencies from three of the companies orbital locations, is designed to enable New EchoStar to broadcast local television channels in all 210 designated market areas, including full compliance with federal must carry requirements. Currently, EchoStar and DIRECTV deliver local broadcast channels via satellite to consumers in fewer than 50 metropolitan designated market areas. The Hughes/ EchoStar merger is expected to eliminate carriage of duplicative content a total of more than 500 identical channels from the EchoStar and DIRECTV satellites which, when coupled with advanced spot-beam satellites and efficiencies expected to be created by the Hughes/ EchoStar merger, would enable local channel delivery in all U.S. designated market areas.

Liquidity and Value Provided to GM and GM Common Stockholders (See pages 79 and 105)

The transactions offer a significant premium to GM and its common stockholders for their economic interests in Hughes, as described in greater detail elsewhere in this document. The transactions are also designed to provide significant liquidity to General Motors in respect of GM s current retained economic interest in Hughes, which will help to support the credit position of GM after the transactions. This liquidity will be provided by the dividend from Hughes of up to $4.2 billion and, if applicable, from debt reduction or cash proceeds resulting from GM share dispositions. GM will also realize value to the extent of any shares of New EchoStar Class C common stock that it receives as a result of the transactions and does not dispose of within six months following the completion of the Hughes/EchoStar merger.

The amount of value and liquidity to be provided to GM will depend on the value of its retained economic interest in Hughes at the time that the GM/Hughes separation transactions are completed. The amount of the dividend to be paid by Hughes to GM and the number of shares of New EchoStar Class C common stock that GM will hold as a result of the GM/Hughes separation transactions will be based on the value of GM s retained economic interest in Hughes at that time, which will be determined by the average market price of GM Class H common stock during a specified period prior to the Hughes split-off and the number of shares of GM Class H common stock outstanding at that time.

For illustrative purposes, the following table sets forth a range of hypothetical average market prices of GM Class H common stock and calculates the amount of the dividend to GM and the number of shares of New EchoStar Class C common stock, if any, that would be available for GM share dispositions or otherwise to be retained by GM. These illustrative calculations are based on a number of assumptions described elsewhere in this document, including that GM shall not have disposed of any shares of GM Class H common stock in debt-for-equity exchanges prior to the completion of the GM/Hughes separation transactions. The actual amounts could vary materially from the amounts shown in the illustration below due to differences between our assumptions and the actual facts and circumstances existing at the time that the GM/Hughes separation transactions are completed.

Illustrative Calculation of Liquidity and Value to be Provided to GM in the Transactions

Average GM Class H Common Stock Price	**Amount of Hughes Dividend to GM**	**Number of Shares of New EchoStar Class C Common Stock Available for GM Share Dispositions**	**Number of Shares of New EchoStar Class C Common Stock Retained by GM**
	(in billions)	**(in millions)**	**(in millions)**
$	$		
$	$		
$	$		
$	$		
$	$		

You should note that, at average market prices of GM Class H common stock that are less than $ per share, the dividend amounts shown in the table have been reduced to less than $4.2 billion in order to satisfy the value condition described below at Conditions to Completing the Transactions. In addition, at average market prices of GM Class H common stock less than $ per share, the number of shares subject to GM share dispositions shown in the table reflect reductions that GM could elect to make, and the corresponding increases to the number of shares retained by GM, to the extent necessary in order to satisfy the equity headroom condition described below at Conditions to Completing the Transactions. You should understand, however, that GM would not be required to proceed with the transactions if doing so would require GM to receive a dividend in an amount less than $4.2 billion (except for a reduction of the dividend to as low as $3.5 billion, but only if and to the extent that GM has previously disposed of more than 60 million shares of GM Class H common stock in debt-for-equity exchanges) or to reduce the number of shares subject to GM share dispositions to less than 60 million. However, GM would have the right, but not the obligation, to elect to reduce the amount of the dividend, or the number of shares of New EchoStar

Class C common stock that would be subject to GM share dispositions, or both, to less than these amounts in order to satisfy the conditions to the transactions and permit the transactions to be completed. Any such reduction in the amount of the dividend would reduce the amount of liquidity and value to be provided to GM, and any such reduction in the number of shares subject to GM share dispositions would reduce the amount of liquidity to be provided to GM (but such shares would be retained by GM and would be available for other dispositions for up to five years). Accordingly, we cannot assure you that GM would elect to make such voluntary reductions in order to complete the transactions. GM currently expects that it would make any determination regarding any such voluntary reductions immediately before the completion of the Hughes split-off, based on factors it determines to be relevant at that time.

Finally, we note that, in order to maintain the tax-free status of the Hughes split-off, GM is required to distribute at least 80% of the Class C common stock of HEC Holdings in the Hughes split-off. Accordingly, to the extent necessary to satisfy this condition, GM could be required to distribute excess shares as described elsewhere in this document.

Fairness of the Transactions to GM Common Stockholders;
Recommendation of the GM Board of Directors
(See pages 124, 171 and 336)

After careful consideration, based on the factors and other matters described elsewhere in this document, the GM board of directors has determined that the transactions that are the subject of this document are advisable and in the best interests of General Motors and its common stockholders and that those transactions are fair to the holders of both classes of GM common stock. By voting to approve the proposals relating to the transactions, GM common stockholders will be ratifying the GM/Hughes separation transactions and the Hughes/EchoStar merger. The principal effect of such ratification will be to strengthen the ability of GM and its directors to defend the transactions against any subsequent challenge in litigation, including by any dissident stockholders who may challenge the fairness of the transactions to the holders of either or both classes of GM common stock.

In connection with its review of the transactions, the GM board of directors has received opinions from several investment banking firms. Two independent investment banking firms, Merrill Lynch and Bear Stearns, financial advisors to GM in connection with the GM/Hughes separation transactions, have provided opinions to the GM board of directors to the effect that, on the basis of and subject to the assumptions, conditions, limitations and other matters described in those opinions, as of the date of the opinions, taking into account all relevant financial aspects of the transactions taken as a whole, the consideration to be provided to GM and its subsidiaries, to the holders of GM $1 2/3 par value common stock, if applicable, and to the holders of GM Class H common stock in the GM/Hughes separation transactions is fair, from a financial point of view, to the holders of GM $1 2/3 par value common stock, as a class, and the holders of GM Class H common stock as a class, respectively.

Both the Hughes board of directors and the GM board of directors have also received opinions from two other independent investment banking firms, Credit Suisse First Boston and Goldman Sachs, financial advisors to Hughes in connection with the Hughes/EchoStar merger, to the effect that, based upon and subject to the matters described in those opinions and based upon such other matters as Credit Suisse First Boston and Goldman Sachs considered relevant, as of the date of their opinions and based on market conditions as of that date, the exchange ratios set forth in the Hughes/EchoStar merger agreement are fair, from a financial point of view, to the holders of Hughes Class C common stock immediately prior to the Hughes/EchoStar merger, including GM and holders of GM $1 2/3 par value common stock and GM Class H common stock, as applicable. We have included the full text of the fairness opinions received by the GM board of directors in Appendix C to this document. We urge you to read each of these opinions carefully.

The GM board of directors has unanimously approved the transactions and recommends that the GM $1 2/3 par value common stockholders and GM Class H common stockholders vote to approve each of the proposals described in this document by executing and returning the enclosed consent card or by submitting a consent through the Internet or by telephone as soon as possible.

Recommendation of the EchoStar Board of Directors
(See page 182)

After careful consideration, the EchoStar board of directors has unanimously determined that the Hughes/EchoStar merger and the related transactions are advisable, fair to and in the best interests of EchoStar and the EchoStar stockholders. The EchoStar board of directors has received an opinion from an independent investment banking firm, Deutsche Banc Alex. Brown, as to the fairness, from a financial point of view, of the exchange ratio in the Hughes/EchoStar merger to the holders of EchoStar Class A common stock. We have included the full text of the financial advisor fairness opinion received by EchoStar in Appendix C to this document. We urge you to read this opinion carefully. The EchoStar board of directors unanimously approved the Hughes/EchoStar merger agreement and unanimously recommended that EchoStar stockholders approve the Hughes/EchoStar merger agreement.

Interests of Directors and Executive Officers of GM, Hughes and EchoStar
(See pages 345 and 350)

You should be aware that some of the directors and executive officers of GM, Hughes and EchoStar have interests in connection with the GM/Hughes separation transactions and the Hughes/EchoStar merger that are different from, or in addition to, the interests of other stockholders of GM and EchoStar. In particular, certain executive officers of Hughes are participants in some of the Hughes retention and key employee severance arrangements and certain directors and executive officers of Hughes will become directors of New EchoStar. With respect to EchoStar, certain long-term performance stock options may vest as a result of the Hughes/EchoStar merger and certain current directors and executive officers of EchoStar will become directors and executive officers of New EchoStar.

Based on the number of shares outstanding on May 31, 2002, the directors and officers of General Motors, individually and the group as a whole, held less than one percent of the outstanding shares and voting power of both classes of GM common stock.

The GM board of directors, the Hughes board of directors and the EchoStar board of directors were aware of these interests and considered them, among other matters, in approving the GM/Hughes separation transactions and the Hughes/EchoStar merger, as applicable.

Advantages and Disadvantages of the Transactions to GM Common Stockholders
(See page 175)

The following is a description of certain important advantages and disadvantages of the GM/Hughes separation transactions and the Hughes/EchoStar merger to GM common stockholders. As described below, the transactions will have differing effects on, and consequences for, holders of GM $1 2/3 par value common stock and holders of GM Class H common stock.

GM Class H Common Stockholders

As a result of the transactions, GM Class H common stockholders will no longer be holders of a tracking stock of General Motors. Rather, they will become New EchoStar Class C common stockholders, and will hold a more conventional common stock of New EchoStar. As a consequence, the GM Class H common stockholders will no longer have the right to have their shares of GM Class H common stock exchanged for shares of GM $1 2/3 par value common stock at a 120% exchange rate, as currently provided for under certain circumstances pursuant to provisions of the GM restated certificate of incorporation. GM determined that such an exchange would not be in the best interests of GM and its common stockholders in connection with the proposed separation of Hughes from GM and, accordingly, GM structured the transactions so as not to result in such an exchange.

Further, GM Class H common stockholders will not receive any portion of the Hughes dividend distribution to GM. If the requisite GM common stockholder approval of the proposals relating to the

transactions is obtained, GM common stockholders will be approving and consenting to an asset transfer consisting of the Hughes dividend distribution without the distribution of a portion of the Hughes dividend distribution to GM Class H common stockholders that is currently provided for under certain circumstances pursuant to a policy statement of the GM board of directors.

You should understand, however, that if the requisite GM common stockholder approval of the transactions is not obtained, the transactions will not occur and GM Class H common stockholders would similarly have no right to exchange their shares for shares of GM $1 2/3 par value common stock at a 120% exchange rate or to receive any distribution from GM based on an asset transfer from Hughes to GM.

GM $1 2/3 Par Value Common Stockholders

As a result of the GM/ Hughes separation transactions, General Motors will have only one class of outstanding common stock, the GM $1 2/3 par value common stock. General Motors will then no longer have tracking stock and will be a company primarily focused on its core automotive and related businesses. Hughes will no longer be part of GM. After the GM/ Hughes separation transactions, GM $1 2/3 par value common stock will reflect only the financial performance of the remaining GM businesses, which will not include the Hughes business, except to the extent of any GM ownership of New EchoStar Class C common stock. GM $1 2/3 par value common stockholders will retain only an indirect interest in New EchoStar to the extent of any continuing GM ownership of New EchoStar Class C common stock which, as a result of the Hughes recapitalization, will be significantly smaller than GM s current retained economic interest in Hughes. If and to the extent required in order to maintain the tax-free status of the Hughes split-off under certain limited circumstances described elsewhere in this document, GM may make a pro rata distribution to the GM $1 2/3 par value common stockholders of a portion of the HEC Holdings Class C common stock it receives in the Hughes recapitalization.

Regulatory Requirements
(See page 192)

U.S. Antitrust Requirements

Under U.S. antitrust laws, the Hughes/ EchoStar merger may not be completed until GM, Hughes and EchoStar have notified the Antitrust Division of the Department of Justice and the Federal Trade Commission of the Hughes/EchoStar merger and filed the necessary report forms, and until the required waiting period has terminated or expired. We filed the notifications required by the Hart-Scott-Rodino Act in November 2001. The Department of Justice s Antitrust Division is currently conducting an investigation of the transactions, and, as anticipated, has requested additional information from the companies. We are now in the process of compiling this information. The Department of Justice s Antitrust Division may fail to permit the completion of the Hughes/EchoStar merger on a timely basis or it could bring an action seeking to prevent the Hughes/EchoStar merger or impose onerous conditions in connection with its clearance. The attorneys general of a number of states are also conducting an investigation of the transactions under federal and state antitrust laws and could bring an action seeking to prevent the Hughes/EchoStar merger or attempt to impose onerous conditions.

FCC Approval

To complete the Hughes/EchoStar merger, we must also obtain the approval of the FCC for the transfer of licenses in connection with the Hughes split-off and the Hughes/EchoStar merger. We filed an application for this FCC approval of the transfer of licenses in December 2001. Shortly following this filing, the FCC placed the application on public notice and invited petitions, oppositions and other comments by third parties in respect of the application. Numerous parties have filed petitions to deny the application or comments, and EchoStar and Hughes have filed a consolidated opposition. Currently, the application remains pending before the FCC. In addition, the FCC has requested additional documents and information with respect to this application within a certain specified time period. The parties requested an extension of this time period, but the FCC rejected the parties request and stopped its self-imposed 180-day clock for merger review.

Although the parties have submitted interrogatory responses and filed a substantial number of responsive documents with the FCC, the FCC has not yet determined whether the applicants have fully complied with its requests, resulting in a delay in the FCC s consideration of the application.

In addition, the parties filed an application in February 2002 on behalf of New EchoStar requesting authority to launch and operate a new direct broadcast satellite, which would allow New EchoStar to offer local broadcast channels in all 210 designated market areas. The FCC placed this satellite application on notice for public comment on April 19, 2002, and the comment period closed on June 4, 2002. The parties pending satellite application may delay the FCC s consideration of the Hughes/EchoStar merger application. As a result of these delays, the FCC may fail to approve the Hughes/EchoStar merger in a timely manner. In addition, the FCC may agree with the views of parties opposing the application and deny its approval of the Hughes/EchoStar merger or impose onerous conditions. Furthermore, the FCC may fail to grant, or may delay action on, the pending satellite application.

Foreign and Certain Other Regulatory Matters

The transactions may be subject to certain regulatory requirements of other state, federal and foreign governmental agencies and authorities, including clearances for the Hughes/EchoStar merger from competition and telecommunications authorities in certain foreign jurisdictions and requirements relating to the regulation of the offer and sale of securities. We are currently working to evaluate and comply in all material respects with these requirements, as appropriate, and do not currently anticipate that they will hinder, delay or restrict completion of the transactions.

Although we currently expect to receive all governmental approvals and clearances required in order to complete the transactions, we cannot assure you that we will obtain all such governmental approvals and clearances or that the granting of these approvals and clearances will be timely or will not involve the imposition of conditions on the completion of the transactions or require changes to the terms of the transactions. These conditions or changes could result in the conditions to the transactions not being satisfied.

No Appraisal Rights

(See page 194)

Under applicable corporation law and the GM restated certificate of incorporation, GM stockholders are not entitled to appraisal rights in connection with the GM/Hughes separation transactions or the Hughes/EchoStar merger.

Under applicable corporation law and the EchoStar articles of incorporation, EchoStar stockholders are not entitled to appraisal rights in connection with the Hughes/EchoStar merger.

New EchoStar Common Stock

(See page 305)

Based on assumptions about certain variable factors described elsewhere in this document, we estimate that immediately after the completion of the Hughes/EchoStar merger:

the former GM Class H common stockholders and General Motors would together hold shares of New EchoStar Class C common stock equaling about % of the outstanding common stock of New EchoStar and about % of New EchoStar s total voting power;

the former EchoStar Class A common stockholders would hold shares of New EchoStar Class A common stock equaling about % of the outstanding common stock of New EchoStar and about % of New EchoStar s total voting power; and

the former EchoStar Class B common stockholders would hold shares of New EchoStar Class B common stock equaling about % of the outstanding common stock of New EchoStar and about % of New EchoStar s total voting power. Charles W. Ergen, the Chairman of the Board of

Directors and Chief Executive Officer of EchoStar and the current beneficial owner of all of the outstanding shares of EchoStar Class B common stock, is expected to be the beneficial owner of all of the outstanding shares of New EchoStar Class B common stock after the Hughes/EchoStar merger. As a result, Mr. Ergen will have significant influence over actions of New EchoStar that require stockholder approval.

For a description of the assumptions on which these percentages are based, see The Transactions Description of the Transactions The Hughes/EchoStar Merger Assumptions Used in Calculating the Pro Forma Percentages of Outstanding Shares and Voting Power and the Minimum GM Class H Common Stock Price Necessary to Satisfy the Equity Headroom Condition.

Except as to voting rights, the New EchoStar Class A common stock and New EchoStar Class C common stock will be identical. The New EchoStar Class B common stock will have special voting rights, will be convertible into New EchoStar Class A common stock or New EchoStar Class C common stock and will be subject to certain transfer restrictions. However, in all respects other than voting rights, convertibility and transfer restrictions, the New EchoStar Class B common stock will be substantially the same as the New EchoStar Class A common stock and New EchoStar Class C common stock. The New EchoStar common stock will have the following voting rights:

Each share of New EchoStar Class A common stock will entitle the holder to one vote in the election of directors and all other matters submitted to stockholders for their approval;

Each share of New EchoStar Class B common stock initially will entitle the holder to 10 votes in the election of directors and all other matters submitted to stockholders for their approval, subject to reduction under certain circumstances during the first two years after the completion of the Hughes split-off (and possibly thereafter, in certain circumstances) to preserve the tax-free status to GM of the Hughes split-off. After the second anniversary of the completion of the Hughes split-off, the voting power of each share of New EchoStar Class B common stock outstanding at the conclusion of the two-year period, as a percentage of aggregate voting power, generally will be fixed at the same percentage of the aggregate voting power of all of the shares of the New EchoStar common stock then outstanding to which such share of New EchoStar Class B common stock was entitled at the end of the two-year period. As a result, the votes per share of New EchoStar Class B common stock generally will increase when certain additional shares of New EchoStar capital stock are issued; and

Each share of New EchoStar Class C common stock will entitle the holder to a number of votes in the election of directors and all other matters submitted to stockholders for their approval that will ensure that the shares of New EchoStar Class C common stock held by GM (other than shares that are subject to GM share dispositions) and the shares of New EchoStar Class C common stock that are issued to certain of GM s historical stockholders together possess 50.5% of the aggregate voting power of New EchoStar immediately following the completion of the Hughes/ EchoStar merger.

The calculation of the exact number of votes per share of New EchoStar Class C common stock will not be made until the time of the completion of the Hughes/ EchoStar merger because the calculation will be subject to certain variable factors that will be determined between now and that time. We estimate that the holders of New EchoStar Class C common stock would be entitled to between three and five votes per share. Once determined, the number of votes per share of New EchoStar Class C common stock will not change.

Directors of New EchoStar will be elected on the basis of cumulative voting. On all other matters, the shares of New EchoStar Class A common stock, New EchoStar Class B common stock and New EchoStar Class C common stock will vote together as a single class on the basis of their respective per share voting power. In addition, the holders of New EchoStar Class B common stock will be entitled to a separate class vote for approval of the following:

matters (other than the election and removal of directors) for which a stockholder vote is required under applicable corporation law, such as mergers, amendments to the New EchoStar certificate of incorporation and dissolution;

matters for which a stockholder vote will be required by the rules of the NYSE or the Nasdaq, as applicable, including, among other things, certain issuances of stock in excess of 20% of the total voting power of New EchoStar;

any sale or acquisition of a significant business of New EchoStar;

any amendment by stockholders to the bylaws of New EchoStar;

any issuance of common stock (or equivalents) of New EchoStar in excess of 10% of the average fully diluted shares over the prior 12 months; and

the adoption by New EchoStar of any equity-based benefit plan for directors and employees.

New EchoStar Board of Directors and Officers

(See page 286)

We have agreed that the New EchoStar board of directors will initially have 11 members, eight of whom are current directors and/or officers of EchoStar and three of whom are current directors and/or officers of Hughes. For the first three years following the completion of the Hughes/ EchoStar merger, at least six of the members of the New EchoStar board of directors will be independent directors as determined in accordance with the New EchoStar certificate of incorporation and bylaws.

Charles W. Ergen, the current Chairman of the Board of Directors and Chief Executive Officer of EchoStar, will be the Chairman of the Board of Directors and Chief Executive Officer of New EchoStar, and David K. Moskowitz, the current Senior Vice President, General Counsel and Secretary of EchoStar will be the Senior Vice President, General Counsel and Secretary of New EchoStar. The other officers of New EchoStar will be determined by a management transition committee prior to the completion of the Hughes/EchoStar merger.

Conditions to Completing the Transactions

(See pages 77, 218 and 228)

The obligations of the companies to complete the GM/ Hughes separation transactions and the Hughes/EchoStar merger are subject to a number of conditions which must be satisfied or waived before the transactions can be completed. One important condition is that GM and Hughes must complete the GM/ Hughes separation transactions before the Hughes/ EchoStar merger can be completed. In addition, unless the companies are prepared to complete the Hughes/ EchoStar merger immediately after the completion of the GM/ Hughes separation transactions, the Hughes business will not be separated from GM pursuant to the GM/ Hughes separation transactions. Other important conditions include the following:

the receipt of the requisite GM common stockholder approval of each of the three proposals relating to the transactions;

the expiration or termination of the waiting periods applicable to the Hughes/ EchoStar merger under the Hart-Scott-Rodino Act and any similar law of foreign jurisdictions;

the absence of any effective injunction or order which prevents the completion of the transactions;

the receipt of FCC approval for the transfer of licenses and other authorizations in connection with the Hughes/ EchoStar merger and the Hughes split-off;

the receipt of all other approvals of, or clearances from, or the making of all filings with, governmental authorities required to complete the transactions, other than approvals, clearances and filings, the absence of which, in the aggregate, are not reasonably likely to have a material adverse effect on New EchoStar;

the continued effectiveness of the ruling received by GM from the IRS to the effect that the Hughes split-off will be tax-free to GM and its stockholders for U.S. federal income tax purposes;

- the availability of financing for the Hughes/ EchoStar merger;
- the amount of the Hughes dividend distribution to GM may not exceed the value of GM s retained economic interest in Hughes at the time of the Hughes recapitalization. We sometimes refer to this condition as the value condition; and
- the ability of New EchoStar, based on certain assumptions, to issue a minimum amount of equity immediately following the Hughes/ EchoStar merger. We sometimes refer to this condition as the equity headroom condition.

The equity headroom condition is designed to ensure that, after the completion of the Hughes/ EchoStar merger, New EchoStar will have the flexibility to issue a specified minimum amount of equity without violating certain agreements with GM that are designed to preserve the tax-free status of the Hughes split-off. Satisfaction of the equity headroom condition will depend upon a number of factors that will not be known until immediately before the completion of the transactions, including the average market price of GM Class H common stock during a specified period preceding such time. For more information, see Purposes of the Transactions Liquidity and Value Provided to GM and GM Common Stockholders.

If and to the extent necessary in order to satisfy the equity headroom condition, the terms of the transaction agreements require that the aggregate number of shares subject to GM share dispositions (which would otherwise be 100 million shares) be reduced by up to 40 million shares. In addition, if GM has already completed debt-for-equity exchanges of more than 60 million shares of GM Class H common stock prior to the completion of the transactions, the dividend from Hughes of up to $4.2 billion will be reduced by up to $700 million if and to the extent required to satisfy either the value condition or the equity headroom condition, but in any event the reduction in the dividend will not exceed the amount of the proceeds received by GM from such debt-for-equity exchanges in excess of 60 million shares. As a result, based on the assumptions underlying the table set forth at Liquidity and Value Provided to GM and GM Common Stockholders Illustrative Calculation of Liquidity and Value to be Provided to GM in the Transactions, both the value condition and the equity headroom condition will be satisfied if the average market price of GM Class H common stock during the specified period is at least $ per share.

GM has the right, but not the obligation, to elect to reduce the amount of the Hughes dividend distribution or the number of shares of New EchoStar Class C common stock that would be subject to GM share dispositions, or both, by more than the amount of the mandatory reductions described above in order to satisfy the equity headroom condition and/or the value condition. Any such voluntary reductions by GM would have the effect of permitting these conditions to be satisfied at a lower average market price for the GM Class H common stock than is set forth above. However, any such reduction in the amount of the Hughes dividend distribution would reduce the amount of liquidity and value to be provided to GM, and any such reduction in the number of shares subject to GM share dispositions would reduce the amount of liquidity to be provided to GM (but such shares would be retained by GM and would be available for other dispositions for up to five years). We cannot assure you that GM would make any such voluntary reductions, and a failure by GM to make such voluntary reductions could result in the transactions not being completed. GM currently expects that it would make any determination regarding any such voluntary reductions immediately before the completion of the Hughes split-off, based on factors it determines to be relevant at that time.

Considerations Relating to the Time Interval Between GM Common Stockholder Approval and Completion of the Transactions

(See pages 94, 130 and 205)

The GM board of directors has determined that the transactions that are the subject of this document are in the best interests of GM and its common stockholders as a whole and fair to the holders of both classes of GM common stock and has unanimously approved the transactions and recommends that the GM common stockholders of each class vote to approve each of the proposals described in this document. However, if the proposals relating to the transactions were to receive the requisite GM common stockholder approval but all other applicable conditions to the transactions were not satisfied or waived as of that time, it is possible that

the transactions would not be completed for a significant period of time after the requisite GM common stockholder approval. During any such time interval, it is possible that circumstances relating to the business or financial condition of EchoStar or Hughes or financial, economic or other circumstances could change significantly and in a manner not considered at the time that the GM board of directors approved the transactions. GM common stockholders should understand that, despite any such change in circumstances that might occur during this time interval, it is not a condition to completion of the transactions that the GM board of directors conclude that, at the time that the transactions are to be completed or at any other point during such time interval, the transactions will be fair to both classes of GM common stockholders.

Under the terms of the transaction agreements, General Motors and Hughes have agreed not to solicit any proposals from third parties, or engage in discussions with or furnish information to any third party, with respect to a broad range of competing transactions to the transactions, which generally refers to alternative strategic transactions involving Hughes and any third party other than EchoStar. However, until the requisite GM common stockholder approval of the proposals relating to the transactions has been received, GM and Hughes are permitted to engage in such discussions and provide such information (but not solicit proposals) with regard to a superior proposal, subject to certain conditions described at Description of Principal Transaction Agreements Implementation Agreement Covenants of GM, Hughes and EchoStar No Solicitation of Competing Transactions Involving Hughes, if the GM board of directors determines that in order to comply with its fiduciary duties it is necessary for GM to do so. Similarly, subject to certain conditions, until the requisite GM common stockholder approval has been received, the GM board of directors may change or revoke its recommendation that GM common stockholders approve the proposals relating to the transactions, if it determines that it is required to do so in accordance with its fiduciary duties and based on a proposed competing transaction or any other factor that may affect its views regarding the transactions. In such event, GM, Hughes or EchoStar may terminate the transaction agreements (in which event Hughes would be required to pay EchoStar a $600 million termination fee).

GM common stockholders should understand that, if they vote to approve the proposals recommended by the GM board of directors, that action will result in the termination of the ability of GM to pursue superior proposals in this manner, which would mean that GM would have no practical ability to enter into any agreement or arrangement with respect to a competing transaction without breaching the non-solicitation covenant. However, if GM common stockholders fail to approve the proposals recommended by the GM board of directors, the transactions could not be completed and GM common stockholders would not have the opportunity to participate in the benefits of the transactions as described in this document and, under certain circumstances in which GM or Hughes enters into or completes a competing transaction, EchoStar would be entitled to a $600 million termination fee. Further, in either case, there can be no assurance that any proposal for a competing transaction would be available to Hughes and GM or, if available, would result in any agreement or arrangement for a competing transaction. Accordingly, for all of the reasons described elsewhere in this document, the GM board recommends that GM common stockholders vote to approve each of the proposals.

Material U.S. Federal Income Tax Considerations Relating to the Transactions

(See page 195)

General Motors has received an IRS ruling to the effect that the Hughes split-off will be treated as a tax-free reorganization and distribution for U.S. federal income tax purposes. If the ruling remains in effect, then, for U.S. federal income tax purposes, neither the GM common stockholders nor, except as to certain prior intercompany transactions which will be taken into income, General Motors will recognize gain or loss as a result of the Hughes split-off.

In addition, EchoStar will receive, on the date of this document, an opinion from its outside tax counsel, Sullivan & Cromwell, to the effect that, among other things, the Hughes/EchoStar merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, EchoStar will not recognize gain or loss for U.S. federal income tax purposes as a result of the Hughes/EchoStar merger and the EchoStar common stockholders will recognize gain or loss for U.S. federal income tax purposes upon the exchange of their EchoStar common stock pursuant to the Hughes/EchoStar merger only in respect of cash

received instead of fractional shares of New EchoStar common stock. Further, HEC Holdings will receive, on the date of this document, an opinion from its outside tax counsel, Weil, Gotshal & Manges LLP, to the effect that the Hughes/EchoStar merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, HEC Holdings will not recognize gain or loss for U.S. federal income tax purposes by reason of the Hughes/EchoStar merger, and the former holders of GM Class H common stock will not recognize gain or loss for U.S. federal income tax purposes by reason of the Hughes/EchoStar merger with respect to their HEC Holdings Class C common stock. It is a condition to the completion of the transactions that each of EchoStar and HEC Holdings receive an opinion at the time of the completion of the transactions that the Hughes/ EchoStar merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. In rendering these opinions, counsel will rely on certain assumptions and factual representations to be made by HEC Holdings and EchoStar, as applicable, and the opinions will be subject to the limitations and qualifications set forth in the opinions.

Accounting Treatment

(See page 195)

General Motors will record the Hughes dividend distribution of up to $4.2 billion as a reduction in GM s investment in Hughes. GM will record the Hughes split-off at fair value at the time of the Hughes split-off. Based on the closing price of EchoStar Class A common stock on March 28, 2002 and certain other assumptions, the Hughes split-off would have resulted in an after-tax gain of about $16.3 billion based on the net book value of Hughes at such date. As a result of the Hughes split-off, GM anticipates that there would be a net reduction to GM s stockholders equity reflecting adjustments based on the fair value and the net book value of Hughes at that time. The financial results of Hughes for all periods prior to the completion of the GM/Hughes separation transactions will be reported as discontinued operations in GM s consolidated financial statements. The Hughes/EchoStar merger will be accounted for using the purchase method of accounting, with EchoStar having acquired HEC Holdings.

Comparative Market Price Data

(See page 333)

Presented below are the per share closing prices for the GM $1 2/3 par value common stock (symbol: GM), as quoted on the NYSE, GM Class H common stock (symbol: GMH), as quoted on the NYSE, and the EchoStar Class A common stock (symbol: DISH), as quoted on the Nasdaq National Market, on the following dates:

October 26, 2001, the last trading day before the public announcement of the signing of the transaction agreements among GM, Hughes and EchoStar relating to the transactions that are the subject of this document; and

July 9, 2002, the latest practicable date before the filing of this document.

The table below also presents implied equivalent per share values for:

shares of GM Class H common stock by multiplying the price per share of EchoStar Class A common stock on each of the two dates by the implied exchange ratio in the Hughes/ EchoStar merger of 0.73, which is the inverse of the actual exchange ratio in the Hughes/EchoStar merger of 1/0.73; and

shares of EchoStar Class A common stock by multiplying the price per share of GM Class H common stock on each of the two dates by the exchange ratio of 1/0.73.

	GM $1 2/3 Par Value Common Stock Price	GM Class H Common Stock Price	EchoStar Class A Common Stock Price	Share Price Equivalent (EchoStar Class A Common Stock) for GM Class H Common Stock	Share Price Equivalent (GM Class H Common Stock) for EchoStar Class A Common Stock
October 26, 2001	$ 45.40	$ 15.35	$ 25.26	$ 18.44	$ 21.03
July 9, 2002	$ 51.14	$ 10.08	$ 17.10	$ 12.48	$ 13.81

SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

GM Selected Historical Financial Data

The following statements of operations data for each of the three years in the period ended December 31, 2001 and the balance sheet data as of December 31, 2001 and 2000 have been derived from GM s consolidated financial statements incorporated into this document by reference, which have been audited by Deloitte & Touche LLP, independent auditors. The statement of operations data for the years ended December 31, 1998 and 1997 and the balance sheet data as of December 31, 1999, 1998 and 1997 have been derived from GM s audited consolidated financial statements which have not been incorporated into this document by reference.

The statements of operations data for each of the three-month periods ended March 31, 2002 and 2001 and the balance sheet data as of March 31, 2002 have been derived from GM s unaudited consolidated financial statements which have been incorporated into this document by reference.

You should read the data below in conjunction with GM s consolidated financial statements (including the notes thereto) and Management s Discussion and Analysis of Financial Condition and Results of Operations in the GM 2001 Form 10-K and GM s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, which are incorporated into this document by reference. Certain amounts for 2001 and prior years have been reclassified to conform with the 2002 classifications.

	For the three months ended March 31,		For the years ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
	(in millions, except per share amounts)						
Statement of Operations Data:							
Total net sales and revenues	$ 46,264	$ 42,615	$ 177,260	$ 184,632	$ 176,558	$ 155,445	$ 172,580
Total costs and expenses	45,910	42,111	175,742	177,468	167,511	150,501	165,011
Income from continuing operations before income taxes and minority interests	354	504	1,518	7,164	9,047	4,944	7,569
Income tax expense	125	208	768	2,393	3,118	1,636	1,025
Equity income (loss) and minority interests	(1)	(59)	(149)	(319)	(353)	(259)	(61)
Income from continuing operations	228	237	601	4,452	5,576	3,049	6,483
Income (loss) from discontinued operations					426	(93)	215
Net Income	228	237	601	4,452	6,002	2,956	6,698
Dividends on preference stocks	(24)	(28)	(99)	(110)	(80)	(63)	(98)
Earnings attributable to common stocks	$ 204	$ 209	$ 502	$ 4,342	$ 5,922	$ 2,893	$ 6,600
Earnings Per Share:							
GM $1 2/3 par value common stock(1)							
Basic earnings per share (EPS) from continuing operations	$ 0.58	$ 0.54	$ 1.78	$ 6.80	$ 8.70	$ 4.40	$ 8.52
Diluted EPS from continuing operations	0.57	0.53	1.77	6.68	8.53	4.32	8.45
Cash dividends declared per share	0.50	0.50	2.00	2.00	2.00	2.00	2.00
GM Class H common stock subsequent to the Hughes restructuring transactions(1), (2), (3)							
Basic EPS from continuing operations	(0.14)	(0.10)	(0.55)	0.56	(0.26)	0.23	0.01
Diluted EPS from continuing operations	(0.14)	(0.10)	(0.55)	0.55	(0.26)	0.23	0.01
GM Class H common stock prior to the Hughes restructuring transactions(1), (2), (4)							
Basic EPS from continuing operations							0.77
Diluted EPS from continuing operations							0.77
Cash dividends declared per share							0.33

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	As of March 31,	As of December 31,				
	2002	2001	2000	1999	1998	1997
		(in millions, except per share amounts)				
Balance Sheet Data:						
Cash and cash equivalents(5)	$ 14,656	$ 8,432	$ 9,119	$ 9,730	$ 9,728	$ 9,696
Current assets(5)	42,845	37,063	41,147	41,909	40,399	39,326
Total assets	325,157	323,969	303,100	274,730	246,688	221,767
Current liabilities(5)	55,787	56,346	55,740	53,100	46,110	44,681
Long-term debt(5)	16,797	10,726	7,410	7,415	7,118	5,669
Minority interests	766	746	707	596	563	671
GM-obligated mandatorily redeemable preferred securities of subsidiary trusts			139	218	220	222
Stockholders equity	19,576	19,707	30,175	20,644	15,052	17,584

	For the year ended December 31,		
	2001	2000	1999
	(in millions, except per share amounts)		
Transitional Disclosures Under Statement of Financial Accounting Standards No. 142(6):			
Reported net income	$ 601	$ 4,452	$ 6,002
Add:			
Goodwill amortization	327	318	242
Amortization of intangibles with indefinite lives	7	7	5
Adjusted net income	$ 935	$ 4,777	$ 6,249
Basic earnings (losses) per share attributable to GM common stocks			
EPS attributable to GM $1 2/3 par value common stock:			
Reported	$ 1.78	$ 6.80	$ 9.36
Amortization of goodwill and other intangibles	0.33	0.36	0.30
Adjusted	$ 2.11	$ 7.16	$ 9.66
EPS attributable to GM Class H common stock:			
Reported	$ (0.55)	$ 0.56	$ (0.26)
Amortization of goodwill and other intangibles	0.17	0.17	0.14
Adjusted	$ (0.38)	$ 0.73	$ (0.12)

	For the year ended December 31,		
	2001	2000	1999
Earnings (losses) per share attributable to GM common stocks assuming dilution			
EPS attributable to GM $1 2/3 par value common stock:			
Reported	$ 1.77	$ 6.68	$ 9.18
Amortization of goodwill and other intangibles	0.33	0.35	0.30
Adjusted	$ 2.10	$ 7.03	$ 9.48
EPS attributable to GM Class H common stock:			
Reported	$ (0.55)	$ 0.55	$ (0.26)
Amortization of goodwill and other intangibles	0.17	0.16	0.14
Adjusted	$ (0.38)	$ 0.71	$ (0.12)

(1) Earnings per share attributable to the GM Class H common stock are determined based on the relative amounts of Hughes net income available for the payment of dividends to holders of GM Class H common stock and to holders of GM $1 2/3 par value common stock. The manner in which this allocation is made is described further at GM Capital Stock GM s Dual-Class Common Stock Capital Structure Dividends.

(2) The amounts for GM Class H common stock have been adjusted to reflect the three-for-one stock split, in the form of a 200% stock dividend, paid on June 30, 2000.

(3) The amounts for GM Class H common stock subsequent to its recapitalization, as part of the 1997 Hughes restructuring transactions, present the earnings attributable to GM Class H common stock subsequent to its recapitalization on December 17, 1997 related to Hughes, consisting principally of its digital entertainment services, satellite communications services and satellite-based private business networks businesses.

(4) The amounts for GM Class H common stock prior to its recapitalization, as part of the 1997 Hughes restructuring transactions, present the earnings attributable to GM Class H common stock prior to its recapitalization on December 17, 1997 related to Hughes, consisting principally of its defense electronics, automotive electronics and telecommunications and space business.

(5) Amounts represent GM s automotive, communications services and other operations only.

(6) Pursuant to paragraph 61 of Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets, referred to as SFAS 142, amounts shown are GM s reported net income exclusive of amortization expense recognized related to goodwill and amortization of intangibles with indefinite lives required under previous accounting standards, on an after-tax basis.

SFAS 142 changes the accounting for goodwill and indefinite lived intangible assets from an amortization method to an impairment-only approach. Goodwill, including goodwill recorded in past business combinations, is no longer amortized, but is tested for impairment at least annually at the reporting unit level. GM implemented SFAS 142 on January 1, 2002.

SFAS 142 requires a two-step test to determine the amount, if any, of an impairment loss with respect to goodwill. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any. GM is currently completing the first step of the impairment test and, as required by the standard, will disclose the results of the assessment in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

GM Selected Pro Forma Financial Data

The columns below entitled GM/ Hughes Separation Transactions present pro forma operating results for the three months ended March 31, 2002 and the year ended December 31, 2001 giving effect to the GM/ Hughes separation transactions as if they had occurred on January 1, 2002 and January 1, 2001, respectively, and balance sheet data as of March 31, 2002 giving effect to the GM/ Hughes separation transactions as if they had occurred as of that date.

The column entitled PanAmSat Stock Sale presents pro forma operating results for the three months ended March 31, 2002 giving effect to the PanAmSat stock sale as if it had occurred on January 1, 2002 and balance sheet data as of March 31, 2002 giving effect to the PanAmSat stock sale as if it had occurred as of that date.

The column below entitled PanAmSat Stock Sale and Telocity presents pro forma operating results for the year ended December 31, 2001 giving effect to the PanAmSat stock sale and Hughes acquisition of Telocity as of April 3, 2001, as if those transactions had occurred on January 1, 2001.

The pro forma financial data are not intended to be indicative of either future results of operations or results that might have been achieved had the GM/Hughes separation transactions, the PanAmSat stock sale or Hughes acquisition of Telocity occurred on the dates specified. In the opinion of GM s management, all adjustments necessary to fairly present such pro forma condensed financial data have been made based upon the proposed terms of the GM/Hughes separation transactions or the PanAmSat stock sale and the terms of Hughes acquisition of Telocity.

	As of and for the three months ended March 31, 2002		For the year ended December 31, 2001	
	Pro Forma Giving Effect to		Pro Forma Giving Effect to	
	GM/Hughes Separation Transactions	PanAmSat Stock Sale	GM/Hughes Separation Transactions	PanAmSat Stock Sale and Telocity
	(in millions, except per share amounts)			
Statement of Operations Data:				
Total net sales and revenues	$ 44,252	$ 46,104	$ 168,942	$ 176,624
Total costs and expenses	43,667	45,779	166,488	175,213
Income before income taxes and minority interests	585	325	2,454	1,411
Income tax expense	217	119	1,094	722
Equity income (loss) and minority interests	16	3	(138)	(143)
Net Income	384	209	1,222	546
Dividends on preference stocks		(24)		(99)
Earnings attributable to common stocks	$ 384	$ 185	$ 1,222	$ 447
Earnings Per Share:				
GM $1 2/3 par value common stock(1)				
Basic earnings per share (EPS)	$ 0.69	$ 0.57	$ 2.21	$ 1.75
Diluted EPS	0.67	0.56	2.20	1.74
Cash dividends declared per share	0.50	0.50	2.00	2.00
GM Class H common stock subsequent to the Hughes restructuring transactions(1), (2), (3)				
Basic EPS		(0.15)		(0.59)
Diluted EPS		(0.15)		(0.59)

	As of and for the three months ended March 31, 2002	
	Pro Forma Giving Effect to	
	GM/Hughes Separation Transactions	PanAmSat Stock Sale
	(in millions, except per share amounts)	
Balance Sheet Data:		
Cash and cash equivalents(4)	$ 17,742	$ 15,950
Current assets(4)	43,071	44,000
Total assets	314,180	320,792
Current liabilities(4)	52,114	55,145
Long-term debt(4)	14,391	14,447
Minority interests	227	263
Stockholders equity	15,996	19,537

(1) Earnings per share attributable to the GM Class H common stock are determined based on the relative amounts of Hughes net income available for the payment of dividends to holders of GM Class H common stock and to holders of GM $1 2/3 par value common stock. The manner in which this allocation is made is described further at GM Capital Stock GM s Dual-Class Common Stock Capital Structure Dividends.

(2) The amounts for GM Class H common stock have been adjusted to reflect the three-for-one stock split, in the form of a 200% stock dividend, paid on June 30, 2000.

(3) The amounts for GM Class H common stock subsequent to its recapitalization, as part of the 1997 Hughes restructuring transactions, present the earnings attributable to GM Class H common stock subsequent to its recapitalization on December 17, 1997 related to Hughes, consisting principally of its digital entertainment services, satellite communications services and satellite-based private business networks businesses.

(4) Amounts represent GM s automotive, communications services and other operations only.

Hughes Selected Historical Financial Data

The following selected historical financial data have been derived from, and should be read in conjunction with Hughes consolidated financial statements (including the notes thereto) and Management s Discussion and Analysis of Financial Condition and Results of Operations in the Hughes 2001 Form 10-K and Hughes Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, which are incorporated into this document by reference. The following consolidated statements of operations data for each of the three years in the period ended December 31, 2001 and the balance sheet data as of December 31, 2001 and 2000 have been derived from Hughes financial statements incorporated into this document by reference, which have been audited by Deloitte & Touche LLP, independent auditors. The consolidated statement of operations data for the years ended December 31, 1998 and 1997 and the balance sheet data as of December 31, 1999, 1998 and 1997 have been derived from Hughes audited financial statements which have not been incorporated into this document by reference.

The consolidated statements of operations data for each of the three-month periods ended March 31, 2002 and 2001 and the consolidated balance sheet data as of March 31, 2002 have been derived from Hughes unaudited consolidated financial statements which have been incorporated into this document by reference.

On December 17, 1997, Hughes predecessor and GM completed the Hughes restructuring transactions, a series of transactions which restructured Hughes predecessor and which were designed to address strategic challenges facing Hughes three principal businesses. These transactions included:

- the tax-free spin-off of Hughes defense electronics business to holders of GM $1 2/3 par value common stock and old GM Class H common stock;
- the transfer of Delco Electronics Corporation, Hughes automotive electronics business, to GM s Delphi Automotive Systems business sector, which is now a separate corporation; and
- the recapitalization of the old GM Class H common stock into the GM Class H common stock that is currently outstanding.

These transactions were followed immediately by the merger of Hughes defense electronics business with Raytheon Company.

In connection with the Hughes restructuring transactions, the telecommunications and space business of Hughes predecessor, consisting principally of its digital direct-to-home broadcast, satellite services, network systems and satellite systems manufacturing businesses, were contributed to the recapitalized Hughes. These telecommunications and space businesses, both before and after the recapitalization, are referred to as Hughes. The financial information presented for Hughes, unless otherwise noted, represents the financial information of the recapitalized Hughes.

On October 6, 2000, Hughes completed the sale of its satellite systems manufacturing businesses to The Boeing Company. As a result, the financial results for those businesses are treated as discontinued operations for all periods presented herein through the date of sale. Consequently, revenues, operating costs and expenses, and other non-operating results for the satellite systems manufacturing businesses are excluded from Hughes results from continuing operations.

	As of and for the three months ended March 31,		As of and for the years ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
	(in millions)						
Consolidated Statements of Operations Data:							
Total revenues	$ 2,038	$ 1,893	$ 8,262	$ 7,288	$ 5,560	$ 3,481	$ 2,839
Total operating costs and expenses	2,166	2,046	9,020	7,642	5,975	3,522	2,824
Operating profit (loss)	(128)	(153)	(758)	(354)	(415)	(41)	15
Other income (expense), net	(114)	(20)	(233)	(462)	(246)	(62)	359
Income tax benefit (expense)	92	50	326	406	237	142	(162)
Minority interests in net (earnings) losses of subsidiaries	(7)	24	51	55	33	25	25
Income (loss) from continuing operations before extraordinary item and cumulative effect of accounting change	(157)	(99)	(614)	(355)	(391)	64	237
Income from discontinued operations, net of taxes				36	100	196	171
Gain on sale of discontinued operations, net of taxes				1,132			63
Extraordinary item, net of taxes							(21)
Cumulative effect of accounting change, net of taxes		(7)	(7)			(9)	
Net income (loss)	(157)	(106)	(621)	813	(291)	251	450
Adjustment to exclude the effect of GM purchase accounting		1	3	17	21	21	21
Preferred stock dividends	(24)	(24)	(96)	(97)	(51)		
Earnings (Loss) Used for Computation of Available Separate Consolidated Net Income (Loss)(1)	$ (181)	$ (129)	$ (714)	$ 733	$ (321)	$ 272	$ 471
Other Data:							
EBITDA(2)	$ 134	$ 113	$ 390	$ 594	$ 264	$ 372	$ 297
Depreciation and amortization	262	266	1,148	948	679	413	282
Capital expenditures	361	351	1,744	1,716	1,665	1,329	713
Net cash flows from:							
Operating activities	72	(145)	190	1,091	380	612	91
Investing activities	(187)	(195)	(1,741)	2,211	(3,942)	(2,129)	(2,116)
Financing activities	529	359	743	(850)	2,578	(64)	5,014

Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 1,114	$ 700	$ 1,508	$ 238	$ 1,342	$ 2,784
Total current assets	3,990	3,341	4,154	3,858	4,075	5,179
Total assets	19,740	19,210	19,279	18,597	12,617	12,142
Total current liabilities	3,802	4,407	2,691	2,642	1,346	1,007
Long-term debt	2,406	989	1,292	1,586	779	638
Minority interests	539	531	554	544	482	608
Total stockholder s equity	10,874	11,072	12,326	11,681	8,412	8,340

	For the year ended December 31,		
	2001	2000	1999
		(in millions)	
Transitional Disclosures Under Statement of Financial Accounting Standards No. 142 (3):			
Reported net income (loss)	$ (621.6)	$ 813.0	$ (291.3)
Add:			
Goodwill amortization	219.9	215.1	165.5
Amortization of intangibles with indefinite lives	7.2	7.2	4.7
Adjusted net income (loss)	$ (394.5)	$ 1,035.3	$ (121.2)

Certain prior period amounts have been reclassified to conform to the current year presentation.

(1) Earnings (Loss) Used for Computation of Available Separate Consolidated Net Income (Loss) is presented because this amount is used to determine the earnings per share of GM Class H common stock and the portion of GM s earnings out of which dividends on the GM Class H common stock may be paid. Earnings (Loss) Used for Computation of Available Separate Consolidated Net Income (Loss) is equal to the net income (loss) of Hughes, excluding the effects of the GM purchase accounting adjustment arising from GM s acquisition of Hughes, less the amount of dividends paid and/or payable to GM with respect to the Hughes Series A preferred stock. For a detailed description of the calculation of amounts available for dividends on GM Class H common stock, see GM Capital Stock GM s Dual-Class Common Stock Capital Structure Dividends Calculation of Amount Available for Dividends on GM Class H Common Stock.

(2) For purposes of the Hughes selected historical financial data, Hughes defines EBITDA as operating profit (loss), plus depreciation and amortization. EBITDA is not presented as an alternative measure of operating results or cash flow from operations, as determined in accordance with accounting principles generally accepted in the United States of America. Hughes management believes it is a meaningful measure of performance and is commonly used by other communications, entertainment and media service providers. EBITDA does not give effect to cash used for debt service requirements and thus does not reflect funds available for investment in the business of Hughes, dividends or other discretionary uses. EBITDA as presented herein may not be comparable to similarly titled measures reported by other companies.

(3) Pursuant to paragraph 61 of Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Assets, referred to as SFAS 142, amounts shown are Hughes reported net income exclusive of amortization expense recognized related to goodwill and amortization of intangibles with indefinite lives required under previous accounting standards, on an after-tax basis.

SFAS 142 changes the accounting for goodwill and indefinite lived intangible assets from an amortization method to an impairment-only approach. Goodwill, including goodwill recorded in past combinations, is no longer amortized, but is tested for impairment at least annually at the reporting unit level. Hughes implemented SFAS 142 on January 1, 2002.

SFAS 142 requires a two-step test to determine the amount, if any, of an impairment loss with respect to goodwill. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any. Hughes is currently completing the first step of the impairment test and, as required by the standard, will disclose the results of the assessment in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

Note: Pursuant to the transitional disclosure requirements required by paragraph 61 of SFAS 142, the following table sets forth the adjusted net income and earnings per common share of PanAmSat, which is currently approximately 81% owned by certain subsidiaries of Hughes, exclusive of goodwill amortization expense that was recognized under previous accounting standards, on an after tax basis.

As discussed above in note (3), SFAS 142 changes the accounting for goodwill and indefinite lived intangible assets from an amortization method to an impairment only approach. Goodwill, including goodwill recorded in past business combinations, is no longer amortized, but is tested for impairment at least annually at the reporting unit level. PanAmSat implemented SFAS 142 on January 1, 2002.

SFAS 142 requires a two-step test to determine the amount, if any, of an impairment loss with respect to goodwill. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any. PanAmSat has completed the first step of the impairment test and, as required by the standard, will disclose the results of the assessment in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

	For the three months ended March 31,		For the year ended December 31,		
	2002	2001	2001	2000	1999
	(in millions, except per share amounts)				
Reported net income	$ 21	$ 5	$ 31	$ 126	$ 122
Add: Goodwill amortization		12	48	48	48
Adjusted net income	$ 21	$ 17	$ 79	$ 174	$ 170
Earnings per common share basic and diluted, as reported	$ 0.14	$ 0.03	$ 0.20	$ 0.84	$ 0.82
Add: Goodwill amortization		0.08	0.33	0.33	0.32
Adjusted earnings per common share basic and diluted	$ 0.14	$ 0.11	$ 0.53	$ 1.17	$ 1.14

Hughes Selected Pro Forma Financial Data

The pro forma operating results for the three months ended March 31, 2002 give effect to the PanAmSat stock sale as if it had occurred on January 1, 2002 and balance sheet data as of March 31, 2002 gives effect to the PanAmSat stock sale as if it had occurred as of that date.

The pro forma operating results for the year ended December 31, 2001 give effect to the PanAmSat stock sale and Hughes acquisition of Telocity as of April 3, 2001, as if those transactions had occurred on January 1, 2001.

The pro forma financial data are not intended to be indicative of either future results of operations or results that might have been achieved had the PanAmSat stock sale or Hughes acquisition of Telocity occurred on the dates specified. In the opinion of Hughes management, all adjustments necessary to fairly present such pro forma condensed financial data have been made based upon the proposed terms of the PanAmSat stock sale and the terms of Hughes acquisition of Telocity.

	As of and for the three months ended March 31, 2002	For the year ended December 31, 2001
	Pro Forma Giving Effect to the PanAmSat Stock Sale	**Pro Forma Giving Effect to the PanAmSat Stock Sale and Telocity**
	(in millions)	
Consolidated Statements of Operations Data:		
Total revenues	$ 1,874	$ 7,561
Total operating costs and expenses	2,059	8,553
Operating loss	(185)	(992)
Other expense, net	(86)	(106)
Income tax benefit	98	372
Minority interests in net (earnings) losses of subsidiaries	(3)	57
Loss before cumulative effect of accounting change	(176)	(669)
Cumulative effect of accounting change, net of taxes		(7)
Net loss	(176)	(676)
Preferred stock dividends		(96)
Earnings (Loss) Used for Computation of Available Separate Consolidated Net Income (Loss)	$ (176)	$ (772)
Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 2,408	
Total current assets	5,145	
Total assets	15,375	
Total current liabilities	3,160	
Long-term debt	56	
Minority interests	36	
Total stockholder s equity	10,835	

EchoStar Selected Historical Financial Data

The following statements of operations data for each of the three years in the period ending December 31, 2001 and the balance sheet data as of December 31, 2001 and 2000 have been derived from EchoStar s audited consolidated financial statements incorporated into this document by reference. The statement of operations data for the years ended December 31, 1998 and 1997 and the balance sheet data as of December 31, 1999, 1998 and 1997 have been derived from EchoStar s audited consolidated financial statements which have not been incorporated into this document by reference.

The statements of operations data for each of the three-month periods ended March 31, 2002 and 2001 and the balance sheet data as of March 31, 2002 have been derived from EchoStar s unaudited consolidated financial statements which have been incorporated into this document by reference.

You should read the data below in conjunction with EchoStar s consolidated financial statements (including the notes thereto) and Management s Discussion and Analysis of Financial Condition and Results of Operations in the EchoStar 2001 Form 10-K and EchoStar s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, which are incorporated into this document by reference.

	For the three months ended March 31,		For the years ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
			(in millions, except per share data)				
Statements of Operations Data:							
Revenue:							
DISH Network	$ 1,019	$ 797	$ 3,606	$ 2,352	$ 1,353	$ 683	$ 344
Operating leases, satellite services and other							
Outright sales and sales-type leases							
DTH equipment sales and integration services	57	41	271	260	184	256	92
Other	28	24	124	103	66	44	41
Total revenue	1,104	862	4,001	2,715	1,603	983	477
Costs and Expenses:							
DISH Network operating expenses	504	390	1,758	1,266	733	395	193
Cost of outright sales and sales-type leases and other direct operating costs							
Cost of sales DTH equipment and integration services	39	29	188	195	149	173	62
Cost of sales other	16	16	82	33	17	17	24
Selling, general and administrative	366	376	1,462	1,409	877	418	249
Non-cash, stock-based compensation	2	7	20	51	61		
Depreciation and amortization	82	59	279	185	113	103	173
Total costs and expenses	1,009	877	3,789	3,139	1,950	1,106	701
Operating income (loss)	$ 95	$ (15)	$ 212	$ (424)	$ (347)	$ (123)	$ (224)
Net loss(1)	$ (39)	$ (170)	$ (215)	$ (650)	$ (793)	$ (261)	$ (313)
Net loss attributable to common shareholders	$ (97)	$ (170)	$ (216)	$ (651)	$ (800)	$ (296)	$ (321)
Basic and diluted loss per common share(1)	$ (0.20)	$ (0.36)	$ (0.45)	$ (1.38)	$ (1.92)	$ (0.82)	$ (0.96)

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	As of and for the three months ended March 31,	As of and for the years ended December 31,				
	2002	2001	2000	1999	1998	1997
	(in millions, except subscriber and per subscriber data)					
Balance Sheet Data:						
Cash, cash equivalents and marketable investment securities	$ 4,323	$ 2,828	$ 1,464	$ 1,254	$ 324	$ 421
Cash reserved for satellite insurance	176	122	82			
Restricted cash and marketable investment securities	4	1	3	3	78	188
Total assets	8,027	6,520	4,637	3,898	1,807	1,806
Long-term debt (less current portion):						
1994 Notes				2	572	500
1996 Notes				1	498	439
1997 Notes					375	375
9 1/4% Senior Notes due 2006	375	375	375	375		
9 3/8% Senior Notes due 2009	1,625	1,625	1,625	1,625		
10 3/8% Senior Notes due 2007	1,000	1,000	1,000			
9 1/8% Senior Notes due 2009	700	700				
4 7/8% Convertible Notes due 2008	1,000	1,000	1,000	1,000		
5 3/4% Convertible Notes due 2008	1,000	1,000				
Other long-term debt						
Mortgages and other notes payable, net of current portion	21	6	15	28	43	52
Series B Preferred Stock					226	199
Total stockholders deficit	$ (863)	$ (777)	$ (657)	$ (48)	$ (372)	$ (89)
Other Data:						
DISH Network subscribers (in thousands)	7,160	6,830	5,260	3,410	1,940	1,040
Average monthly revenue per subscriber	$ 48.36	$ 49.32	$ 45.33	$ 42.71	$ 39.25	$ 38.50
EBITDA, as adjusted to exclude non-cash, stock-based compensation(2)	178	511	(187)	(173)	(20)	(51)
Less amortization of subscriber acquisition costs					(19)	(122)
EBITDA, as adjusted to exclude non-cash, stock-based compensation and to include amortization of subscriber acquisition costs	178	511	(187)	(173)	(39)	(173)
Net cash flows from:						
Operating activities	192	489	(119)	(59)	(17)	
Investing activities	(1,036)	(1,279)	(912)	(63)	(8)	(597)
Financing activities	1,485	1,611	982	920	(14)	703

(1) In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, referred to as SFAS 142, which requires goodwill and intangible assets with indefinite useful lives to no longer be amortized but to be tested for impairment at least annually. Intangible assets that have finite lives will continue to be amortized over their estimated useful lives. The amortization and non-amortization provisions of SFAS 142 will be applied to all goodwill and intangible assets acquired after June 30, 2001. Effective January 1, 2002, EchoStar adopted the provisions of SFAS 142 and ceased amortization of its FCC authorizations, which were determined to have indefinite lives. In accordance with SFAS 142, EchoStar tested its FCC

authorizations for impairment as of the date of adoption and determined that there was no impairment. The following table reconciles previously reported loss before extraordinary items, net income and basic and diluted loss per common share as if the provisions of SFAS 142 were in effect for the three years in the period ended December 31, 2001 and for the three months ended March 31, 2001.

	For the years ended December 31,			For the three months ended March 31, 2001
	2001	2000	1999	
	(in millions)			
Loss before extraordinary items, as reported	$ (215)	$ (650)	$ (524)	$ (170)
Add back: FCC authorization amortization	19	19	8	5
Loss before extraordinary items, as adjusted	$ (196)	$ (631)	$ (516)	$ (165)
Net loss, as reported	$ (215)	$ (650)	$ (793)	$ (170)
Add back: FCC authorization amortization	19	19	8	5
Net loss, as adjusted	$ (196)	$ (631)	$ (785)	$ (165)
Basic and diluted net loss per common share, as reported	$ (0.45)	$ (1.38)	$ (1.92)	$ (0.36)
Add back: FCC authorization amortization	0.04	0.04	0.02	0.01
Basic and diluted net loss per common share, as adjusted	$ (0.41)	$ (1.34)	$ (1.90)	$ (0.35)

(2) EchoStar believes it is common practice in the telecommunications industry for investment bankers and other investors to use various multiples of current or projected EBITDA (operating income (loss) plus depreciation and amortization, and non-cash, stock-based compensation) for purposes of estimating current or prospective enterprise value and as one of many measures of operating performance. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures because EBITDA is independent of the actual leverage and capital expenditures employed by the business. EchoStar uses EBITDA, as defined above, as one of the key measurements of operating efficiency and overall financial performance and believes EBITDA can be a helpful measure for those evaluating companies in the multi-channel video programming distribution market. Some investment analysts track the relationship of EBITDA to total debt as one measure of financial strength. However, EBITDA does not purport to represent cash provided or used by operating activities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

EBITDA differs significantly from cash flows from operating activities reflected in the consolidated statement of cash flows. Cash flows from operating activities excludes interest and taxes paid and is a more comprehensive determination of periodic income on a cash (vs. accrual) basis, exclusive of non-cash items of income and expenses such as depreciation and amortization. In contrast, EBITDA is derived from accrual basis income and is not reduced for cash invested in working capital. Consequently, EBITDA is not affected by the timing of receivable collections or when accrued expenses are paid. EchoStar is not aware of any uniform standards for determining EBITDA and it believes presentations of EBITDA may not be calculated consistently by different entities in the same or similar businesses. EBITDA is shown before and after amortization of subscriber acquisition costs, which were deferred through September 1997 and amortized over one year. EBITDA for the years ended December 31, 1999, 2000 and 2001 and for the three months ended March 31, 2001 and 2002 also excludes approximately $61 million, $51 million, $20 million, $7 million and $2 million, respectively, in non-cash, stock-based compensation expense resulting from significant post-grant appreciation of stock options granted to employees. In addition, EBITDA does not include the impact of amounts capitalized under EchoStar s Digital Home Plan of approximately $65.4 million, $338 million, $63 million and $77 million during the years ended December 31, 2000 and 2001 and for the three months ended March 31, 2001 and 2002, respectively.

EchoStar Selected Pro Forma Financial Data

The pro forma operating results for the three months ended March 31, 2002 and the year ended December 31, 2001 give effect to the PanAmSat stock sale as if it had occurred on January 1, 2001 and balance sheet data as of March 31, 2002 gives effect to the PanAmSat stock sale as if it had occurred as of that date.

The selected unaudited condensed pro forma financial data, which have been derived from EchoStar s Unaudited Pro Forma Condensed Consolidated Financial Statements included in this document, are not intended to be indicative of future results of operations or results that might have been achieved had the PanAmSat stock sale occurred on the dates specified. In the opinion of EchoStar s management, all adjustments necessary to fairly present such selected unaudited condensed pro forma financial data have been made based upon the proposed terms of the PanAmSat stock sale. You should read the data below in conjunction with EchoStar s Unaudited Pro Forma Condensed Consolidated Financial Statements included in this document beginning on page 280.

	For the three months ended March 31, 2002	For the year ended December 31, 2001
	Pro Forma Giving Effect to the PanAmSat Stock Sale	Pro Forma Giving Effect to the PanAmSat Stock Sale
	(unaudited) (in millions)	
Statements of Operations Data:		
Revenue:		
DISH Network	$ 1,019	$ 3,606
Operating leases, satellite services and other	201	802
Outright sales and sales-type leases	6	68
DTH equipment sales and integration services	57	271
Other	28	124
Total revenue	1,311	4,871
Costs and Expenses:		
DISH Network operating expenses	504	1,758
Cost of outright sales and sales-type leases and other direct operating costs	23	166
Cost of sales DTH equipment and integration services	39	188
Cost of sales other	16	82
Selling, general and administrative	399	1,586
Non-cash, stock-based compensation	2	20
Depreciation and amortization	176	629
Total costs and expenses	1,159	4,429
Operating income (loss)	$ 152	$ 442
Net loss	$ (13)	$ (179)
Net loss attributable to common shareholders	$ (71)	$ (180)
Net loss per common share	$ (0.14)	$ (0.36)

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	As of March 31, 2002
	Pro Forma Giving Effect to the PanAmSat Stock Sale
	(unaudited) (in millions)
Balance Sheet Data:	
Cash, cash equivalents and marketable investment securities	$ 2,163
Cash reserved for satellite insurance	176
Restricted cash and marketable investment securities	4
Total assets	11,524
Long-term debt (less current portion):	
9 1/4% Senior Notes due 2006	375
9 3/8% Senior Notes due 2009	1,625
10 3/8% Senior Notes due 2007	1,000
9 1/8% Senior Notes due 2009	700
4 7/8% Convertible Notes due 2008	1,000
5 3/4% Convertible Notes due 2008	1,000
Other long-term debt	2,350
Mortgages and other notes payable, net of current portion	21
Total stockholders deficit	$ (863)

New EchoStar Selected Unaudited Pro Forma Condensed Consolidated Financial Data

In the table below, we provide you with selected unaudited pro forma condensed consolidated financial data for New EchoStar as if the Hughes/ EchoStar merger had been completed on January 1, 2001 for statement of operations purposes and on March 31, 2002 for balance sheet purposes.

For more information about the assumptions made in determining the pro forma data, see the notes to New EchoStar Unaudited Pro Forma Condensed Consolidated Financial Statements appearing later in this document.

The selected unaudited pro forma condensed consolidated financial data are derived from the more detailed unaudited pro forma financial statements appearing later in this document and should be read together with the separate historical financial statements and accompanying notes of Hughes and EchoStar, which we incorporate by reference in this document. The selected unaudited pro forma financial data are presented for comparative purposes only and are not necessarily indicative of the future financial position or results of operations of New EchoStar or of the financial position or the results of operations that would have been achieved had the Hughes/ EchoStar merger been completed during the periods or as of the dates for which the pro forma information is presented or after completion of the Hughes/ EchoStar merger. In the opinion of EchoStar s and Hughes management, all adjustments necessary to fairly present such selected unaudited pro forma condensed consolidated financial data have been made based upon the proposed terms of the Hughes/ EchoStar merger.

	As of and for the three months ended March 31, 2002	For the year ended December 31, 2001
	Pro Forma Giving Effect to the Hughes/EchoStar Merger	Pro Forma Giving Effect to the Hughes/EchoStar Merger
	(in millions)	
Statement of Operations Data:		
Total revenues	$ 3,142	$ 12,271
Total operating costs and expenses	3,312	13,275
Operating profit (loss)	$ (170)	$ (1,004)
Net loss	$ (307)	$ (1,264)
Net loss attributable to common stockholders	$ (389)	$ (1,361)
Net loss per common share	$ (0.21)	$ (0.75)
Balance Sheet Data:		
Total assets	$ 47,920	
Long-term obligations, including total long-term liabilities and redeemable preferred stock	17,061	
Stockholders equity	26,214	

UNAUDITED COMPARATIVE PER SHARE INFORMATION

We present below per common share data regarding the income, cash dividends declared and book value of General Motors and EchoStar on both historical and unaudited pro forma consolidated bases. We have derived the unaudited pro forma per share information from the unaudited pro forma financial statements presented elsewhere in this document. You should read the information below in conjunction with the financial statements and accompanying notes of GM, Hughes and EchoStar that are incorporated by reference into this document.

GM Common Stock Historical Per Share Data

This table shows historical per share information for each of the two classes of GM common stock. Book value per share is calculated based on the liquidation rights of each class.

	As of and for the three months ended March 31, 2002		As of and for the year ended December 31, 2001	
	GM $1 2/3 Par Value Common Stock	**GM Class H Common Stock**	**GM $1 2/3 Par Value Common Stock**	**GM Class H Common Stock**
Basic earnings per share	$ 0.58	$ (0.14)	$ 1.78	$ (0.55)
Diluted earnings per share	0.57	(0.14)	1.77	(0.55)
Cash dividends per share	0.50		2.00	
Book value per share	24.56	4.91	24.79	4.96

GM Common Stock Pro Forma Per Share Data

This table shows pro forma information for each of the two classes of GM common stock giving effect to the GM/Hughes separation transactions and the PanAmSat stock sale.

	As of and for the three months ended March 31, 2002		As of and for the year ended December 31, 2001	
	GM $1 2/3 Par Value Common Stock	**GM Class H Common Stock**	**GM $1 2/3 Par Value Common Stock**	**GM Class H Common Stock**
***Giving Effect to the GM/ Hughes Separation Transactions*:**				
Basic earnings per share	$ 0.69	$	$ 2.21	$
Diluted earnings per share	0.67		2.20	
Cash dividends per share	0.50		2.00	
Book value per share	28.54		25.65	
***Giving Effect to the PanAmSat Stock Sale*:**				
Basic earnings per share	$ 0.57	$ (0.15)	$ 1.76	$ (0.59)
Diluted earnings per share	0.56	(0.15)	1.74	(0.59)
Cash dividends per share	0.50		2.00	
Book value per share	24.51	4.90	24.75	4.95

EchoStar Common Stock Historical Per Share Data

This table shows historical per share information for the outstanding EchoStar common stock.

	As of and for the three months ended March 31, 2002	As of and for the year ended December 31, 2001
Net loss per share	$ (0.20)	$ (0.45)
Cash dividends per share		
Book value per share	(1.80)	(1.62)

EchoStar Common Stock Equivalent Pro Forma Per Share Data

This table shows equivalent pro forma per share data for the outstanding EchoStar common stock calculated by multiplying the New EchoStar pro forma per share amounts by the exchange ratio in the Hughes/ EchoStar merger of 1/0.73, or about 1.3699, shares of New EchoStar Class A common stock for each share of EchoStar Class A common stock, and 1/0.73, or about 1.3699, shares of New EchoStar Class B common stock for each share of EchoStar Class B common stock.

	As of and for the three months ended March 31, 2002	As of and for the year ended December 31, 2001
Net loss per share	$ (0.29)	$ (1.03)
Cash dividends per share		
Book value per share	19.58	18.97

New EchoStar Common Stock Pro Forma Per Share Data

This table shows pro forma per share information for the outstanding New EchoStar common stock giving effect to the GM/ Hughes separation transactions and the Hughes/ EchoStar merger. The pro forma book value per share at December 31, 2001 was calculated by dividing the pro forma book value of the net assets of New EchoStar by the total number of outstanding shares of New EchoStar common stock expected to be outstanding upon the completion of the Hughes/ EchoStar merger.

	As of and for the three months ended March 31, 2002	As of and for the year ended December 31, 2001
Net loss per share	$ (0.21)	$ (0.75)
Cash dividends per share		
Book value per share	14.29	13.85

The net loss per share amount presented above for the three months ended March 31, 2002 is calculated based on the assumption that 1,834,319,000 shares of New EchoStar common stock will be outstanding, based on historical weighted-average share amounts for both GM Class H common stock and EchoStar common stock, and the book value per share amount presented above as of March 31, 2002 is calculated based on the assumption that 1,834,460,000 actual shares of New EchoStar common stock will be outstanding, in each case upon the completion of the Hughes/ EchoStar merger based on assumptions about certain variable factors described elsewhere in this document. The net loss per share amount presented above for the year ended December 31, 2001 is calculated based on the assumption that 1,822,872,000 shares of New EchoStar common stock will be outstanding, based on historical weighted-average share amounts for both GM Class H common stock and

EchoStar common stock, and the book value per share amount presented above as of December 31, 2001 is calculated based on the assumption that 1,825,993,000 actual shares of New EchoStar common stock will be outstanding, in each case upon the completion of the Hughes/ EchoStar merger based on assumptions about certain variable factors described elsewhere in this document.

EchoStar Common Stock Pro Forma Per Share Data

This table shows pro forma information for the outstanding EchoStar common stock giving effect to the PanAmSat stock sale.

	As of and for the three months ended March 31, 2002	As of and for the year ended December 31, 2001
Net loss per share	$ (0.14)	$ (0.36)
Cash dividends per share		
Book value per share	(1.72)	(1.75)

RISK FACTORS

In addition to the other information contained in or incorporated by reference into this document (such as the 2001 Forms 10-K of GM, Hughes, PanAmSat and EchoStar), including the matters addressed at Disclosure Regarding Forward-Looking Statements, you should carefully consider each of the factors set forth below.

Risk Factors Relating to the Transactions

Risks Relating to New EchoStar

New EchoStar May Not Realize the Benefits Expected From the Hughes/ EchoStar Merger. The success of the Hughes/ EchoStar merger will depend, in part, upon the ability of New EchoStar to develop an expanded competitive business and realize significant economies of scale and substantial cost and revenue synergies from combining the businesses of Hughes and EchoStar. New EchoStar may not be able to successfully integrate these operations and realize the cost and revenue synergies it currently anticipates. The difficulties of combining the operations of two previously separate businesses include, among other things, the necessity of:

- coordinating geographically separated organizations;
- integrating technologies (including the development of a cost-effective integrated receiver);
- integrating personnel with diverse business backgrounds; and
- combining different corporate cultures.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of New EchoStar s business and the loss of key personnel. If the attention of New EchoStar s management is diverted and any unexpected delays or difficulties are encountered in connection with the integration of Hughes or EchoStar s operations, the benefits expected from the Hughes/EchoStar merger may not be realized. In particular, anticipated growth in revenues and improvements in earnings and cash flow may not be realized, which could have a material adverse impact on New EchoStar and the market prices of shares of New EchoStar Class A common stock and New EchoStar Class C common stock.

New EchoStar Is Expected to Incur Significant Expenses Related to the Integration of Hughes and EchoStar. New EchoStar is expected to incur substantial expenses in connection with the integration of the businesses of Hughes and EchoStar and their policies, procedures, operations, technologies and systems. There are a large number of systems that must be integrated, including management information, purchasing, accounting and finance, sales, billing, payroll and benefits and regulatory compliance. Among the other integration expenses to be incurred by New EchoStar, we currently estimate that up to $2.5 billion would be required over a two- to four-year period following the completion of the Hughes/EchoStar merger to standardize and update the set-top box equipment used by customers to receive New EchoStar s direct broadcast satellite signals. We are not currently in a position, however, to estimate reliably the total amount or the timing of all of the expected integration expenses because, among other reasons, constraints arising under the U.S. federal or state antitrust laws (for example, limitations on sharing of information) presently prevent or hinder Hughes and EchoStar from fully developing integration plans and many of the expenses, by their nature, are impracticable to estimate at the present time. These expenses could, particularly in the near term, exceed the savings that New EchoStar expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost and revenue synergies related to the integration of the businesses following the completion of the Hughes/ EchoStar merger. We do expect that some or all of these integration expenses will likely result in New EchoStar taking substantial charges against earnings following the completion of the Hughes/EchoStar merger, but the amount and timing of such charges is uncertain at present.

Regulatory Approval of the Transactions May Require Hughes and/or EchoStar to Agree to Onerous Conditions. Under the U.S. antitrust laws, the Hughes/ EchoStar merger may not be completed until the required waiting period under the Hart-Scott-Rodino Act has terminated or expired. To complete the Hughes/ EchoStar merger, the companies must also obtain the approval of the FCC for the transfer of licenses

and other authorizations in connection with the GM/ Hughes separation transactions and the Hughes/ EchoStar merger. The transactions may also be subject to certain regulatory requirements of other governmental agencies and authorities, including clearances for the Hughes/ EchoStar merger from competition and telecommunications authorities in certain foreign jurisdictions and requirements relating to the regulation of the offer and sale of securities. Many of these governmental entities from which approvals and clearances are required may seek to condition their approval or clearance of the Hughes/ EchoStar merger, or of the transfer to New EchoStar of licenses and other entitlements, on the companies compliance with certain onerous conditions. These conditions could require Hughes and/or EchoStar to divest material assets or otherwise have the effect of imposing significant additional costs on New EchoStar or of limiting New EchoStar s revenues. Depending upon the nature and scope of such onerous conditions, rather than agreeing to such onerous conditions, the companies may determine to terminate the Hughes/ EchoStar merger agreement instead. For more information, see The Transactions Regulatory Requirements.

Any Delay in Completing the Proposed Hughes/ EchoStar Merger May Reduce or Eliminate the Benefits Expected. In addition to the required regulatory clearances and approvals, the Hughes/ EchoStar merger is subject to a number of other conditions beyond the control of the companies that may prevent, delay or otherwise materially adversely affect the completion of the transactions that are the subject of this document. We cannot predict whether and when these clearances and approvals can be obtained. Further, the requirements for obtaining these clearances and approvals could delay the completion of the Hughes/ EchoStar merger for a significant period of time or prevent it from occurring. Any delay in completing the Hughes/ EchoStar merger could cause New EchoStar not to realize some or all of the economies of scale and cost and revenue synergies that New EchoStar expects to achieve if EchoStar successfully completes the Hughes/ EchoStar merger and integrates its business with the Hughes business.

A Potential Indemnity Liability to GM Could Materially Adversely Affect New EchoStar s Liquidity. Pursuant to the terms of the implementation agreement, New EchoStar has agreed to indemnify GM and its affiliates against any taxes resulting from the Hughes split-off if the taxes arise from actions or failures to act by New EchoStar that disqualify the Hughes split-off from being tax-free to GM. Specifically, New EchoStar is required to indemnify GM and its affiliates if New EchoStar enters into any transaction or series of transactions (or fails to take any action within its control) that causes the Hughes split-off to be taxable to GM by reason of the 50% limitation described at Risks Relating to New EchoStar After the Transactions Risks Relating to Liquidity and Financing Activities of New EchoStar New EchoStar Will Be Subject to Significant Restrictions with Respect to Issuances of Its Equity Securities for Two Years Following the Hughes/EchoStar Merger. If New EchoStar does not abide by the terms of the implementation agreement, it may be subject to substantial liabilities under the indemnification provisions of the implementation agreement. For a more detailed discussion, see Description of Principal Transaction Agreements Implementation Agreement Preservation of the Tax-Free Status of the Hughes Split-Off.

The indemnity of GM by New EchoStar is not subject to any cap or maximum amount. Based on the aggregate fair market value of Hughes on , 2002 (based on the closing price of GM Class H common stock on that date and the GM Class H dividend base as of such date) and assuming a Hughes dividend distribution in the amount of $4.2 billion, GM estimates that its taxable gain would exceed $ billion if the Hughes split-off failed to qualify as a tax-free transaction. The actual amount of gain recognized by GM if the Hughes split-off is treated as a taxable transaction, and the amount of tax payable by GM on that gain, would depend upon a number of factors that cannot be determined at this time, including the aggregate fair market value of Hughes at the time of the Hughes split-off and the general tax position of GM, and the actual amount of gain recognized by GM could be materially higher than $ billion.

Risks Relating to Hughes and EchoStar

Payment of a Termination Fee by Either Hughes or EchoStar Could Materially Adversely Affect the Liquidity of Hughes or EchoStar and Their Ability to Raise New Capital. Under the terms of the Hughes/ EchoStar merger agreement, Hughes has agreed to pay a termination fee of $600 million to EchoStar if the Hughes/ EchoStar merger is not completed for certain reasons. In addition, if the Hughes/ EchoStar merger is not completed for certain other reasons, EchoStar has agreed to pay a termination fee of $600 million to

Hughes. See Description of Principal Transaction Agreements Hughes/ EchoStar Merger Agreement Termination Fees; Expense Reimbursement. The financial burden that such a payment would have on Hughes or EchoStar could materially adversely affect that company s liquidity and its ability to raise new capital. In addition, each of Hughes and EchoStar will have incurred substantial transaction-related expenses and devoted substantial management resources to the transactions without realizing the anticipated benefits.

Some Credit Facilities of Hughes Mature Prior to the Termination Date of the Hughes/EchoStar Merger Agreement and Hughes May Have Difficulty Refinancing That Debt. The Hughes/EchoStar merger agreement contains a January 21, 2003 termination date, which may be extended in limited circumstances. Most of Hughes credit facilities mature at the earlier of the effective time of the Hughes/ EchoStar merger and December 2002. As of June 1, 2002, there was a total of about $765 million outstanding under these credit facilities and about $1.735 billion of available borrowing capacity. If the Hughes/ EchoStar merger has not been completed prior to December 2002, Hughes would likely seek to refinance, or obtain an extension of the maturity dates of, those facilities. There can be no assurance that Hughes would be able to refinance those facilities on acceptable terms or at all or that the lenders under those facilities would extend the maturity dates. In addition, Hughes ability to refinance, and the cost and terms of any refinancing, may be materially adversely affected by recent downgrades in Hughes credit rating by various rating agencies. As a general matter, lower ratings result in higher borrowing costs. Hughes could also attempt to obtain cash from asset sales or equity transactions to repay the borrowings under these credit facilities. However, we cannot assure you that acceptable asset sale or equity transactions would occur. In addition, the terms of the Hughes/ EchoStar merger agreement contain some limitations on Hughes ability to issue certain securities or complete certain asset sales. For a further discussion of these facilities, see the Hughes 2001 Form 10-K, which is incorporated into this document by reference.

EchoStar May Be Required to Acquire the Approximately 81% Interest Held by Certain Subsidiaries of Hughes in PanAmSat and Offer to Purchase the Remaining Minority Interest in PanAmSat under Certain Circumstances. If the Hughes/ EchoStar merger does not occur because certain financing or regulatory-related conditions have not been satisfied, EchoStar would be required to purchase the approximately 81% interest in PanAmSat held by certain subsidiaries of Hughes for a purchase price of $22.47 per share, or an aggregate amount of about $2.7 billion. EchoStar would also be required to offer to purchase the remaining publicly-traded shares of PanAmSat in an exchange offer at a price of $22.47 per share payable, at the option of each holder of such remaining shares, either in cash or shares of EchoStar Class A common stock, unless EchoStar has previously entered into an agreement for the acquisition of PanAmSat by merger or commenced a tender offer for all of the outstanding shares of PanAmSat at an equivalent or greater price per share. The financial burden that such purchases would have on EchoStar could materially adversely affect its liquidity and its ability to raise new capital. In addition, under these circumstances, EchoStar will have incurred substantial transaction-related expenses and devoted substantial management resources to the proposed Hughes/ EchoStar merger without realizing the anticipated benefits. See Description of Principal Transaction Agreements PanAmSat Stock Purchase Agreement. Moreover, EchoStar would then have business interests that would be substantially subject to those risks disclosed in PanAmSat s 2001 Form 10-K, which is incorporated into this document by reference, and those risks related to international satellite business operations.

If the Conditions Obligating EchoStar to Acquire Hughes Indirect Interest in PanAmSat Are Not Satisfied, Hughes Liquidity Could be Materially Adversely Affected. If the Hughes/ EchoStar merger does not occur because certain financing or regulatory-related conditions have not been satisfied, EchoStar will be required to purchase the approximately 81% interest in PanAmSat held by certain subsidiaries of Hughes for a purchase price of $22.47 per share, or an aggregate amount of about $2.7 billion. The PanAmSat stock sale is intended to provide Hughes with near-term liquidity if the Hughes/EchoStar merger does not occur under certain circumstances. However, the PanAmSat stock sale is subject to a number of conditions beyond the control of GM, Hughes and EchoStar which must be satisfied before the transaction could be completed, including, among other things:

the expiration or termination of the waiting period applicable to the PanAmSat stock sale under the Hart-Scott-Rodino Act;

the absence of any effective injunction or order which prevents the completion of the PanAmSat stock sale; and

the receipt of FCC approval for the transfer of licenses in connection with the PanAmSat stock sale.

If these conditions were not fulfilled, EchoStar would not be obligated to complete the purchase, even though the Hughes/ EchoStar merger was not completed for the specified reasons. If this were to happen, Hughes would remain a wholly owned subsidiary of GM, and Hughes would not have the benefit of the near-term liquidity represented by the sale of Hughes indirect interest in PanAmSat to EchoStar. See Description of Principal Transaction Agreements PanAmSat Stock Purchase Agreement.

Hughes and EchoStar Are Each Prohibited from Pursuing Certain Other Opportunities Prior to the Termination of the Transaction Agreements. The terms of the Hughes/ EchoStar merger agreement prohibit, subject to certain exceptions, certain transactions involving Hughes or EchoStar prior to the termination of the applicable transaction agreements among GM, HEC Holdings, Hughes and EchoStar. These prohibited transactions generally include any merger or consolidation of Hughes or EchoStar, which is material to it and its subsidiaries as a whole, with an entity other than EchoStar or Hughes, respectively. These prohibitions may prevent GM, Hughes and EchoStar from pursuing attractive strategic alliances or combinations in the event that such opportunities arise before the termination of the transaction agreements.

The Pendency of the Hughes/ EchoStar Merger Could Materially Adversely Affect the Future Business and Operations of Hughes and EchoStar. In connection with the pending Hughes/ EchoStar merger, some customers and strategic partners of each of Hughes and EchoStar may delay or defer decisions, which could negatively impact revenues, earnings and cash flow of Hughes and EchoStar, as well as the market prices of shares of GM Class H common stock and EchoStar Class A common stock, regardless of whether the Hughes/ EchoStar merger is completed. Similarly, current and prospective employees of Hughes and EchoStar may experience uncertainty about their future roles with New EchoStar, which may materially adversely affect the ability of each of Hughes and EchoStar to attract and retain key management, sales, marketing and technical personnel. In addition, some rating agencies that provide security ratings on Hughes debt have also downgraded their ratings on Hughes long-term debt since the announcement of the Hughes/EchoStar merger. A downgrade could materially adversely affect the ability of Hughes to finance its operations, including increasing the cost of obtaining financing. For information regarding security ratings on Hughes debt, see the Hughes 2001 Form 10-K, which is incorporated into this document by reference. Finally, if the Hughes/ EchoStar merger is terminated and GM and Hughes determine to seek another transaction involving Hughes, we cannot assure you that they will be able to negotiate a transaction with another company on terms comparable to the terms of the transactions described in this document.

Failure to Complete the Hughes/EchoStar Merger Could Negatively Affect EchoStar s and Hughes Ability to Compete with Certain Cable Television Operators. Certain cable television operators have a large, established customer base, and many cable operators have significant investments in, and access to, programming. Of the about 97% of U.S. television households in which cable television service is currently available, about 67% currently subscribe to cable. Cable television operators currently have advantages relative to EchoStar and Hughes by, among other things, providing service to multiple television sets within the same household at a lesser incremental cost to the consumer, being able to provide local and other programming in a larger number of geographic areas and bundling their analog video service with expanded digital video services, efficient two-way high-speed Internet access and telephone service on upgraded cable systems. Cable television operators have been building on these advantages, including by utilizing some of these advantages to increase their capacity to offer programming and other services and by offering new services that EchoStar and Hughes have been unable to match because of the spectrum and other constraints that each company faces. If the proposed Hughes/EchoStar merger is not completed, it will be more difficult for EchoStar and Hughes to match the services provided by cable television operators. If EchoStar and Hughes are unable to match the services provided by cable television operators, each company believes that its churn and subscriber acquisition costs may increase significantly, that it will likely be more difficult to attract new subscribers, and that the capital markets may be less willing to provide financing to EchoStar and Hughes. As a result, each company would become a less effective competitor to the cable television operators that have large, established customer bases and/or significant investments in, and access to, programming. Even if the

Hughes/ EchoStar merger is completed, these cable television operators will continue to have advantages relative to New EchoStar. See Risk Factors Relating to New EchoStar After the Transactions Risks Relating to the Business of New EchoStar New EchoStar Will Compete With Other Subscription Television Providers, Which Could Materially Adversely Affect New EchoStar s Ability to Grow and Increase Earnings.

Risks Relating to the Rights of GM Class H Common Stockholders

GM Class H Common Stockholders Will Forgo Any Recapitalization of GM Class H Common Stock Into GM $1 2/3 Par Value Common Stock at a 120% Exchange Rate. Proposal 1 to amend the GM restated certificate of incorporation will, among other things, add a provision to expressly provide that the completion of the GM/ Hughes separation transactions as described in this document will not result in a recapitalization of GM Class H common stock into GM $1 2/3 par value common stock at a 120% exchange rate, as currently provided for under certain circumstances pursuant to the provisions of the GM restated certificate of incorporation. Thus, by voting to approve the proposals relating to the transactions, GM common stockholders will, in effect, be waiving any application of the recapitalization provision to these transactions that would have applied but for the provision of the GM charter amendment expressly providing that it shall not apply to the transactions. As described in greater detail elsewhere in this document, GM determined that, in the context of the proposed separation of Hughes from GM, such a recapitalization would not be in the best interests of GM and its common stockholders because such a recapitalization would likely produce substantial dilution in the value of the GM $1 2/3 par value common stock and would change substantially the form and nature of the investment of the GM Class H common stockholders, who would give up their tracking stock investment in the Hughes business and would receive instead a more conventional common stock investment in all of GM s operations. Accordingly, GM structured the transactions so as not to result in such a recapitalization. For further information, see The Transactions GM Background and Considerations Alternatives to the Transactions.

GM Class H Common Stockholders Will Forgo Any Right to Receive Any Portion of the Up to $4.2 Billion Dividend from Hughes to GM. The GM board of directors has previously adopted a policy statement that requires a proportionate distribution to be made to GM Class H common stockholders when GM receives certain transfers of assets from Hughes, subject to certain exceptions that include any asset transfer which shall have received the consent of the holders of a majority of the outstanding shares of GM Class H common stock, voting as a separate class, and GM $1 2/3 par value common stock, voting as a separate class. Thus, by ratifying the GM/Hughes separation transactions, the GM Class H common stockholders will be forgoing any right to receive a proportionate distribution based on the dividend of up to $4.2 billion to be paid from Hughes to GM. However, as provided in the proposed amendment to the GM restated certificate of incorporation, in connection with the proposed Hughes dividend distribution, GM s retained economic interest in Hughes will be commensurately reduced. It should be noted that, in accordance with the terms of the GM board policy statement, the GM board policy statement may at any time and from time to time be modified, rescinded and interpreted by the GM board of directors, and the GM board of directors may adopt additional or other policies or make exceptions with respect to the application of the current GM board policy statement in connection with particular facts and circumstances, as the GM board of directors may determine, consistent with its fiduciary duties to GM and all of its common stockholders, to be in the best interests of General Motors and all of its common stockholders, and any such action may be taken with or without the approval of the stockholders of GM. For more information, see GM Capital Stock GM Board of Directors Policy Statement.

Risk Factors Relating to GM After the Transactions

GM s Credit Position May be Affected by the Amount of Liquidity Provided by the Transactions, Which Cannot be Determined at this Time. GM expects to receive liquidity in the transactions from the dividend of up to $4.2 billion to be paid by Hughes and, if applicable, from the debt reduction or cash proceeds resulting from GM share dispositions of up to 100 million shares of GM Class H common stock or New EchoStar Class C common stock. However, the amount of liquidity will depend on, among other things, the value of

GM s retained economic interest in Hughes at the time that the GM/Hughes separation transactions are completed and cannot be determined at this time. The amount of liquidity provided by the transactions will affect GM s credit position after the completion of the GM/Hughes separation transactions.

The transaction agreements provide that the aggregate number of shares that GM is permitted to transfer in GM share dispositions after completion of the Hughes/ EchoStar merger will be reduced, subject to certain limitations, to the extent necessary in order to satisfy the equity headroom condition. Any such reduction would reduce the liquidity provided to GM from GM share dispositions, but GM s credit position would continue to benefit from the economic value of any shares of New EchoStar Class C common stock retained by GM rather than transferred in GM share dispositions.

The transaction agreements provide that GM will receive a dividend of up to $4.2 billion from Hughes. This amount will be reduced by up to $700 million if and only to the extent required in order to satisfy either the value condition or the equity headroom condition, but such reduction will not exceed the amount of the proceeds from GM share dispositions of more than 60 million shares of GM Class H common stock prior to the completion of the Hughes/EchoStar merger. Thus, while such a mandatory reduction would reduce the liquidity provided to GM from the Hughes dividend distribution, GM would already have received liquidity from previously completed GM share dispositions. The transaction agreements further provide that the amount of the Hughes dividend distribution as so determined may not exceed the value of GM s retained economic interest in Hughes at the time of the Hughes dividend distribution, and GM is not required to complete the GM/Hughes separation transactions unless this value condition is satisfied.

GM has the right, but not the obligation, to elect to reduce the amount of the Hughes dividend distribution or the number of shares of New EchoStar Class C common stock that would be subject to GM share dispositions, or both, by more than the amount described above in order to satisfy the equity headroom condition and/or the value condition. Any such voluntary reductions by GM would have the effect of permitting these conditions to be satisfied at a lower average market price for the GM Class H common stock than would otherwise be required for the satisfaction of these conditions. However, any such reduction in the amount of the Hughes dividend distribution would reduce the amount of liquidity and value to be provided to GM, and any such reduction in the number of shares subject to GM share dispositions would reduce the amount of liquidity to be provided to GM (but such shares would be retained by GM and would be available for other dispositions for up to five years). We cannot assure you that GM would make any such voluntary reductions, and a failure by GM to make such voluntary reductions could result in the transactions not being completed. GM currently expects that it would make any determination regarding any such voluntary reductions immediately before the completion of the Hughes split-off, based on factors it determines to be relevant at that time.

You should further understand that the amount of liquidity and value that GM may realize as a result of either GM share dispositions or the disposition of any other shares retained by GM after the transactions will depend upon, among other things, the trading price of the shares at the time of such disposition.

The Assets of Hughes Will Not Be Available to Support GM s Financial Position and Credit Ratings After the GM/Hughes Separation Transactions. Following the completion of the transactions, Hughes will no longer be a subsidiary of GM. Although the transactions are expected to provide General Motors with significant liquidity and value as described in greater detail elsewhere in this document, after the Hughes split-off General Motors will be unable to rely upon the assets of Hughes to support its financial position and credit ratings, including in times of economic downturn or cyclical changes in the automotive industry. As a result of the Hughes split-off, GM anticipates that there would be a net reduction of GM s stockholders equity, reflecting an increase based on the difference between the fair market value and the net book value of Hughes at the time of the Hughes split-off and a reduction based on the fair market value at such time of the shares distributed in the Hughes split-off. This reduction would have been about $1.9 billion based on the EchoStar Class A common stock price on March 28, 2002 and the net book value of Hughes at March 31, 2002 and certain other assumptions. For additional information, see The Transactions Accounting Treatment below. We cannot assure you that, after the GM/ Hughes separation transactions, operating results and market

conditions will not result in lower credit ratings or a weaker financial condition for GM than if the GM/ Hughes separation transactions had not occurred.

Any Appreciation or Depreciation in the Value of the New EchoStar Class C Common Stock Will Affect the Level of GM s Pension Expense. As of July 8, 2002, about 19% of the outstanding GM Class H common stock is held by certain GM employee benefit plans. As GM Class H common stockholders, those GM employee benefit plans will receive shares of New EchoStar Class C common stock in the transactions. In connection with the transactions, those GM employee benefit plans agreed to some restrictions on their ability to sell their shares. See Shares Eligible For Future Sale GM Employee Benefit Plans. After the completion of the GM/ Hughes separation transactions, during any period in which those GM employee benefit plans continue to own New EchoStar Class C common stock, appreciation or depreciation in the value of New EchoStar Class C common stock will affect the level of GM s pension expense, which is actuarially determined and computed in accordance with accounting principles generally accepted in the United States. We can provide no assurance as to whether the trading value of New EchoStar Class C common stock after the GM/ Hughes separation transactions will be equal to or greater than the trading value of GM Class H common stock before the GM/ Hughes separation transactions or if the GM/ Hughes separation transactions had not occurred.

Risk Factors Relating to New EchoStar After the Transactions

Risks Relating to the Business of New EchoStar

New EchoStar Will Compete With Other Subscription Television Providers, Which Could Materially Adversely Affect New EchoStar s Ability to Grow and Increase Earnings. New EchoStar will compete in the highly competitive subscription television industry against cable television and other land-based and satellite-based system operators offering video, audio and data programming and entertainment services. Many of these competitors have substantially greater financial, marketing and other resources than New EchoStar will have. New EchoStar s ability to increase earnings will depend, in part, upon its ability to compete with these other operators.

Cable television operators have a large, established customer base, and many cable operators have significant investments in, and access to, programming. Of the about 97% of U.S. television households in which cable television service is currently available, about 67% currently subscribe to cable. Cable television operators have advantages relative to EchoStar and Hughes by, among other things:

- providing service to multiple television sets within the same household at a lesser incremental cost to the consumer;
- providing local and other programming in a larger number of geographic areas; and
- bundling their analog video service with expanded digital video services delivered terrestrially or via satellite, efficient two-way high-speed Internet access, and telephone service on upgraded cable systems.

As a result of these and other factors, New EchoStar may not be able to continue to expand its subscriber base or compete effectively against cable television operators.

New technologies also could have a material adverse effect on the demand for New EchoStar s direct broadcast satellite services. For example, new and advanced local multi-point distribution services are currently being implemented. Other terrestrial wireless video and data distribution services have been proposed at the FCC. In addition, entities such as regional telephone companies, which are likely to have greater resources than New EchoStar will have, are implementing and supporting digital video compression over existing telephone lines. While these entities are not currently providing digital wireless cable, many have the capabilities for such services. Moreover, mergers, joint ventures, and alliances among franchise, wireless or private cable television operators, regional Bell operating companies and others may result in providers capable of offering bundled cable television and telecommunications services in competition with New EchoStar. As a result, New EchoStar may not be able to compete successfully with existing competitors or new entrants in the market for subscription television services.

Other companies in the United States have conditional permits or have leased transponders for direct broadcast satellite assignments that can be used to provide service to portions of the United States. Also,

C-band satellite providers and other low and medium power satellite operators continue to compete in the market for subscription television services, particularly in rural areas.

In addition, the FCC has proposed to allocate additional spectrum for direct broadcast satellite services, which could create significant additional competition in the market for subscription television services.

New EchoStar Will Depend Upon Others to Produce Programming. New EchoStar will depend upon third parties to provide it with programming services. The programming agreements of DIRECTV and EchoStar generally have remaining terms ranging from less than one to up to 10 years and contain various renewal and cancellation provisions. New EchoStar may not be able to renew these agreements on favorable terms, or at all, or these agreements may be canceled prior to expiration of their original term. If New EchoStar were unable to renew any of these agreements or the other parties cancel the agreements, we cannot assure you that New EchoStar would be able to obtain substitute programming, or that such substitute programming would be comparable in quality or cost to the existing programming of DIRECTV and EchoStar. In addition, programming costs may continue to increase. New EchoStar may be unable to pass programming costs on to its customers which could have a material adverse impact on its cash flow and operating margins. New EchoStar s ability to compete successfully will depend upon its ability to continue to obtain desirable programming and offer it attractively to its customers at competitive prices.

Increased Subscriber Turnover Could Harm New EchoStar s Financial Performance. Turnover of customers, or churn, is a significant cost element for any subscription television provider. DIRECTV and EchoStar have historically had significant levels of churn. For more information about the historical levels of churn of Hughes, see page 7 of the Hughes 2001 Form 10-K, which is incorporated into this document by reference. EchoStar does not publicly disclose its churn. However, an approximation of EchoStar s level of churn can be calculated using EchoStar s net new subscribers numbers and its subscriber acquisition costs, both in the aggregate and on a per new subscriber basis, which can be found in the Results of Operations section of the Management s Discussion and Analysis of Financial Condition and Results of Operations, included in the EchoStar 2001 Form 10-K, which is incorporated into this document by reference. Any development which, among other things, increases costs to existing customers of New EchoStar, materially adversely impacts the quality of the product or service, increases the desirability of competing products or increases uncertainty about whether the Hughes/EchoStar merger will be completed may increase churn. Thus, any of the risks described in this document which potentially have a material adverse impact on cost or quality could also result in an increase in churn which would harm the financial performance of New EchoStar. Churn can also increase due to factors beyond the control of New EchoStar, including a slowing economy, significant signal compromise, a maturing subscriber base and competitive offers. We cannot assure you that New EchoStar will be able to manage its churn rates to achieve a reasonable level of financial performance.

Increased Subscriber Acquisition Costs Could Affect New EchoStar s Financial Performance. Both DIRECTV and EchoStar subsidize the cost and installation of their receiver systems in order to attract new subscribers. It is contemplated that New EchoStar will continue this practice. New EchoStar s subscriber acquisition costs, both in the aggregate and on a per new subscriber activation basis, may materially increase if it continues or expands current sales promotion activities, or introduces other more aggressive promotions. Any material increase in subscriber acquisition costs from current levels would negatively impact the earnings of New EchoStar and could materially adversely impact New EchoStar, its financial condition and the market prices of shares of New EchoStar Class A common stock and New EchoStar Class C common stock.

Satellite Programming Signals Have Been Compromised, Which Could Cause New EchoStar to Lose Subscribers and Revenue. The delivery of subscription programming requires the use of encryption technology to assure that only those who pay can receive the programming. It is illegal to create, sell or otherwise distribute mechanisms or devices to circumvent that encryption. Theft of cable and satellite programming has been widely reported and DIRECTV s and EchoStar s signal encryption has been compromised and could be further compromised in the future. New EchoStar will respond to compromises of its encryption system with measures intended to make signal theft of its programming commercially uneconomical. We currently anticipate that New EchoStar will utilize a variety of tools to continue to accomplish this goal. Ultimately, if other measures are not successful, it could be necessary for New EchoStar

to incur significant expense to replace the conditional access card that controls the security of each consumer set-top box. Even if we do replace the conditional access card, we cannot guarantee that the new card will prevent the theft of New EchoStar s satellite programming signals. Furthermore, we cannot assure you that other illegal methods which compromise satellite programming signals will not be developed in the future. If New EchoStar cannot promptly correct a compromise of its encryption technology, New EchoStar s revenue and its ability to contract for video and audio services provided by programmers could be materially adversely affected.

New EchoStar May Be Unable to Manage Rapidly Expanding Operations. If New EchoStar is unable to manage its growth effectively, its business and results of operations could be materially adversely affected. To manage its growth effectively, we believe that New EchoStar must continue to:

develop its internal and external sales forces;

develop installation capability;

develop customer service operations and information systems;

maintain the existing relationships of Hughes and EchoStar with third party vendors; and

expand, train and manage its employee base.

Furthermore, its management personnel must assume even greater levels of responsibility. If New EchoStar is unable to effectively manage growth, New EchoStar may experience a decrease in subscriber growth, an increase in churn, an increase in expenses or other adverse results, any one of which could have a material adverse effect on its business.

We Expect That New EchoStar Will Experience Net Losses Through at Least 2003 and We Cannot Be Certain That New EchoStar Will Achieve or Sustain Profitability. Hughes and EchoStar have sustained significant losses and have significant amounts of debt. In addition, New EchoStar will need to incur even more debt in connection with the Hughes/EchoStar merger financing and related transactions, and may need to incur substantial amounts of debt after the Hughes/EchoStar merger in order to operate its business. Further, if EchoStar s and Hughes s application for authority to launch and operate a new spot-beam satellite in connection with the delivery of local broadcast TV channels in all 210 designated market areas in the United States is approved by the FCC, New EchoStar is expected to expend substantial resources to construct and launch this satellite. If New EchoStar does not have sufficient income or other sources of cash, it could eventually affect its ability to service its debt and pay its other obligations. Improvements in New EchoStar s results of operations will depend largely upon its ability to successfully integrate the Hughes and EchoStar businesses while increasing its customer base, maintaining its price structure, effectively managing its costs and controlling churn. We cannot assure you that New EchoStar will be effective with regard to these matters. We currently anticipate that New EchoStar will experience net losses through 2003, and could continue to experience net losses for years subsequent to 2003 for the reasons described above and elsewhere in this document.

New EchoStar s Future Growth Will Depend Upon its Ability to Implement its Business Strategy. New EchoStar s business strategy will be focused on becoming a premier provider of integrated entertainment, information and communications services. We cannot assure you that the implementation of these initiatives will not be delayed, or that they will ever be successfully implemented. Even if implemented, we cannot assure you that these initiatives will allow New EchoStar to successfully capitalize on the emerging communications services markets it will target.

Construction Delays on Satellites Could Materially Adversely Affect New EchoStar s Revenues and Earnings. The construction and launch of satellites are subject to certain delays, including delays in the construction of satellites and launch vehicles, the periodic unavailability of reliable launch opportunities, possible delays in obtaining regulatory approvals and launch failures, as discussed below. A significant delay in the future delivery of any satellite would materially adversely affect the marketing plan for, or use of, the satellite. If satellite construction schedules are not met, there can be no assurance that a launch opportunity will be available at the time a satellite is ready to be launched. Certain delays in satellite construction could also jeopardize satellite authorizations that are conditioned on timely construction and launch of the satellite.

The failure to implement the New EchoStar satellite deployment plan on schedule could negatively impact New EchoStar s revenues and earnings.

New EchoStar s Satellites Will Be Subject to Risks Relating to Launch. Satellite launches are subject to significant risks, including launch failure, incorrect orbital placement or improper commercial operation. About 15% of all commercial geostationary satellite launches have resulted in a total or constructive total loss. Certain launch vehicles that may be used by New EchoStar have either unproven track records or have experienced launch failures in the past. The risks of launch delay and failure are usually greater when the launch vehicle does not have a track record of previous successful flights. Launch failures result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take up to 24 months, and obtain other launch opportunities. Such significant delays could materially adversely affect New EchoStar s ability to generate revenues. If New EchoStar were unable to obtain launch insurance, or obtain launch insurance at rates it deemed commercially reasonable, and a significant launch failure were to occur, it could have a material adverse effect on its ability to generate revenues and fund future satellite acquisitions and launch opportunities. In addition, the occurrence of future launch failures may materially adversely affect the ability of New EchoStar to insure the launch of its satellites at commercially reasonable premiums, if at all. See The Cost of Obtaining Commercial Insurance Coverage on Certain of its Satellites or Self-Insuring Satellites, Rather Than Obtaining Traditional Commercial Insurance Coverage, Could Materially Adversely Affect New EchoStar s Earnings.

New EchoStar s Satellites Will Be Subject to Significant Operational Risks. Satellites are subject to significant operational risks while in orbit. These risks include malfunctions, commonly referred to as anomalies, that have occurred in EchoStar, Hughes and PanAmSat satellites and the satellites of other operators as a result of various factors, such as satellite manufacturer s error, problems with the power systems or control systems of the satellites and general failures resulting from operating satellites in the harsh space environment.

Although New EchoStar will work closely with the satellite manufacturers to determine and eliminate the cause of anomalies in new satellites and provide for redundancies of critical components in the satellites, we cannot assure you that New EchoStar will not experience anomalies in the future, whether of the types described above or arising from the failure of other systems or components.

Any single anomaly or series of anomalies could materially adversely affect the operations and revenues of New EchoStar and its relationships with current customers, as well as its ability to attract new customers for its direct broadcast satellites and other satellite services. In particular, future anomalies may result in the loss of individual transponders on a satellite, a group of transponders on that satellite or the entire satellite, depending on the nature of the anomaly. Anomalies may also reduce the expected useful life of a satellite, thereby reducing the revenue that could be generated by that satellite, or create additional expenses due to the need to provide replacement or back-up satellites. Finally, the occurrence of anomalies may materially adversely affect the ability of New EchoStar to insure its satellites at commercially reasonable premiums, if at all. While some anomalies are currently covered by existing insurance policies, others are not now covered or may not be covered in the future. The initial capitalized cost of a satellite ranges from about $175 million to about $350 million, depending upon the design. Most of the satellites used by Hughes and EchoStar cost in the range of about $200 million to about $250 million. Typically, direct broadcast satellites have from 24 to 72 transponders on-board, and we expect that most of New EchoStar s satellites will have from 30 to 48 transponders. We believe that any new satellite acquired by New EchoStar will continue to fall within these ranges.

Meteoroid events pose a potential threat to all in-orbit satellites. The probability that meteoroids will damage those satellites increases significantly when the Earth passes through the particulate stream left behind by various comets. Due to the current peak in the 11-year solar cycle, increased solar activity is likely for the next year. Occasionally, increased solar activity poses a potential threat to all in-orbit satellites. The probability that the effects from this activity will damage New EchoStar s satellites or cause service interruptions is generally very small.

Some decommissioned spacecraft are in uncontrolled orbits which pass through the geostationary belt at various points, and present hazards to operational spacecraft, including New EchoStar s satellites. New EchoStar may be required to perform maneuvers to avoid collisions which may prove unsuccessful or could reduce the useful life of the satellite through the expenditure of fuel to perform these maneuvers. The loss, damage or destruction of any of New EchoStar s satellites as a result of an electrostatic storm, collision with space debris, malfunction or other event would have a material adverse effect on the business of New EchoStar. As is common in the industry, New EchoStar s in-orbit insurance, if any, will not cover damage to satellites that occurs as a result of collisions with meteoroids, decommissioned spacecraft or other space debris.

New EchoStar s Satellites Could Fail Earlier Than Their Expected Useful Lives. New EchoStar s ability to earn revenue will depend on the usefulness of its satellites. Each satellite has a limited useful life. A number of factors affect the useful lives of the satellites, including, among other things:

- the quality of their construction;
- the durability of their component parts;
- the ability to continue to maintain proper orbit and control over the satellite s functions;
- the efficiency of the launch vehicle used; and
- the remaining on-board fuel following orbit insertion.

Generally, the minimum design life of the satellites in the New EchoStar fleet is 12 years. We can provide no assurance, however, as to the actual useful lives of the satellites.

In the event of a failure or loss of any of its satellites, New EchoStar may relocate another satellite and use it as a replacement for the failed or lost satellite. Such a relocation would require prior FCC approval and, among other things, a showing to the FCC that the replacement satellite would not cause additional interference compared to the failed or lost satellite. We cannot be certain that New EchoStar could obtain such FCC approval. If New EchoStar chooses to use a satellite in this manner, we cannot assure you that this use would not materially adversely affect its ability to meet the operation deadlines associated with its authorizations. Failure to meet those deadlines could result in the loss of such authorizations, which would have a material adverse effect on New EchoStar s ability to generate revenues.

The Cost of Obtaining Commercial Insurance Coverage on Certain of its Satellites or Self-Insuring Satellites, Rather Than Obtaining Traditional Commercial Insurance Coverage, Could Materially Adversely Affect New EchoStar s Earnings. The price, terms and availability of insurance fluctuate significantly. In the last several years, the cost of obtaining launch and in-orbit policies on satellites reached historic lows but the cost has recently begun to return to the higher levels for such policies that were common in the early 1990 s. We currently expect the cost of obtaining insurance to continue to rise and the availability to be limited as a result of recent satellite failures and general conditions in the insurance industry, including the effects of the September 11, 2001 terrorist attacks. Launch and in-orbit policies on satellites may not continue to be available on commercially reasonable terms or at all. In addition to higher premiums, insurance policies may provide for higher deductibles, shorter coverage periods and additional satellite health-related policy exclusions.

The indentures related to certain of EchoStar s and its subsidiaries outstanding notes contain restrictive covenants that require EchoStar to maintain satellite insurance with respect to specified numbers of the satellites it owns or leases. To date, EchoStar has been unable to obtain insurance on many of its satellites on terms acceptable to EchoStar. As a result, EchoStar is currently self-insuring all of its satellites. To satisfy insurance covenants related to EchoStar s and its subsidiaries outstanding notes, EchoStar has reclassified an amount equal to the depreciated cost of three of its satellites from cash and cash equivalents to cash reserved for satellite insurance on its balance sheet. As of March 31, 2002, cash reserved for satellite insurance totaled about $176 million, which could be increased upon the occurrence of certain events as described in the EchoStar 2001 Form 10-K, which is incorporated into this document by reference. The reclassifications will continue until such time, if ever, as EchoStar can again insure its satellites on acceptable terms and for acceptable amounts. EchoStar believes that it has in-orbit satellite capacity sufficient to expeditiously recover transmission of most programming in the event one of its satellites fails. However, the cash reserved for

satellite insurance is not adequate to fund the construction, launch and insurance for a replacement satellite in the event of a complete loss of a satellite. Programming continuity cannot be assured in the event of multiple satellite losses.

Hughes and PanAmSat use in-orbit and launch insurance to mitigate the potential financial impact of satellite fleet in-orbit and launch failures unless the premium costs are considered uneconomic relative to the risk of satellite failure. The insurance generally covers the unamortized book value of covered satellites. Although the insurance generally does not compensate for business interruption or loss of future revenues or customers, Hughes relies on in-orbit spare satellites and excess transponder capacity at key orbital slots to mitigate the impact of satellite failure on Hughes ability to provide service. If Hughes insurance policies contain a coverage exclusion for a satellite with known anomalies or insurance costs for a particular satellite are prohibitively expensive, Hughes self-insures with respect to those anomalies or satellites. The book value of satellites that were insured with coverage exclusions amounted to about $686 million and the book value of the satellites that were not insured was about $636 million at March 31, 2002. The instruments governing certain PanAmSat indebtedness also contain restrictive covenants that require it to maintain satellite insurance with respect to specified numbers of the satellites they own or lease.

If the Hughes/EchoStar merger is completed, New EchoStar may not be able to obtain commercial insurance covering the launch and/or in-orbit operation of new satellites or renew coverage on existing satellites, where applicable, at rates acceptable to it and for the full amount necessary to construct, launch and insure replacement satellites. In that event, New EchoStar will be forced to self-insure all or a portion of the launch and/or in-orbit operation of each affected satellite. This could require New EchoStar to reserve material amounts of additional cash on its balance sheet, which would reduce New EchoStar s stockholders equity and could materially adversely affect New EchoStar s liquidity given the significant funding requirements New EchoStar is expected to have following the completion of the Hughes/EchoStar merger and the restrictions New EchoStar is expected to have on its ability to engage in equity and debt financings. See Risks Relating to Liquidity and Financing Activities of New EchoStar We Cannot Assure You That There Will Be Sufficient Funding for New EchoStar and New EchoStar Will Be Subject to Significant Restrictions with Respect to Issuances of Its Equity Securities for Two Years Following the Hughes/EchoStar Merger. Any launch vehicle failure, or loss or destruction of any of New EchoStar s satellites for which it does not have commercial insurance for the full replacement cost of such satellites could have a material adverse effect on New EchoStar s revenues and earnings, its ability to comply with must-carry and other regulatory obligations and its ability to fund the acquisition of replacement satellites. In addition, higher premiums on insurance policies would increase New EchoStar s costs, thereby reducing its operating income.

New EchoStar s Ability to Maintain Leading Technological Capabilities is Uncertain. New EchoStar s operating results will depend to a significant extent upon its ability to continue to introduce new products and services on a timely basis and to reduce costs of its existing products and services. We cannot assure you that New EchoStar will successfully identify new product or service opportunities or develop and market these opportunities in a timely or cost-effective manner. The success of new product development depends on many factors, including proper identification of customer needs, cost, timely completion and introduction, differentiation from offerings of competitors and market acceptance.

Technology in the subscription television and satellite services industries changes rapidly as new technologies are developed, which could cause the services and products of New EchoStar to become obsolete. We cannot assure you that New EchoStar and its suppliers will be able to keep pace with technological developments. If the new technologies on which New EchoStar intends to focus its research and development investments fail to achieve acceptance in the marketplace, New EchoStar could suffer a material adverse effect on its future competitive position that could cause a reduction in its revenues and earnings. For example, competitors of New EchoStar could be the first to obtain proprietary technologies that are perceived by the market as being superior. Further, after substantial research and development costs, one or more of the technologies under development by New EchoStar or any of its strategic partners could become obsolete prior to its introduction. In addition, delays in the delivery of components or other unforeseen problems in New

EchoStar s direct broadcast satellite system or other satellite services may occur that could materially adversely affect its ability to generate revenue, offer new services and remain competitive.

Technological innovation is important to New EchoStar s success and depends, to a significant degree, on the work of technically skilled employees. Competition for the services of these types of employees is vigorous. We cannot assure you that New EchoStar will be able to attract and retain these employees. If New EchoStar were unable to attract and maintain technically skilled employees, its competitive position could be materially adversely affected.

The Benefits of Hughes Subsidiary Relationship with GM Will Not Be Available to New EchoStar Following the Transactions. As a wholly owned subsidiary of GM, Hughes has been able to benefit from GM s extensive network of business relationships with companies and other contacts around the world. Hughes has historically drawn upon this resource in the course of developing its own contacts and business relationships. After the GM/ Hughes separation transactions and the Hughes/ EchoStar merger, New EchoStar will be an independent, publicly owned company, separate from GM, and thus will no longer be able to benefit from GM s relationships in the same manner.

New EchoStar Will Rely on Key Personnel. New EchoStar s future success will depend to a significant extent upon the performance of Charles W. Ergen, who will be the Chairman of the Board of Directors and Chief Executive Officer of New EchoStar. The loss of Mr. Ergen or of certain other key executives could have a material adverse effect on New EchoStar s ability to implement its business plan and achieve the benefits expected from the Hughes/EchoStar merger. New EchoStar does not currently expect to maintain key man insurance. Although all of its executives will execute agreements limiting their ability to work for or consult with competitors if they leave New EchoStar, New EchoStar is not expected to have any employment agreement with any executive upon the completion of the Hughes/ EchoStar merger.

Risks Relating to Liquidity and Financing Activities of New EchoStar

New EchoStar Will Be Subject to Significant Restrictions with Respect to Issuances of Its Equity Securities for Two Years Following the Hughes/ EchoStar Merger. In order to preserve the tax-free status of the Hughes split-off to General Motors, New EchoStar has agreed to be subject to certain restrictions on issuances of its stock and other securities that are convertible or exchangeable into its stock. Under applicable provisions of the Internal Revenue Code of 1986, as amended, which we sometimes refer to as the Code, the Hughes split-off will not be tax-free to General Motors if it is part of a plan under which one or more persons, other than General Motors and, in general, its historical stockholders, acquire stock possessing at least 50% of the voting power or at least 50% of the value of the outstanding stock of New EchoStar. We sometimes refer to the shares of New EchoStar stock that will count toward this 50% limitation as tainted stock. The New EchoStar Class A common stock and New EchoStar Class B common stock issued in the Hughes/ EchoStar merger will be treated as tainted stock that counts toward the 50% limitation, as will shares of New EchoStar Class C common stock exchanged in the Hughes split-off for shares of GM Class H common stock issued in any debt-for-equity exchanges prior to the Hughes split-off and shares of New EchoStar Class C common stock transferred in any subsequent GM share dispositions. In addition, any stock that is issued by New EchoStar, other than, in general, stock issued upon the exercise of compensatory stock options, during the two-year period following the Hughes split-off generally will be presumed to be tainted stock absent an IRS ruling or tax opinion to the contrary. Under the implementation agreement, General Motors has broad rights to prevent New EchoStar from taking any action that might jeopardize the tax-free status of the Hughes split-off. As a result, New EchoStar s ability to issue any equity capital or other securities convertible or exchangeable into equity capital in the two-year period following the Hughes/ EchoStar merger will be severely restricted, absent possible favorable IRS rulings. Because the funding requirements of the operations of New EchoStar after the completion of the Hughes/EchoStar merger are expected to be significant, as described at The Transactions Description of the Transactions Hughes/EchoStar Merger Financings and Liquidity and Funding Needs of New EchoStar, these restrictions will likely cause New EchoStar to incur additional indebtedness to finance its activities. Any such additional indebtedness could materially increase New EchoStar s liabilities and, because of the increased debt expense, its operating costs. These equity restrictions also may prevent New EchoStar from entering into transactions that might be advantageous

to its stockholders, such as issuing equity securities to satisfy its financing needs or issuing equity securities in connection with acquisitions of businesses or assets.

New EchoStar Will Have Substantial Indebtedness, Is Currently Expected to Require Substantial Additional Indebtedness and Will Depend Upon Its Subsidiaries Earnings To Make Payments on Its Indebtedness. New EchoStar or its subsidiaries, as applicable, will assume any of the new indebtedness incurred at EchoStar, Hughes and/ or their respective subsidiaries in connection with financing the cash required to complete the Hughes/EchoStar merger, and New EchoStar will inherit the existing substantial indebtedness of EchoStar and its subsidiaries upon the completion of the Hughes/ EchoStar merger, which will make it vulnerable to changes in general economic conditions. An indication of the amount of the indebtedness is set forth in the New EchoStar Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2002, which indicates that New EchoStar would have had about $11.5 billion of long-term debt had the Hughes/ EchoStar merger been completed as of such date based on the assumptions, estimates and qualifications described in the notes thereto. In addition, New EchoStar is currently expected to require substantial additional financing following completion of the Hughes/ EchoStar merger to fund capital expenditures and costs and expenses in connection with the integration of Hughes and EchoStar, the payment of retention bonuses, severance benefits and pension enhancements to employees of Hughes, funding its operations, domestic and international investments and its growth strategy and the repayment or repurchase of indebtedness, particularly in light of the significant cash requirements of certain parts of the Hughes business. Because New EchoStar s ability to raise equity capital for two years following completion of the Hughes/ EchoStar merger will (absent possible favorable IRS rulings) be severely restricted, it is currently expected that it will likely be necessary for New EchoStar to incur additional indebtedness to finance its activities. The indentures and other agreements governing the debt of New EchoStar s subsidiaries will restrict those subsidiaries ability to incur additional debt. It is also possible that New EchoStar could be subject to restrictions on its ability to incur debt if EchoStar, Hughes or their respective subsidiaries or New EchoStar agrees to such restrictions in connection with an incurrence of debt as part of the Hughes/ EchoStar merger financing. Thus, it may be difficult for New EchoStar to obtain additional debt at all or on acceptable terms.

Moreover, because it is currently expected that New EchoStar will conduct substantially all of its operations through its subsidiaries, its ability to service its debt obligations will be dependent upon the earnings of its subsidiaries and the payment of funds by its subsidiaries to it in the form of loans, dividends or other payments. It is currently expected that New EchoStar will have few assets of significance other than the capital stock of its subsidiaries. New EchoStar s subsidiaries will be separate legal entities. Furthermore, New EchoStar s subsidiaries will not be obligated to make funds available to it, and creditors of New EchoStar s subsidiaries will have a superior claim to its subsidiaries assets. In addition, New EchoStar s subsidiaries ability to make any payments to it will depend upon their earnings, the terms of their indebtedness, business and tax considerations and legal restrictions. We cannot assure you that New EchoStar or its subsidiaries will be able to pay dividends or otherwise distribute funds to New EchoStar (or a subsidiary obligor) in an amount sufficient to pay the principal of or interest on the indebtedness owed by New EchoStar or any such subsidiary, including the Hughes/EchoStar merger financing described at The Transactions Description of the Transactions Hughes/EchoStar Merger Financings.

Any additional debt incurred by New EchoStar and its subsidiaries will subject it to higher interest costs and decrease its cash flows and earnings.

The Hughes/ EchoStar Merger May Constitute a Change in Control Under the Indentures Governing Certain Debt Securities of EchoStar and its Subsidiaries. If EchoStar does not obtain consents from the holders of certain of its debt instruments prior to the completion of the Hughes/ EchoStar merger, the terms of those debt instruments will require New EchoStar to offer to repurchase those securities following the completion of the Hughes/ EchoStar merger at 101% of the principal amount thereof, together with accrued but unpaid interest or dividends on the obligations. If New EchoStar has insufficient funds to repurchase all debt securities that holders tender for purchase upon the occurrence of the change in control, and New EchoStar is unable to raise additional capital, an event of default could occur under the relevant indentures. An event of default could cause any other debt of New EchoStar to become automatically due, resulting in further deterioration in its financial condition. We cannot assure you that additional capital sufficient to

prevent the occurrence of an event of default under the relevant indentures would be available on acceptable terms, or at all. See Risks Relating to Liquidity and Financing Activities of New EchoStar.

We Cannot Assure You That There Will Be Sufficient Funding for New EchoStar. New EchoStar may not be able to raise adequate capital to fund some or all of its business and growth strategies on favorable terms, or at all, or to react rapidly to changes in technology, products, services or the competitive landscape. We believe that key success factors in the subscription television industry include superior access to capital and financial flexibility. Industry participants often face high capital requirements in order to take advantage of new market opportunities, respond to rigorous competitive pressures and react quickly to changes in technology. For example, as a result of the competitive environment in the subscription television industry, New EchoStar may have to incur increased subscriber acquisition costs.

New EchoStar expects the global subscription television industry to continue to grow due to the high demand for communications infrastructure and the opportunities created by industry deregulation. Many of New EchoStar s competitors are committing substantial capital and, in many instances, are forming alliances to acquire and maintain market leadership. New EchoStar s strategy will be to be a leader in providing entertainment, information and communications products and services by building on its experience in satellite technology and by making acquisitions and establishing, maintaining and restructuring strategic alliances as appropriate. This strategy will require substantial investments of capital over the next several years. In addition, the industry in which New EchoStar will compete is capital intensive requiring significant investment in, among other things, infrastructure, research and marketing. The construction, launch and insurance for new satellites and new satellite systems planned by Hughes, PanAmSat and EchoStar will generate significant capital requirements for New EchoStar. There can be no assurance that additional financing will be available on acceptable terms, or at all, if needed in the future. We cannot assure you that New EchoStar will be able to satisfy its capital requirements in the future, whether through lack of competitive access to capital markets, due to restrictions under agreements relating to the transactions that are the subject of this document or otherwise. See New EchoStar Will Be Subject to Significant Restrictions with Respect to Issuances of its Equity Securities for Two Years Following the Hughes/ EchoStar Merger.

In addition, New EchoStar s ability to increase earnings and to make interest and principal payments on its outstanding debt will depend in part upon its ability to continue growing its business by maintaining and increasing its subscriber base, which in turn may require significant additional capital that may not be available to New EchoStar.

The Actual Amount of Funds Necessary to Implement New EchoStar s Strategy and Business Plan May Materially Exceed its Current Estimates. The actual amount of funds necessary to implement New EchoStar s strategy and business plan may materially exceed the current estimates of Hughes and EchoStar in the event of various factors including, among other things:

- unanticipated additional financing requirements to fund capital expenditures and costs and expenses in connection with funding its operations, domestic and international investments and its growth strategy and the repayment or repurchase of indebtedness;
- departures from Hughes and EchoStar s respective current business plan;
- unforeseen delays;
- cost overruns;
- unanticipated expenses;
- regulatory developments; and
- technological and other risks.

If actual costs do materially exceed Hughes and EchoStar s current estimates for these or other reasons, this could negatively impact New EchoStar s earnings, cash flow and financial condition and impact the market price of shares of New EchoStar Class A common stock and New EchoStar Class C common stock.

New EchoStar s Indebtedness May Contain Terms That Could Limit the Operational and Financial Flexibility of New EchoStar. New EchoStar or its subsidiaries, as applicable, will assume any of the new indebtedness incurred at EchoStar, Hughes and/or their respective subsidiaries in connection with financing the cash required to complete the Hughes/ EchoStar merger. New EchoStar will also inherit the existing substantial indebtedness of EchoStar and its subsidiaries upon the completion of the Hughes/ EchoStar merger and is currently expected to incur additional indebtedness in the future. The terms of the indebtedness assumed, inherited or incurred by New EchoStar or its subsidiaries in connection with, or following, the Hughes/ EchoStar merger will contain restrictions and covenants that limit the operational and financial flexibility of New EchoStar. These restrictions and covenants could prevent New EchoStar from taking advantage of strategic opportunities that it could have taken advantage of, or otherwise limit its financing or operational flexibility in a manner that would not otherwise be required, in the absence of those restrictions and covenants and could also limit the ability of New EchoStar and its subsidiaries to:

incur additional indebtedness;

issue preferred stock;

sell assets;

create, incur or assume liens;

merge, consolidate or sell assets;

determine not to self-insure certain of its satellites;

enter into transactions with affiliates; and

pay dividends and make other distributions.

The restrictions on the ability of New EchoStar s subsidiaries to make payments and other distributions to New EchoStar (or a subsidiary obligor) are expected to make it more difficult for New EchoStar to satisfy its expected significant funding needs, including the significant cash requirements of certain parts of the Hughes business. A more detailed description of the material covenants and restrictions relating to the indebtedness of EchoStar and its subsidiaries to be assumed by New EchoStar can be found in the Liquidity and Capital Resources section of the Management s Discussion and Analysis of Financial Condition and Results of Operations, and in the Notes to the Consolidated Financial Statements, included in the EchoStar 2001 Form 10-K, which is incorporated into this document by reference.

There May Be Risks Relating To EchoStar s Prior Use Of Arthur Andersen as Its Independent Public Accountant. The consolidated financial statements of EchoStar, which have been incorporated into this document by reference to the EchoStar 2001 Form 10-K, have been audited by Arthur Andersen LLP, independent public accountants as indicated in their report with respect to such financial statements. The audit partner and manager formerly in charge of the Arthur Andersen engagement with EchoStar are no longer associated with that firm and, as a result, the SEC will not allow the incorporation by reference of their report into this document. EchoStar is therefore permitted to dispense with the requirement to file an Arthur Andersen consent in reliance upon Rule 437a under the Securities Act of 1933. Since, as described above, the SEC will not allow the incorporation by reference of their report into this document, you will not be able to recover against Arthur Andersen under Section 11 of the Securities Act in the event of any future claims that any untrue statements of a material fact were contained in the EchoStar financial statements audited by Arthur Andersen, or that there were any omissions to state a material fact required to be stated therein.

Effective June 1, 2002, EchoStar determined not to renew the engagement of Arthur Andersen as its independent accountants and appointed KPMG LLP as its new independent accountants, effective immediately.

The conviction of Arthur Andersen on obstruction of justice charges may adversely affect Arthur Andersen s ability to satisfy any claims that might arise in the future from its prior provision of auditing services to EchoStar. Prospective investors in EchoStar s or New EchoStar s securities might consider such financial inability on the part of Arthur Andersen as a negative factor in considering an investment decision

with respect to future securities offerings by EchoStar or New EchoStar. Should EchoStar seek to access the public capital markets, or should New EchoStar seek to access such markets after the completion of the Hughes/ EchoStar merger, SEC rules will generally require EchoStar or New EchoStar, as applicable, to include or incorporate by reference into any prospectus three years of audited financial statements. The SEC s current rules would require EchoStar or New EchoStar, as applicable, to present audited financial statements for one or more fiscal years audited by Arthur Andersen and obtain their consent or rely on Rule 437a until EchoStar s audited financial statements for the fiscal year ending December 31, 2004 become available in the first quarter of 2005. If prior to that time the SEC ceases accepting financial statements audited by Arthur Andersen, then EchoStar s available audited financial statements for the years ended December 31, 2001, December 31, 2000 and/or December 31, 1999 audited by Arthur Andersen would not satisfy the SEC s requirements. In that case, it may become necessary for EchoStar or New EchoStar, as applicable, to have KPMG, EchoStar s current independent accounting firm, or another independent accounting firm, audit the financial statements originally audited by Arthur Andersen a process that could require an estimated four to six weeks or more.

Risks Relating to Regulatory Matters Affecting New EchoStar

Domestic and Foreign Regulations May Materially Adversely Affect New EchoStar s Business. New EchoStar will be subject to various regulations, including substantial regulation by the FCC. FCC rules and regulations are subject to change in response to industry developments, new technology and political considerations. In addition, New EchoStar will also be subject to the regulatory authority of the U.S. government and the national communications authorities of the countries in which it operates. These authorities regulate the construction, launch and operation of its satellites and the orbital slots planned for these satellites.

New EchoStar s business could be materially adversely affected by the adoption of new laws, policies and regulations or changes to existing regulations. In particular, we cannot assure you that New EchoStar will succeed in obtaining all requisite regulatory approvals for its operations without the imposition of restrictions on its business, which could have the effect of imposing additional costs on New EchoStar or of limiting New EchoStar s revenues.

The Ability to Maintain FCC Licenses and Other Regulatory Approvals is Critical to New EchoStar s Business. New EchoStar will be subject to the regulatory authority of the U.S. government, primarily the FCC, and the national communications authorities of the countries in which it will operate. If New EchoStar does not obtain all requisite regulatory approvals for the construction, launch and operation of any of its future satellites and for the orbital slots planned for these satellites, or the licenses obtained impose operational restrictions on New EchoStar, its ability to generate revenue and profits could be materially adversely affected. In addition, under certain circumstances, existing licenses are subject to revocation or modification and renewal of licenses that have an expiration date may not be granted. If existing licenses are not renewed, or are revoked or materially modified, New EchoStar s ability to generate revenue could be materially adversely affected.

Moreover, we cannot assure you that New EchoStar will continue to coordinate successfully any or all of its satellites under FCC procedures domestically and under procedures of the International Telecommunication Union internationally. This coordination is required in connection with domestic and international procedures that are intended to avoid interference to or from other satellites. More specifically, the risks of government regulation include:

- the relocation of satellites to different orbital locations if the FCC determines that re-location is in the public interest;
- the rejection by the FCC of the replacement of an existing satellite with a new satellite;
- regulation by governments, including the U.S. government, of satellite transmissions that have the potential to interfere with government operations, or other satellite or terrestrial commercial

operations, which could interfere with New EchoStar s contractual obligations to customers or other business operations; and

revocation of currently unused orbital slots provided to New EchoStar if not utilized prior to certain expiration dates.

All of New EchoStar s FCC authorizations are subject to conditions imposed by the FCC in addition to the FCC s authority to modify, cancel or revoke them. Use of FCC licenses and conditional authorizations are often subject to certain technical and due diligence requirements, including the requirement to construct and launch satellites. EchoStar has not filed, or not timely filed, some of the required reports. The FCC has indicated that it may revoke, terminate, condition or decline to extend or renew such authorizations if EchoStar fails to comply with applicable Communications Act requirements. Failure to comply with such requirements, or comply in a timely manner, could lead to the revocation of authorizations and could have a material adverse effect on the ability of New EchoStar to generate revenue. Specifically, loss of a frequency authorization would reduce the amount of spectrum available to New EchoStar, potentially reducing the amount of programming and other services available to New EchoStar subscribers. The materiality of such a loss of authorizations would vary based upon, among other things, the orbital location at which the frequencies may be used. For example, a loss of frequencies at New EchoStar s core locations of 119° west longitude, 110° west longitude or 101° west longitude would have a greater impact on subscribers than a loss of frequencies at other locations.

At the effective time of the Hughes/ EchoStar merger, New EchoStar will have pending at the FCC various matters, including the following:

potential loss of unbuilt satellite authorizations held by EchoStar, Hughes and PanAmSat, which would prevent New EchoStar from pursuing its service expansion plans;

potential loss of frequencies available pursuant to a special temporary authority granted for periods up to 180 days for certain EchoStar and PanAmSat satellites, which the FCC may refuse to grant or renew and that may be subject to restrictive conditions;

third party oppositions against some of New EchoStar s authorizations or pending and future requests to the FCC;

arguments from the states of Alaska and Hawaii that EchoStar s and DIRECTV s service to these states from various orbital locations does not comply with FCC-imposed obligations to serve those states, which, if successful, might require costly changes to New EchoStar s service offerings; and

required approvals from the FCC for the launch and/or operation of numerous satellites proposed to be launched by EchoStar, PanAmSat and Hughes, which, if not obtained, could delay or hamper New EchoStar s ability to provide new services. In particular, the FCC s delay or failure to approve New EchoStar s pending satellite application would hamper its ability to expand local-into-local services.

In addition, many of New EchoStar s authorizations and pending applications are subject to petitions and oppositions filed by several companies and we cannot be certain that New EchoStar s authorizations will not be cancelled, revoked or modified or that its applications will not be denied.

New EchoStar s projects to construct and launch Ku-band, extended Ku-band and Ka-band satellites are in the early stages of development and are currently being challenged by several companies with interests adverse to New EchoStar s. Among other things, EchoStar holds a conditional license for a Ku-band satellite system at the 83 degrees and 121 degrees west longitude slots. We cannot assure you that the FCC will sustain these licenses, or grant the pending applications, or that New EchoStar will be able to successfully capitalize on any resulting business opportunities. In fact, by order released on July 1, 2002, the FCC s International Bureau cancelled EchoStar s Ka-band authorization for the 83 degrees and 121 degrees west longitude slots, on the grounds that EchoStar had not commenced construction of EchoStar s first Ka-band satellite by the January 2002 milestone. EchoStar disagrees with that conclusion and intends to request reconsideration or review of the Bureau s decision, but EchoStar cannot be sure that such a challenge will result in any change to the decision cancelling that license.

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

New EchoStar, its customers and companies with which it does business may be required to have authority from each country in which it provides services or provides its customers use of its satellites. Because regulations in each country are different, New EchoStar may not be aware if some of its customers and/or companies with which it does business do not hold the requisite licenses and approvals.

Foreign Ownership Restrictions Could Affect New EchoStar s Business Plans. The Communications Act and the FCC s implementing regulations provide that when subsidiaries of a holding company hold certain types of FCC licenses, foreign nationals or their representatives may not own or vote more than 25% of the total equity of the holding company, except upon an FCC public interest determination. On June 13, 2002, however, the FCC amended certain of its rules such that providers of subscription direct broadcast satellite services, like New EchoStar will be, are not subject to the foreign ownership limitation. New EchoStar cannot be certain that this decision will not be challenged at the FCC and in the courts.

The foreign ownership limitations will apply to New EchoStar s licenses for fixed satellite service if it holds itself out as a common carrier or if the FCC decides to treat New EchoStar as such a carrier. The FCC has noted that EchoStar has proposed to operate one of its authorized fixed satellite service systems on a common carrier as well as a non-common carrier basis. EchoStar has recently informed the FCC that it has no common carrier plans with respect to that system. If the FCC decides to treat New EchoStar as a common carrier for any of its operations or if it operates as one, New EchoStar cannot be sure that the FCC will grant any request for a public interest determination that may be needed to allow any indirect foreign investment in excess of 25%.

EchoStar believes that a subsidiary of The News Corporation Limited, a South Australia corporation, currently owns about 2.2% of EchoStar s total outstanding stock, representing less than one percent of EchoStar s total voting power. In addition, the recent investment by Vivendi Universal S.A., a company organized under the laws of France, in EchoStar Series D convertible preferred stock represents about 10.7% of EchoStar s total outstanding stock and about 2.2% of EchoStar s total voting power. While EchoStar believes that the current levels of foreign ownership are below any applicable limit, additional foreign ownership in New EchoStar may implicate these limits and require a prior FCC determination that such ownership is in the public interest.

New EchoStar Will Depend Upon the Cable Act For Access to Others Programming. We currently anticipate that New EchoStar will purchase a substantial percentage of its programming from programmers that are affiliated with cable system operators. Any change in the Cable Act and the FCC s rules that would permit the cable industry or programmers that are affiliated with cable system operators to refuse to provide such programming or impose detrimental terms or conditions could materially adversely affect New EchoStar s ability to acquire programming on a cost-effective basis, or at all. Currently, cable-affiliated programmers generally must offer programming they have developed to all multi-channel video programming distributors on non-discriminatory terms and conditions.

The Cable Act and the FCC s rules also prohibit some types of exclusive programming contracts involving programming from programmers that are affiliated with cable system operators. Although this provision was scheduled to expire this year, the FCC recently voted to extend the exclusivity restrictions for an additional five years. Upon expiration of that provision, many popular programs may become unavailable to New EchoStar, causing a loss of customers and adversely affecting New EchoStar s revenues and financial

performance. This decision remains potentially subject to reconsideration and further administrative or judicial challenge.

Certain cable providers have denied access to certain sports programming provided by programmers that are affiliated with cable system operators. The cable providers are asserting that they are not required to provide such programming under the Cable Act. Challenges to this interpretation of the Cable Act have not been successful and New EchoStar may continue to be precluded from obtaining this regional sports programming which could materially adversely affect its ability to compete in regions serviced by these cable providers.

New EchoStar s Local Programming Strategy Will Face Uncertainty. The Satellite Home Viewer Improvement Act generally gives satellite companies a statutory copyright license to retransmit local-into-local broadcast channel programming, subject to obtaining the retransmission consent of the local broadcast station. Retransmission consent agreements will be important to New EchoStar because a failure to reach such agreements with broadcasters who elect retransmission consents instead of mandatory must carry carriage means it cannot carry these broadcasters signals, and the absence of these channels could have a material adverse effect on its strategy to compete with cable, which provides local signals. While DIRECTV and EchoStar have been able to reach retransmission consent agreements with most of the local broadcast stations in areas where they provide local service, any additional roll-out of local channels in more cities will require additional agreements, especially in light of the current plan for New EchoStar to provide local television stations to all 210 designated market areas in the United States. We cannot be certain that New EchoStar will secure these agreements or new agreements upon the expiration of the current retransmission consent agreements, some of which are short term.

Must Carry Requirements May Negatively Affect New EchoStar s Ability to Offer Local Broadcast Stations. The Satellite Home Viewer Improvement Act includes the imposition of must carry requirements on direct broadcast satellite service providers. The constitutionality of these requirements has been upheld by the courts. The FCC has implemented the must carry requirement and adopted detailed must carry rules covering both commercial and non-commercial broadcast stations. These must carry rules generally require that satellite distributors carry all the local broadcast stations requesting carriage in a timely and appropriate manner in areas where they choose to offer any local programming. EchoStar and Hughes have announced that, contingent upon the launch of additional planned satellites, New EchoStar will carry local broadcast stations, and fully comply with must carry obligations, in every local television market in the United States. In the near term, following completion of the Hughes/EchoStar merger, however, New EchoStar will have limited capacity, and the projected number of markets in which it can offer local programming will continue to be constrained because of the must-carry requirement and may be reduced depending on the FCC s interpretation of its rules in a pending proceeding. The legislation also includes provisions which could expose New EchoStar to federal copyright infringement lawsuits, material monetary penalties, and permanent prohibitions on the sale of all local and distant network channels, based on inadvertent violations of the legislation, prior law, or the FCC rules. Imposition of these penalties would have a material adverse effect on New EchoStar s business operations generally.

While Hughes and EchoStar s proposal to provide local broadcast channels in all 210 designated market areas will improve New EchoStar s ability to comply with must carry requirements, New EchoStar s application for authority to launch and operate the spot-beam direct broadcast satellite may not be granted by the FCC. Additionally, because the proposed satellite employs advanced spot-beam technology, the likelihood of performance reductions may be heightened. There can be no assurance that the technology and equipment will operate to anticipated performance levels. Such failures and reductions in performance levels could materially adversely affect New EchoStar s ability to meet its must carry requirements.

Several must carry complaints by broadcasters against DIRECTV and EchoStar have been filed at the FCC. We cannot be sure that the FCC will not rule against New EchoStar in those proceedings, resulting in carriage of many additional stations in the markets where it will offer local stations or cumbersome changes to its compliance plan. In addition, we cannot be sure that the FCC will not interpret or implement its rules in such a manner as to inhibit New EchoStar s current near-term plan for compliance with the must carry

requirements. In fact, the National Association of Broadcasters and Association of Local Television Stations filed an emergency petition January 4, 2002 asking the FCC to modify or clarify its rules to prohibit or hamper EchoStar s compliance plan. In response, on April 4, 2002, a bureau of the FCC issued a declaratory ruling and order finding that EchoStar s compliance plan violated certain provisions of the Satellite Home Viewer Improvement Act and the FCC s must carry regulations. The April 4 order required EchoStar to file compliance reports within 30 days, 90 days and 180 days of the order s issuance. EchoStar filed its first compliance report on May 6, 2002. Challenges to the April 4 order have been filed by various parties, including EchoStar, and are presently pending. On April 15, 2002, the bureau issued an order granting in part numerous complaints filed against EchoStar by individual broadcast stations that claimed violations of the must carry requirements similar to those addressed in the April 4 order. The April 15 order also required EchoStar to submit a compliance report within 30 days. Depending upon the ultimate outcome of these proceedings (including the extent to which EchoStar s compliance reports are accepted), further orders by the bureau or by the FCC itself could result in a decrease in the number of local areas where New EchoStar will offer local network programming until new satellites are launched. This, in turn, could significantly increase the churn of subscribers in those areas where local network programming is no longer offered and impair New EchoStar s ability to gain new subscribers in those areas, which could materially adversely affect New EchoStar s financial performance. Under the must carry rules, New EchoStar could also be exposed to court actions and may be subject to damage claims if EchoStar is found by any court to have violated the must carry requirements, which could materially adversely affect New EchoStar s financial condition.

In addition, while the FCC has decided for now not to impose dual digital/analog carriage obligations (i.e., additional requirements in connection with the carriage of digital television stations that go beyond carriage of one signal, whether analog or digital, for each station), the FCC has also issued a further notice of proposed rulemaking on this matter. We cannot be sure that this rulemaking will not result in further signal carriage requirements.

New EchoStar s Retransmission of Distant Stations Will Be Subject to Considerable Litigation Risk. The Copyright Act, as amended by the Satellite Home Viewer Improvement Act, permits satellite retransmission of distant network stations those that originate outside of a satellite subscriber s local television only to unserved households. (An example of a distant station retransmission is a Los Angeles network station retransmitted by satellite to a subscriber in the state of Virginia. That subscriber qualifies as an unserved household if he or she cannot receive, over the air, a signal of sufficient intensity from a local station affiliated with the same network.) Interpretation and implementation of the Satellite Home Viewer Improvement Act by the FCC could hamper New EchoStar s ability to retransmit distant network and superstation signals, reduce the number of New EchoStar existing or future customers that can qualify for receipt of these signals and impose testing costs on New EchoStar in connection with the qualification process. In implementing the Satellite Home Viewer Improvement Act s directive, the FCC has also required satellite carriers to delete certain programming, including sports programming, from the signals of certain distant stations. These requirements have significantly hampered EchoStar s ability, and may further hamper New EchoStar s ability, to retransmit distant network and superstation signals, and the burdens from the rules upon EchoStar and New EchoStar may become so onerous that EchoStar and/or New EchoStar may be required to substantially alter, or stop retransmitting, many or all superstation signals. In addition, the FCC s sports blackout requirements, which apply to all distant network signals, may require costly upgrades to New EchoStar s system.

Television Networks Oppose New EchoStar s Anticipated Strategy of Delivering Distant Network Stations. Until July 1998, EchoStar obtained distant network stations (ABC, NBC, CBS and FOX) for distribution to its customers through PrimeTime 24. In December 1998, the U.S. District Court for the Southern District of Florida entered a nationwide permanent injunction requiring PrimeTime 24 to shut off distant network channels to many of its customers, and to sell those channels to consumers in accordance with certain stipulations in the injunction.

In December 1998, the networks filed a motion for preliminary injunction directly against EchoStar. In September 2000, the District Court granted this motion and made several amendments to it. The injunction required EchoStar to terminate distant network programming to certain of its subscribers. The U.S. Court of

Appeals for the Eleventh Circuit stayed the injunction pending EchoStar s appeal. In September 2001, the U.S. Court of Appeals for the Eleventh Circuit vacated the District Court s injunction, finding, among other things, that it was too broad and remanded the case back to the District Court for an evidentiary hearing. The U.S. Court of Appeals for the Eleventh Circuit also rejected EchoStar s argument that the unserved households restriction of the law is unconstitutional, and the U.S. Supreme Court recently declined to review that decision. If after the trial or an evidentiary hearing the injunction is reinstated, it could force EchoStar to terminate delivery of distant network channels to a substantial portion of its distant network subscriber base, which could also cause many of these subscribers to cancel their subscription to EchoStar s other services. EchoStar s management has determined that such termination would result in a reduction in EchoStar s reported average monthly revenue per subscriber and could result in a temporary increase in churn. If EchoStar loses the case at trial, the judge could, among other remedies, prohibit all future sales of distant network programming by EchoStar, which would have a material adverse effect on New EchoStar s business. In order, among other things, to plan for the potential re-implementation of the injunction, EchoStar may terminate the delivery of distant network channels to certain subscribers.

The Regulatory Regime Under Which New EchoStar Will Operate Could Change Materially Adversely. The FCC imposes different rules for subscription and broadcast services. We believe that because New EchoStar will offer a subscription programming service, it will not be subject to many of the regulatory obligations imposed upon broadcast licensees. However, we cannot be certain whether the FCC will find in the future that it should comply with regulatory obligations as a broadcast licensee with respect to its operations, and certain parties have requested that direct broadcast satellite service providers be treated as broadcasters. If the FCC determines that New EchoStar is a broadcast licensee, the FCC may require it to comply with all regulatory obligations imposed upon broadcast licensees, which are generally subject to more burdensome regulation than subscription service providers.

Under a requirement of the Cable Act, the FCC imposed public interest requirements on direct broadcast satellite licensees, such as EchoStar and DIRECTV, to set aside four percent of channel capacity exclusively for noncommercial programming for which EchoStar and DIRECTV must charge programmers below-cost rates and for which EchoStar and DIRECTV may not impose additional charges on subscribers. This could displace programming for which New EchoStar could earn commercial rates and could materially adversely affect its financial results. The FCC has not reviewed the methodology used by either EchoStar or DIRECTV for computing the channel capacity it must set aside or for determining the rates that it charges public interest programmers, and we cannot be sure that, if the FCC were to review these methodologies, it would find them in compliance with the public interest requirements.

The FCC has also commenced an inquiry into distribution of high-speed Internet access services and a rulemaking concerning interactive television services. In these proceedings, the FCC is considering whether to impose on distributors, including possibly satellite distributors like New EchoStar, various types of open access obligations, such as required carriage of independent content providers. New EchoStar cannot be sure that the FCC will not ultimately impose such obligations, which could be onerous, and could materially adversely impact its available capacity and ability to provide other services.

The FCC recently issued revised rules for direct broadcast satellite service operators relating to requirements to provide service to Alaska and Hawaii. While the FCC declined to establish specific requirements governing dish size or programming content for direct broadcast satellite services in Alaska and Hawaii, it required that such services be reasonably comparable to direct broadcast satellite offerings in the contiguous 48 states. While EchoStar believes that the services it now provides satisfy that requirement, New EchoStar cannot be sure that the states of Alaska and Hawaii, or the FCC, will agree with that view, and the FCC will not require New EchoStar to make potentially cumbersome and costly changes to its offerings.

The FCC has adopted rules that allow non-geostationary orbit fixed satellite services to operate on a co-primary basis in the same frequency as direct broadcast satellite and Ku-band-based FSS services, and is currently finalizing rules to govern these services. These satellite operations could provide global high-speed data services. In the same rulemaking, the FCC authorized use of the same direct broadcast satellite spectrum

that EchoStar and DIRECTV use by another terrestrial consumer service originally proposed by Northpoint Technology, Ltd.

Over the course of the proceeding, EchoStar submitted numerous pleadings jointly with DIRECTV to the FCC objecting to the Northpoint request, which may cause harmful and substantial interference to the service provided to direct broadcast satellite service customers. Furthermore, other entities filed applications similar to the one filed by Northpoint, and at least one other entity obtained a license from the FCC to conduct experimental operations.

On May 23, 2002, the FCC released a Memorandum Opinion and Order and Second Report and Order in this proceeding. The FCC denied EchoStar s petition for reconsideration and confirmed its earlier conclusion that the new terrestrial service could operate in the same spectrum with EchoStar s and DIRECTV s system. The FCC also decided that it will issue licenses for this service by auction if there is more than one qualified applicant for a particular geographic area. In light of its decision to conduct an auction, the FCC dismissed without prejudice the pending applications of Northpoint and certain other companies. While the FCC also announced service and technical rules for the terrestrial service with the purpose of avoiding impermissible interference to the direct broadcast satellite service, our preliminary analysis of these rules shows that they are not sufficient to prevent impermissible interference to the direct broadcast satellite service. A number of aspects of these rules remain subject to administrative reconsideration and judicial review. If Northpoint or other entities become authorized to use New EchoStar s spectrum, they could cause harmful and substantial interference with its service. We cannot be sure when these processes will result in the licensing of Northpoint and/or companies proposing a similar service to operate in the spectrum licensed to New EchoStar or how significant the interference into New EchoStar s operations will be.

On February 28, 2002, the FCC initiated a proceeding to examine and revise its licensing process for orbital locations or spectrum used for the provision of international or global satellite communications services. The extent to which any changes in the satellite licensing process could affect New EchoStar is unclear.

On April 25, 2002, SES Americom, Inc. requested a declaratory ruling that it is in the public interest for SES Americom to offer satellite capacity for third party direct-to-home services to consumers in the United States and certain British Overseas Territories in the Caribbean. SES Americom proposes to employ a satellite licensed by the Government of Gibraltar to operate in the same uplink and downlink frequency bands as New EchoStar, from an orbital position located in between two orbital locations where EchoStar and DIRECTV have already positioned satellites. EchoStar and Hughes believe that SES Americom s proposal, if adopted in its current form, would cause interference with current direct broadcast satellite operations and a significant constraint on the further growth and expansion of U.S. direct broadcast satellite service.

Risks Relating to the Capital Stock of New EchoStar

One Principal Stockholder s Voting Power Will Entitle Him to Have Significant Influence Over Actions Requiring Stockholder Approval. We expect that all of the outstanding shares of New EchoStar Class B common stock will be held initially by a trust controlled by Charles W. Ergen, who will also be the Chairman of the Board of Directors and Chief Executive Officer of New EchoStar. Based on assumptions about certain variable factors described elsewhere in the document, we expect that Mr. Ergen would hold about % of the outstanding common stock of New EchoStar, which would represent about % of the total voting power of New EchoStar. As a result, Mr. Ergen will have significant influence over actions of New EchoStar that require stockholder approval.

In addition, the holders of New EchoStar Class B common stock will be entitled to a separate class vote for approval of matters (other than the election or removal of directors) for which a stockholder vote is required under state law (such as mergers, charter amendments, including changes in the rights of the shares of New EchoStar Class B common stock and any increase in the authorized number of shares of New EchoStar Class B common stock or New EchoStar Class C common stock, and dissolution) or under the rules of the NYSE or the Nasdaq, as applicable, any sale or acquisition of a significant business of New EchoStar, any amendment by stockholders to the bylaws of New EchoStar, certain issuances of New EchoStar common stock (or equivalents) and the adoption of certain equity-based benefit plans. As a result, Mr. Ergen will have

the right to veto these matters, which may be favored by a majority of stockholders. The interests of Mr. Ergen may not always coincide with the interests of other stockholders, and these veto rights will effectively grant Mr. Ergen a greater degree of control over New EchoStar than might otherwise be the case.

The extent of Mr. Ergen s control over New EchoStar may have the effect of discouraging offers to acquire control of New EchoStar and may preclude holders of New EchoStar common stock from receiving any premium above market price for their shares that may be offered in connection with any attempt to acquire control of New EchoStar.

For more information about the voting rights of the three classes of New EchoStar common stock, see New EchoStar Capital Stock Common Stock Voting Rights.

New EchoStar Does Not Expect to Pay Dividends on its Common Stock in the Foreseeable Future. The New EchoStar board of directors will determine whether to pay dividends on the New EchoStar Class A common stock, New EchoStar Class B common stock and New EchoStar Class C common stock primarily based upon its financial condition, results of operations and business requirements. We do not currently anticipate that New EchoStar will pay dividends on the New EchoStar Class A common stock, New EchoStar Class B common stock or New EchoStar Class C common stock for the foreseeable future.

You May Receive Shares of New EchoStar Common Stock Having a Market Value Different Than Expected. After the completion of the transactions, GM Class H common stockholders will hold one share of New EchoStar Class C common stock for each share of GM Class H common stock that they previously held, EchoStar Class A common stockholders will receive 1/0.73, or about 1.3699, shares of New EchoStar Class A common stock in exchange for each share of EchoStar Class A common stock that they previously held and EchoStar Class B common stockholders will receive 1/0.73, or about 1.3699, shares of New EchoStar Class B common stock in exchange for each share of EchoStar Class B common stock that they previously held.

Under the terms of the transaction agreements, the number of shares of New EchoStar common stock to be received by each of the GM Class H common stockholders and EchoStar common stockholders for each share of GM Class H common stock or EchoStar common stock, as applicable, will not change even if there are significant changes in the market prices of GM Class H common stock or EchoStar Class A common stock prior to the completion of the GM/Hughes separation transactions and the Hughes/ EchoStar merger. However, any change in the price of GM Class H common stock or EchoStar Class A common stock will directly affect the relative value that GM Class H common stockholders and EchoStar common stockholders will receive in the transactions. Stock price changes may result from a variety of factors that are either within or beyond the control of GM, Hughes and EchoStar, including changes in their respective businesses, operations and prospects, regulatory considerations and general market and economic conditions.

It Is Not Possible to Predict the Relative Trading Prices of the Different Classes of New EchoStar Common Stock. We are not able to predict the relative trading prices of New EchoStar Class A common stock and New EchoStar Class C common stock. Although the New EchoStar Class A common stock and New EchoStar Class C common stock will have substantially identical rights except with respect to voting, the two classes are expected generally to trade at different prices and such differences in trading prices could be material. Many factors may affect the differences in the trading prices of the New EchoStar Class A common stock and New EchoStar Class C common stock, including, among other things, the differences in voting power between the two classes.

The Trading Prices of New EchoStar Class A Common Stock and New EchoStar Class C Common Stock May be Volatile. The prices at which New EchoStar Class A common stock and New EchoStar Class C common stock trade may be volatile and may fluctuate substantially due to, among other things:

competition and changes in the subscription television industry;

regulatory changes;

launch and satellite failures;

operating results below expectations;

New EchoStar s strategic investments and acquisitions; and

other factors.

In addition, price and volume fluctuations in the stock market may affect market prices for New EchoStar Class A common stock and New EchoStar Class C common stock for reasons unrelated to New EchoStar s operating performance.

Future Re-Sales of New EchoStar Common Stock Could Materially Adversely Affect the Market Prices of New EchoStar s Common Stock and its Ability to Raise Capital in the Future. New EchoStar will have several significant stockholders, including Charles W. Ergen, certain GM employee benefit plans and Vivendi Universal and, potentially, General Motors. Sales or other monetizations of substantial amounts of any class of New EchoStar common stock, or even the possibility that such sales or monetizations could occur, could materially adversely affect the market prices of New EchoStar Class A common stock and New EchoStar Class C common stock. Significant sales could also materially adversely affect New EchoStar s ability to raise capital in the future. While the shares issued in the GM/Hughes separation transactions and the Hughes/ EchoStar merger and registered with the SEC pursuant to the registration statement of which this document is a part are generally freely tradable without restriction under the Securities Act of 1933 by persons other than affiliates, as defined under the Securities Act, of the parties, some of New EchoStar s significant stockholders will have the right to require New EchoStar to register their shares under the Securities Act and assist in the sale of those shares to the public. See Shares Eligible For Future Sale.

The Conversion of the New EchoStar Class B Common Stock in the Future May Materially Adversely Affect the Market Prices of the New EchoStar Common Stock. Shares of New EchoStar Class B common stock may be converted by the holders of such stock at any time into shares of New EchoStar Class A common stock or New EchoStar Class C common stock on a one-for-one basis. The conversion of the New EchoStar Class B common stock could affect the trading prices of either or both of the New EchoStar Class A common stock and New EchoStar Class C common stock. We cannot predict the impact on the market prices of the New EchoStar Class A common stock or New EchoStar Class C common stock if such a conversion into either class were to occur.

Other Significant Risks

New EchoStar Will Have Significant Equity Investments That May Not Be Profitable. Both Hughes and EchoStar have significant equity investments and may make additional strategic investments in debt and equity securities of unrelated third parties that may be non-marketable or difficult to liquidate or may only be liquidated at a significant discount to current trading values or not at all. At March 31, 2002, the combined book value of such investments was about $604 million. Unless liquidated prior to the completion of the Hughes/ EchoStar merger, these investments and any additional investments that may be made by Hughes or EchoStar prior to the completion of the Hughes/ EchoStar merger will become assets of New EchoStar. Because the companies in which Hughes and EchoStar have invested generally have limited access to the capital markets and other funding sources, there is greater risk that those companies will be unable to raise sufficient funds to fully execute their business plans. There is also an increased risk that New EchoStar will not realize the full value of its investments in these businesses. In addition, New EchoStar, and prior to the Hughes/EchoStar merger, Hughes and EchoStar, may have to write down these investments in their respective financial statements, which could have a material adverse effect on their respective profits.

New EchoStar s Business May Inadvertently Infringe Patents and Proprietary Rights of Third Parties. Many entities, including some of New EchoStar s competitors, have or may in the future obtain patents and other intellectual property rights that cover or affect products or services related to those that New EchoStar will offer. In general, if a court determines that one or more of New EchoStar s products infringes on intellectual property held by others, New EchoStar may be required to cease developing or marketing those products, to obtain licenses from the holders of the intellectual property, or to redesign those products in such a way as to avoid infringing the patent claims. If a competitor holds intellectual property rights, it may not allow New EchoStar to use its intellectual property at any price, which would hurt New EchoStar s competitive position.

We cannot assure you that New EchoStar will be aware of all intellectual property rights that its products may potentially infringe. In addition, patent applications in the United States are confidential until the Patent and Trademark Office issues a patent. Therefore, we cannot evaluate the extent to which New EchoStar s products may infringe claims contained in pending patent applications. Further, without lengthy litigation, it is often not possible to determine definitively whether a claim of infringement is valid.

We cannot estimate the extent to which New EchoStar may be required in the future to obtain intellectual property licenses or the availability and cost of any such licenses. Those costs, and their impact on net income, could be material. Damages in patent infringement cases may also include treble damages in certain circumstances. If New EchoStar is required to pay royalties to third parties to whom it is not then making payments, these increased costs of doing business could negatively affect its liquidity and operating results. Each of DIRECTV and EchoStar is currently being sued in patent infringement actions related to use of technologies in their direct broadcast satellite businesses. We cannot assure you that the courts will conclude that New EchoStar s products do not infringe on the rights of third parties, that New EchoStar would be able to obtain licenses from these persons on commercially reasonable terms or, if it were unable to obtain those licenses, that it would be able to redesign its products to avoid infringement. Some of these actions involve claims for damages in excess of $100 million and claims for injunctive relief.

The September 11, 2001 Attacks Have Harmed the U.S. Economy and May Materially Adversely Affect New EchoStar s Operations and Profitability. In addition to the tragic loss of life and suffering occasioned by the September 11, 2001 terrorist attacks, there has been a disruption of commercial and leisure activities across the United States. The terrorist attacks and subsequent uncertainty surrounding the continuing conflict have negatively affected, and are expected to continue to negatively affect, the U.S. economy generally, resulting in reduced consumer spending which could negatively affect New EchoStar s industry and its business. While the precise effects of this instability on New EchoStar s industry and its business are difficult to determine, it may materially adversely affect New EchoStar s revenues and, as a result, negatively impact New EchoStar s financial condition, profitability and cash flows.

The Potential Purchase Price Adjustment Related to the Sale of Hughes Satellite Manufacturing Operations to Boeing Could Result in a Material Payment by New EchoStar. In connection with the sale by Hughes of its satellite businesses to Boeing, the terms of the stock purchase agreement provide for a potential adjustment to the purchase price based upon the final closing date financial statements of those businesses. Based upon the final closing date financial statements of the satellite systems manufacturing businesses that were prepared by Hughes, Hughes has acknowledged that it owes to Boeing about $164 million plus interest as a result of the adjustment mechanism. However, Boeing has submitted additional proposed adjustments, of which about $750 million remain unresolved, that Hughes is contesting. Hughes and Boeing are pursuing the arbitration process, which will result in a binding decision unless the matter is otherwise settled. Although Hughes believes it has adequately provided for the disposition of this matter, the impact of its disposition cannot be determined at this time. It is possible that the final resolution of this matter could result in Hughes making a cash payment to Boeing that could materially adversely affect New EchoStar s cash flow.

THE TRANSACTIONS

The following section highlights certain important matters that you should review and consider carefully in connection with your review and consideration of the transactions. This section provides for all stockholders a description of the transactions, including:

- *the GM/Hughes separation transactions;*
- *the Hughes/EchoStar merger;*
- *the PanAmSat stock sale;*
- *the GM share dispositions; and*
- *certain related transactions.*

In addition, because the transactions involve significant changes to GM s capital structure, including the elimination of GM Class H common stock, we describe in this section certain matters, including the following, that may be of principal importance to GM common stockholders:

- *GM s reasons for the transactions;*
- *alternative transactions involving Hughes which have been considered by GM and Hughes in connection with developing the proposed transactions;*
- *background information relating to the development by GM and Hughes of the proposed transactions; and*
- *the recommendation of the GM board of directors; and*
- *certain advantages and disadvantages of the transactions.*

The discussion of these matters is generally set forth at GM Background and Considerations below.

Certain information which may be of principal importance to EchoStar common stockholders, including, among other things, information regarding EchoStar s reasons for the Hughes/ EchoStar merger, background information relating to EchoStar s consideration of the Hughes/ EchoStar merger and the recommendation of the EchoStar board of directors with respect to the Hughes/ EchoStar merger, is set forth below at EchoStar Background and Considerations.

Finally, this section addresses certain other important matters relating to the transactions, such as regulatory requirements relating to the transactions, the lack of appraisal rights for stockholders in connection with the transactions, stockholder litigation relating to the transactions, accounting treatment of the transactions and U.S. federal income tax considerations relating to the transactions.

Description of the Transactions

Introduction

The proposed transactions described in this document principally consist of:

- the GM/ Hughes separation transactions, which will separate the Hughes business from GM by means of a split-off of HEC Holdings to GM Class H common stockholders; and
- the Hughes/ EchoStar merger, which will combine the businesses of Hughes and EchoStar by merging EchoStar with HEC Holdings to create New EchoStar.

Certain aspects of the GM/Hughes separation transactions require the approval of GM common stockholders. Specifically, GM common stockholder approval is required for an amendment of the GM restated certificate of incorporation that will provide GM with the ability to implement certain aspects of the GM/Hughes separation transactions as proposed. Neither the approval of GM common stockholders nor any

further approval of the EchoStar common stockholders is legally required for the Hughes/ EchoStar merger. General Motors, as the sole stockholder of both Hughes and HEC Holdings, has already approved the

Hughes/ EchoStar merger for Hughes and HEC Holdings. In addition, a trust controlled by Charles W. Ergen, the Chairman of the Board of Directors and Chief Executive Officer of EchoStar, as the holder of all of the outstanding shares of EchoStar Class B common stock, which represents about 90% of the voting power of EchoStar, has approved the Hughes/ EchoStar merger for EchoStar. Also, the respective boards of directors of GM, Hughes, HEC Holdings and EchoStar have unanimously approved the Hughes/ EchoStar merger.

However, even though such approval is not legally required, GM is submitting the GM/Hughes separation transactions and the Hughes/EchoStar merger to GM common stockholders for ratification. The principal effect of such ratification will be to strengthen the ability of GM and its directors to defend the transactions against any subsequent challenge in litigation, including by any dissident stockholders who may challenge the fairness of the transactions to the holders of either or both classes of GM common stock. For more information regarding the proposals being submitted to GM common stockholders for their approval, see GM Background and Considerations Requisite GM Common Stockholder Approval of the Transactions. By approving these proposals, GM common stockholders will be approving a transaction that does not give rise to the right of GM Class H common stockholders to have their shares of GM Class H common stock exchanged for shares of GM $1 2/3 par value common stock at a 120% exchange rate, as currently provided for under certain circumstances pursuant to provisions of the GM restated certificate of incorporation. In addition, GM common stockholders will be approving and consenting to an asset transfer consisting of the Hughes dividend distribution without a further distribution of a portion of that dividend from GM to the GM Class H common stockholders in accordance with their tracking stock interest in Hughes, as currently provided for under certain circumstances pursuant to a policy statement of the GM board of directors. Notwithstanding these matters, the GM board of directors has unanimously approved the transactions and recommends that the GM common stockholders vote to approve the transactions.

As used in this document, the term transactions includes the GM/ Hughes separation transactions and the Hughes/ EchoStar merger, as well as various other transactions that are related to the separation and the merger. These other transactions include the right of GM to issue new shares of GM Class H common stock, or distribute any shares of New EchoStar Class C common stock that it may hold after the Hughes/ EchoStar merger, as the case may be, by exchanging such shares in debt-for-equity exchanges or, after the completion of the Hughes/ EchoStar merger, selling such shares for cash, in one or more GM share disposition transactions. In addition, GM, Hughes and EchoStar have also agreed that, subject to certain conditions, if the Hughes/ EchoStar merger does not occur because certain specified conditions have not been satisfied, EchoStar would purchase the approximately 81% interest in PanAmSat held by certain subsidiaries of Hughes. These transactions, as well as the GM/Hughes separation transactions and the Hughes/EchoStar merger, are described in greater detail below.

In order to help you better understand the proposed transactions and how they will impact General Motors, Hughes and EchoStar, see the charts set forth at Summary Structure of the Transactions.

We are working diligently to complete the GM/ Hughes separation transactions and the Hughes/ EchoStar merger as soon as reasonably possible. However, the obligations of the companies to complete the GM/Hughes separation transactions and the Hughes/EchoStar merger are subject to a number of conditions which must be satisfied or waived before the transactions can be completed. Assuming that these conditions are satisfied within the time frame we currently anticipate, we expect to complete the GM/ Hughes separation transactions and the Hughes/ EchoStar merger during the second half of 2002.

One important condition to the companies obligations to complete the Hughes/ EchoStar merger is that GM and Hughes must complete the GM/Hughes separation transactions. In addition, unless the companies are prepared to complete the Hughes/EchoStar merger immediately after the completion of the GM/Hughes separation transactions, the GM/Hughes separation transactions will not occur. Other important conditions include, among others:

the receipt of the requisite GM common stockholder approval of each of the three proposals relating to the transactions;

- the expiration or termination of the waiting periods applicable to the Hughes/EchoStar merger under the Hart-Scott-Rodino Act and any similar law of foreign jurisdictions;
- the absence of any effective injunction or order which prevents the completion of the transactions;
- the receipt of FCC approval for the transfer of licenses and other authorizations in connection with the Hughes/ EchoStar merger and the Hughes split-off;
- the receipt of all other approvals of, or the making of all other filings with, governmental authorities required to complete the transactions, other than approvals and filings, the absence of which, in the aggregate, are not reasonably likely to have a material adverse effect on New EchoStar;
- the continued effectiveness of the ruling received by GM from the IRS to the effect that the Hughes split-off will be tax-free to GM and its stockholders for U.S. federal income tax purposes;
- the availability of financing for the Hughes/ EchoStar merger;
- the approval for listing on either the NYSE or the Nasdaq of the New EchoStar Class A common stock and New EchoStar Class C common stock that will be outstanding following the completion of the transactions;
- the amount of the Hughes dividend distribution to GM may not exceed the value of GM s retained economic interest in Hughes at the time of the Hughes recapitalization. We sometimes refer to this condition as the value condition; and
- the ability of New EchoStar, based on certain assumptions, to issue a minimum amount of equity immediately following the Hughes/EchoStar merger without violating certain agreements with General Motors that are designed to preserve the tax-free status of the Hughes split-off to GM. We sometimes refer to this condition as the equity headroom condition.

For more information about these conditions, see Description of Principal Transaction Agreements GM/Hughes Separation Agreement Hughes Recapitalization Closing Conditions and Hughes/ EchoStar Merger Agreement Conditions.

Background Regarding GM s Retained Economic Interest in Hughes

Certain aspects of the GM/ Hughes separation transactions will involve a reduction of GM s current retained economic interest in Hughes so that GM may realize some of the value arising from its ownership of Hughes. In order to understand and evaluate these aspects of the transactions, it is important for you to understand GM s current dual-class common stock capital structure and the methodology for allocating the earnings of Hughes for earnings per share and for dividend purposes under the terms of GM s restated certificate of incorporation. These are described briefly below.

Currently, GM has two classes of common stock:

- GM $1 2/3 par value common stock; and
- GM Class H common stock.

GM Class H common stock is a tracking stock of GM designed to provide holders with financial returns based on the financial performance of Hughes. The earnings per share and the amounts available for the payment of dividends on the GM Class H common stock are determined by a fraction set forth in GM s restated certificate of incorporation. This fraction reflects the portion of Hughes earnings that is allocated to the amount available for dividends on the GM Class H common stock. We sometimes refer to this fraction as the GM Class H fraction. The numerator and denominator of the GM Class H fraction are determined as follows:

- The numerator of the GM Class H fraction is the weighted average number of shares of GM Class H common stock that is outstanding during the applicable period.

The denominator of the GM Class H fraction is the number of notional shares of GM Class H common stock which, if outstanding, would result in 100% of the earnings of Hughes being allocated to the GM Class H common stock. We sometimes refer to the denominator of the GM Class H fraction as the GM Class H dividend base.

For the calculation of Hughes earnings used to compute the amount available for dividends on the GM Class H common stock, see Selected Historical and Pro Forma Financial Data Hughes Selected Historical Financial Data.

The remaining portion of Hughes earnings is allocated to earnings per share and the amount available for dividends on the other class of GM common stock, the GM $1 2/3 par value common stock. We sometimes refer to the percentage representing this remaining portion of Hughes earnings as representing GM s retained economic interest in Hughes. GM s retained economic interest in Hughes can also be described by reference to the difference between the numerator and the denominator of the GM Class H fraction, which can be thought of in terms of a number of notional shares representing GM s retained economic interest in Hughes.

By operation of the provisions of GM s restated certificate of incorporation, GM s retained economic interest in Hughes may be reduced or increased by adjusting the numerator or the denominator of the GM Class H fraction. The provisions of the GM restated certificate of incorporation establish the circumstances under which the GM Class H fraction currently may be adjusted by the GM board of directors. For more information about GM s current dual-class common stock capital structure, the GM Class H common stock and the relevant provisions of the GM restated certificate of incorporation, see GM Capital Stock GM s Dual-Class Common Stock Capital Structure Dividends. In order to accomplish the Hughes recapitalization, GM is proposing an amendment to the GM restated certificate of incorporation as described below at Amendments to the GM Restated Certificate of Incorporation.

Liquidity and Value to be Provided to GM

The transactions are designed to permit General Motors to benefit from its current about % retained economic interest in Hughes. Among other things, the transactions are expected to provide significant liquidity and value to General Motors in respect of its retained economic interest in Hughes, which will help to support GM s credit position after the transactions. This anticipated liquidity and value will derive from the following sources:

- GM s receipt of the Hughes dividend distribution of up to $4.2 billion as part of the Hughes recapitalization;

- as and to the extent applicable, GM share dispositions involving up to 100 million shares of GM Class H common stock and/or New EchoStar Class C common stock; and

- as and to the extent applicable, GM s retention of shares of New EchoStar Class C common stock for up to five years after the Hughes split-off.

Between now and the time of the completion of the Hughes split-off, GM has the ability to achieve liquidity in connection with debt-for-equity exchanges by issuing up to 100 million shares of GM Class H common stock to certain of GM s creditors in satisfaction of outstanding liabilities. These debt-for-equity exchanges would permit GM to benefit from debt reduction. These debt-for-equity exchanges would also reduce the number of notional shares representing GM s retained economic interest in Hughes by the number of shares of GM Class H common stock that GM issues in connection with any such debt-for-equity exchanges. Thus, to the extent that GM benefits from debt reduction through GM debt-for-equity exchanges before the Hughes split-off, GM would have a smaller retained economic interest in Hughes at the time of the Hughes split-off. The amount of liquidity that GM would receive in connection with any such debt-for-equity exchanges would depend upon, among other things, the trading prices of GM Class H common stock at the time of the completion of any such transactions.

GM will also receive liquidity and value in connection with the completion of the GM/ Hughes separation transactions. The amount of liquidity and value to be provided to GM at the time of the completion of the GM/Hughes separation transactions will depend upon the value of GM s retained economic interest at that time. The value of GM s retained economic interest will be based on the number of notional shares representing GM s retained economic interest in Hughes multiplied by the average market price of GM Class H common stock during a specified period preceding the completion of the GM/ Hughes separation transactions.

As part of the Hughes recapitalization, GM will receive a dividend from Hughes in an amount up to $4.2 billion. The amount of the dividend will be limited by the aggregate value of GM s retained economic interest in Hughes at the time of the payment of the dividend. In other words, the amount of the dividend may not exceed the value of GM s retained economic interest in Hughes at that time, based on the average market price of GM Class H common stock during a specified period preceding the completion of the GM/ Hughes separation transactions.

To the extent that GM holds any shares of New EchoStar Class C common stock immediately after the completion of the Hughes/ EchoStar merger, GM will receive additional liquidity and value from its ability to use a portion of such shares in GM share dispositions and its retention of any remaining shares for up to five years. As explained further below at The GM/ Hughes Separation Transactions, as part of the Hughes recapitalization, GM s retained economic interest in Hughes will be reduced by an amount equal to the amount of the Hughes dividend distribution. If and to the extent that GM continues to have any retained economic interest after such reduction, GM would hold, immediately after the GM/ Hughes separation transactions, a number of shares of HEC Holdings Class C common stock equal to the value of its reduced economic interest in Hughes divided by the average market price of GM Class H common stock during a specified period preceding the completion of the GM/ Hughes separation transactions. Up to 100 million of such shares (less the number of shares of GM Class H common stock issued pursuant to any GM debt-for-equity exchanges completed before the completion of the GM/ Hughes separation transactions) may be distributed by GM in debt-for-equity exchanges after the completion of the Hughes/ EchoStar merger or sold by GM for cash. These GM share dispositions would provide GM liquidity and, if structured as debt-for-equity exchanges, would permit GM to benefit from debt reduction. Any remaining portion of the shares of New EchoStar Class C common stock held by GM which are not used in the GM share dispositions will be retained by GM for up to five years, which would provide GM with a continued ownership interest in New EchoStar and liquidity upon the disposition of those shares.

You should understand that, depending upon the value of GM s retained economic interest in Hughes after the payment of the Hughes dividend distribution and the related reduction of GM s retained economic interest in Hughes, GM may hold fewer than 100 million shares of New EchoStar Class C common stock. Under such circumstances, GM s ability to generate additional liquidity pursuant to GM share dispositions or other dispositions after the GM/ Hughes separation transactions would necessarily be limited based on the number of such shares, if any, then held by GM. Moreover, under circumstances where the value of GM s retained economic interest in Hughes is exactly equal to the amount of the Hughes dividend distribution, GM would not hold any shares of New EchoStar Class C common stock after the GM/ Hughes separation transactions.

The exact amount of the Hughes dividend distribution, the exact number of shares, if any, of New EchoStar Class C common stock available for use by GM in GM share dispositions after the completion of the GM/ Hughes separation transactions and the exact number of shares, if any, of New EchoStar Class C common stock which GM may retain following the completion of the GM/ Hughes separation transactions are not currently known. As a result, we do not know the aggregate amount of liquidity and value that GM will receive in the GM/ Hughes separation transactions. This aggregate amount will depend upon:

- the value of GM s retained economic interest in Hughes at the time of the completion of the GM/ Hughes separation transactions;
- whether the number of shares of New EchoStar Class C common stock that GM may transfer in GM share dispositions and/or the amount of the Hughes dividend distribution are subject to mandatory

reduction pursuant to the transaction agreements in order to satisfy the value condition or the equity headroom condition; and

whether GM elects to further reduce the number of shares of New EchoStar Class C common stock that GM may transfer in GM share dispositions and/or the amount of the Hughes dividend distribution in order to satisfy the value condition or the equity headroom condition.

For an illustration of a range of hypothetical average market prices for GM Class H common stock during the specified period preceding the GM/Hughes separation transactions and how, together with associated required or voluntary reductions to the number of shares that may be transferred by GM in GM share dispositions and/or the amount of the Hughes dividend distribution, these average market prices would affect the amount of the Hughes dividend distribution and the number of shares of New EchoStar Class C common stock that GM would hold as a result of the GM/Hughes separation transactions, see Summary Purposes of the Transactions Liquidity and Value to be Provided to GM and GM Common Stockholders.

After the completion of the transactions, the amount of liquidity and value that GM would receive with respect to any shares of New EchoStar Class C common stock that it holds, whether such shares are transferred in GM share dispositions within six months following the completion of the Hughes/ EchoStar merger or are retained thereafter by GM as an ownership interest in New EchoStar, would generally depend upon, among other things, the market price of shares of New EchoStar Class C common stock at the time of GM s disposition of any such shares.

In addition, you should understand that GM currently expects to incur up to about $100 million of fees and expenses in connection with the transactions, including financial advisory, legal and accounting fees. Of this amount, up to about $48 million is expected to constitute investment advisor fees (not including expenses) and the payment of up to about $17 million to $45 million of these financial advisor fees is contingent upon the completion of the GM/Hughes separation transactions. For more information about the fees payable by GM to its financial advisors, see GM Background and Considerations Fairness Opinions of GM s Financial Advisors Merrill Lynch Fairness Opinion and Bear Stearns Fairness Opinion.

The GM/ Hughes Separation Transactions

The GM/ Hughes separation transactions consist of several transactions involving General Motors and Hughes, principally the Hughes recapitalization and the Hughes split-off. These transactions are generally designed to separate the Hughes business from General Motors in order to prepare Hughes to complete the proposed merger with EchoStar. As a result of the GM/ Hughes separation transactions, HEC Holdings will become an independent, publicly owned company immediately prior to the Hughes/ EchoStar merger.

The GM/ Hughes separation transactions will not occur unless and until all of the conditions to the completion of the Hughes/ EchoStar merger, other than the completion of the Hughes recapitalization and Hughes split-off, have been satisfied or waived. This means that unless the companies are prepared to complete the Hughes/ EchoStar merger immediately following the GM/ Hughes separation transactions, the Hughes business will not be separated from General Motors pursuant to the GM/ Hughes separation transactions.

The Hughes Recapitalization

The Hughes recapitalization consists of a number of preliminary transactions which are designed to prepare the Hughes business to be separated from General Motors pursuant to the Hughes split-off. The Hughes recapitalization primarily involves a dividend distribution from Hughes to GM and an associated reduction of GM s retained economic interest in Hughes in an amount that reflects the dividend. This will allow GM to realize a portion of the value of its retained economic interest in Hughes prior to the Hughes split-off by receiving cash instead of shares of HEC Holdings Class C common stock in connection with the Hughes split-off. The Hughes recapitalization also involves a contribution by GM of the stock of Hughes to HEC Holdings so that HEC Holdings will be the parent company of Hughes at the time of the Hughes split-off. The GM/ Hughes separation agreement, the implementation agreement and the other agreements contemplated by those agreements are the primary transaction agreements that establish the terms of the

Hughes recapitalization. In order to accomplish the Hughes recapitalization, GM is proposing an amendment to the GM restated certificate of incorporation as described below at Amendments to the GM Restated Certificate of Incorporation, for which the approval of the GM $1 2/3 par value common stockholders and GM Class H common stockholders is being sought pursuant to proposal 1 of this consent solicitation.

Hughes Dividend Distribution. Hughes will declare and pay a dividend of up to $4.2 billion to GM. We currently expect that the amount of the Hughes dividend distribution will be $4.2 billion. However, if GM has completed debt-for-equity exchanges with respect to more than 60 million shares prior to the completion of the GM/Hughes separation transactions, the transaction agreements require the Hughes dividend distribution to be reduced by up to the amount of the proceeds of such exchanges in excess of 60 million shares:

- if and to the extent that the value of GM s retained economic interest in Hughes is less than $4.2 billion at the time of the Hughes recapitalization; or

- if and to the extent that the equity headroom condition set forth in the Hughes/ EchoStar merger agreement will not be satisfied at the time of the Hughes/ EchoStar merger.

In any event, the Hughes dividend distribution is not required to be reduced to less than $3.5 billion. However, in order to cause these conditions to be satisfied, GM may voluntarily elect to further reduce the Hughes dividend distribution in order to proceed with the completion of the transactions as proposed. For more information, see Description of Principal Transaction Agreements GM/ Hughes Separation Agreement The Hughes Recapitalization.

If Hughes does not have sufficient funds available to pay the total amount of the Hughes dividend distribution in cash, Hughes will pay the Hughes dividend distribution in cash to the extent of its available funds and will issue a promissory note for the remaining amount. If issued, this promissory note would be payable at the time the Hughes/ EchoStar merger is completed, which will be immediately after the Hughes split-off.

Reduction in GM s Retained Economic Interest in Hughes. In connection with GM s receipt of the Hughes dividend distribution, GM s retained economic interest in Hughes will be reduced by an amount that reflects the Hughes dividend distribution. The exact amount of this reduction will be calculated as follows:

The dollar amount of the Hughes dividend distribution ÷ The average GM Class H common stock price	=	**The number of notional shares by which GM s retained economic interest in Hughes will be reduced**

For the purpose of the Hughes recapitalization, the average GM Class H common stock price will be determined as the average of the volume weighted average trading prices of GM Class H common stock for each of the five trading days (or, if less, the number of trading days following the public announcement by GM or Hughes that certain specified regulatory consents or approvals have been obtained) ending on and including the trading day immediately before the date that the Hughes split-off is completed.

Under the current GM restated certificate of incorporation, GM s retained economic interest in Hughes could not be reduced as described above. One of the effects of the proposed amendment to the GM restated certificate of incorporation that GM common stockholders are being asked to approve pursuant to this consent solicitation is to specifically authorize this reduction in connection with the dividend distribution from Hughes. For more information about this proposed amendment to GM s restated certificate of incorporation, see Amendments to the GM Restated Certificate of Incorporation.

You should note that the actual amount of the reduction in GM s retained economic interest in Hughes will depend on a number of factors that will not be known until immediately before the completion of the GM/ Hughes separation transactions and is extremely sensitive to the average GM Class H common stock price. This sensitivity is illustrated by the figures presented in the table that is included at Summary Description of the Transactions Reduction in GM s Retained Economic Interest in Hughes.

To further illustrate the effect of the Hughes recapitalization on the interest of the GM Class H common stockholders in the financial performance of Hughes and on GM s retained economic interest in Hughes we provide the example below which shows this effect as if the Hughes recapitalization had occurred on , 2002. GM s retained economic interest represents the portion of Hughes earnings allocated to earnings per share and the amount available for dividends on GM $1 2/3 par value common stock. In the example, the number of outstanding shares of GM Class H common stock presented is equal to the number of shares of GM Class H common stock outstanding as of , 2002.

As shown in the example below, as a result of the Hughes recapitalization, the portion of Hughes earnings allocable to the GM Class H common stockholders would have increased by percentage points and GM s retained economic interest in Hughes would have decreased by the same number of percentage points. In addition, while the number of outstanding shares of GM Class H common stock would have remained the same both before and after the Hughes recapitalization, the notional shares representing GM s retained economic interest in Hughes would have decreased by million shares.

Before the Hughes Recapitalization

The portion of Hughes earnings allocable to the outstanding GM Class H common stock would have been calculated as of , 2002 as follows:

(The number of shares of outstanding GM Class H common stock) **÷** **(The GM Class H dividend base)**	**=**	**% (The portion of Hughes earnings allocable to the GM Class H common stock)**

The remaining portion of Hughes earnings, about %, would have been allocable to GM s retained economic interest in Hughes. The number of notional shares representing GM s retained economic interest in Hughes would have been calculated at that time as follows:

(The GM Class H dividend base)	**(The number of shares of GM Class H common stock outstanding)**	**=**	**(The number of notional shares representing GM s retained economic interest in Hughes)**

After the Hughes Recapitalization

As a result of the Hughes recapitalization, assuming a Hughes dividend distribution to GM in the amount of $4.2 billion and an average GM Class H common stock price of $, which was the closing price of GM Class H common stock on , 2002, the number of notional shares representing GM s retained economic interest in Hughes would have been decreased by the following amount:

$4.2 billion (The dollar amount of the Hughes dividend distribution) **÷** **$ (The average GM Class H common stock price)**	**=**	**(The number of notional shares by which GM s retained economic interest in Hughes would be reduced)**

Therefore, after the Hughes recapitalization, the number of notional shares representing GM s retained economic interest in Hughes would have been .

Because the GM Class H dividend base is equal to the number of shares of outstanding GM Class H common stock plus the number of notional shares representing GM s retained economic interest in Hughes, the GM Class H dividend base would have also decreased by million as a result of the Hughes recapitalization. After the Hughes recapitalization, the portion of Hughes earnings allocable to the GM Class H common stockholders would have been as follows:

(The number of shares of outstanding GM Class H common stock) **÷** **(The GM Class H dividend base)**	**=**	**% (The portion of Hughes earnings allocable to the GM Class H common stock)**

The remaining portion of Hughes earnings, about %, would have been allocable to GM s retained economic interest in Hughes.

The example above is provided for illustrative purposes only. We will not know the actual percentages and the number of notional shares representing GM s retained economic interest in Hughes until immediately prior to the time of the completion of the Hughes split-off. These actual amounts will depend upon, among other things, the average market price of GM Class H common stock during a specified period preceding the time of the completion of the Hughes split-off and the amount of the Hughes dividend distribution.

Contribution of Hughes Stock to HEC Holdings. GM currently owns 100% of the issued and outstanding shares of common stock and preferred stock of Hughes. Immediately after the Hughes dividend distribution but before the Hughes split-off, GM will contribute all of the capital stock of Hughes to HEC Holdings, which is currently a wholly owned subsidiary of GM. This contribution will result in HEC Holdings becoming the parent company of Hughes, owning 100% of its capital stock, immediately prior to the Hughes split-off.

In exchange for this contribution, HEC Holdings will issue to GM shares of its Class C common stock such that GM will hold a number of shares of HEC Holdings Class C common stock equal to the GM Class H dividend base after it has been reduced as part of the Hughes recapitalization as described above. Using the example provided above at Reduction in GM s Retained Economic Interest in Hughes After the Hughes Recapitalization and based on the assumptions described in that section, after the contribution, GM would have held million shares of HEC Holdings Class C common stock.

For more information regarding the terms of the Hughes recapitalization, see Description of Principal Transaction Agreements GM/Hughes Separation Agreement The Hughes Recapitalization.

Hughes Split-Off

After the Hughes recapitalization has been completed, the Hughes business will be separated from General Motors pursuant to the Hughes split-off. The Hughes split-off principally consists of the exchange of shares of HEC Holdings stock on a one-for-one basis for shares of GM Class H common stock. As a result of the Hughes split-off, HEC Holdings, which will then hold all of the outstanding capital stock of Hughes, will become an independent, publicly owned company. The implementation agreement and the other agreements contemplated by that agreement are the primary transaction agreements that establish the terms of the Hughes split-off.

Redemption of GM Class H Common Stock. Promptly after the completion of the Hughes recapitalization, GM will distribute one share of HEC Holdings Class C common stock that it holds after the contribution described above at The Hughes Recapitalization Contribution of Hughes Stock to HEC Holdings to the holders of GM Class H common stock in exchange for and in redemption of each outstanding share of GM Class H common stock. Using the example provided above at Reduction in GM s Retained Economic Interest in Hughes After the Hughes Recapitalization and based on the assumptions described in that section, GM would have distributed a total of million shares of HEC Holdings Class C common stock in the Hughes split-off to GM Class H common stockholders, which is equal to the number of outstanding shares of GM Class H common stock in that example. As part of the Hughes split-off, all of the formerly outstanding shares of GM Class H common stock will be cancelled, and no shares of GM Class H common stock will be outstanding after the Hughes split-off. See GM Capital Stock GM s Dual-Class Common Stock Capital Structure Redemption, for a more complete description of the mechanics of the redemption.

In order to maintain the tax-free status of the Hughes split-off to GM and its stockholders, GM must distribute to its stockholders (in respect of their shares of GM common stock) and/or its securityholders (in respect of their GM securities) 80% or more of the shares of HEC Holdings Class C common stock. GM currently estimates that its interest in HEC Holdings after the completion of the GM/ Hughes separation transactions would exceed 20% of the shares of HEC Holdings Class C common stock only if the average

market price of GM Class H common stock over a specified period preceding the completion of the Hughes split-off (which is the price that is used to determine the reduction in GM s retained economic interest in Hughes as part of the Hughes recapitalization) were to be greater than $. Under such circumstances, to the extent necessary to maintain the tax-free status of the Hughes split-off to GM and its stockholders, GM may distribute to the GM $1 2/3 par value common stockholders a number of shares of HEC Holdings Class C common stock (which would otherwise be retained by GM) necessary so that, in the aggregate, GM would distribute 80% or more of the shares of HEC Holdings Class C common stock. The foregoing price calculation is based upon the number of shares of GM Class H common stock outstanding as of , 2002 and assumes that any shares of HEC Holdings Class C common stock transferred by GM in debt-for-equity exchanges are not transferred to GM securityholders.

After the distribution of HEC Holdings Class C common stock to the holders of GM Class H common stock (and, if applicable, the GM $1 2/3 par value common stockholders) in the Hughes split-off, GM will continue to hold any remaining shares of HEC Holdings Class C common stock received by GM in exchange for its contribution of Hughes stock to HEC Holdings as described above at The Hughes Recapitalization Contribution of Hughes Stock to HEC Holdings. The number of shares of HEC Holdings Class C common stock that will be held by GM at that time will be equal to the number of notional shares representing its retained economic interest in Hughes, if any, after giving effect to the reduction of that interest as part of the Hughes recapitalization. Using the example provided above at Reduction in GM s Retained Economic Interest in Hughes After the Hughes Recapitalization and based on the assumptions described in that section, immediately after the Hughes split-off, GM would hold million shares of HEC Holdings Class C common stock. GM s ownership of any such shares is designed to provide value to GM in an amount reflecting the value of GM s retained economic interest in Hughes immediately after the Hughes recapitalization. A portion of any such shares may be subject to GM share dispositions after the Hughes /EchoStar merger, as described at GM Share Dispositions below, and any remaining portion of these shares would be retained by General Motors after the Hughes split-off for up to five years.

GM does not currently have the ability to exchange shares of HEC Holdings Class C common stock in redemption of shares of GM Class H common stock. One of the effects of the amendment to the GM restated certificate of incorporation that GM common stockholders are being asked to approve pursuant to this consent solicitation is to authorize the GM board of directors to make this exchange on the terms described in this document. For more information about this proposed amendment to GM s restated certificate of incorporation, see Amendments to the GM Restated Certificate of Incorporation and GM Capital Stock GM s Dual-Class Common Stock Capital Structure Redemption.

Prior to the completion of the Hughes split-off, HEC Holdings intends to adopt a stockholder rights plan. After the Hughes/ EchoStar merger, this will become the stockholder rights plan of New EchoStar. For more information regarding this stockholder rights plan, see New EchoStar Capital Stock Stockholder Rights Plan.

Immediately following the completion of the Hughes split-off, EchoStar will merge with HEC Holdings to form New EchoStar as described at The Hughes/ EchoStar Merger and Description of Principal Transaction Agreements Hughes/ EchoStar Merger Agreement below.

No 120% Recapitalization of GM Class H Common Stock into GM $1 2/3 Par Value Common Stock. If GM common stockholders approve the proposals relating to the transactions, the completion of the GM/ Hughes separation transactions will not result in a recapitalization of the GM Class H common stock into GM $1 2/3 par value common stock at a 120% exchange rate, as currently provided for under certain circumstances pursuant to provisions of the GM restated certificate of incorporation. As part of the GM/ Hughes separation transactions, the GM restated certificate of incorporation will be amended to expressly provide that this provision will not apply to the GM/Hughes separation transactions. By approving the proposals relating to the transactions, GM common stockholders will, in effect, be waiving any application of the recapitalization provision to the GM/ Hughes separation transactions. For more information, see GM Capital Stock GM s Dual-Class Common Stock Capital Structure Recapitalization and Certain Other Transactions. As described in greater detail below at GM Background and Considerations Alternatives to the

Transactions, GM determined that, in the context of the proposed separation of Hughes from GM, a recapitalization of the GM Class H common stock into GM $1 2/3 par value common stock at a 120% exchange rate would not be in the best interests of GM and its common stockholders and, accordingly, GM structured the transactions so as not to result in such a recapitalization.

No Pro Rata Distribution of the Hughes Dividend Distribution. If GM common stockholders approve the proposals relating to the transactions, GM will retain the entire amount of the dividend distributed to it by Hughes in the Hughes recapitalization, and will not distribute any portion of that dividend to the holders of GM Class H common stock. Therefore, the GM Class H common stockholders will not receive the pro rata share of the Hughes dividend distribution in accordance with their economic interest in the financial performance of Hughes that is currently provided for under certain circumstances pursuant to the GM board policy statement regarding certain capital stock matters. By approving the proposals relating to the transactions being submitted to GM common stockholders pursuant to this consent solicitation, GM common stockholders will be approving and consenting to an asset transfer consisting of the Hughes dividend distribution to GM, as contemplated by the terms of the GM board policy statement. For more information, see GM Capital Stock GM Board of Directors Policy Statement.

For more information regarding the Hughes split-off, including the redemption of the GM Class H common stock as contemplated by the terms of the implementation agreement, see Description of Principal Transaction Agreements Implementation Agreement Hughes Split-Off.

Other Separation-Related Arrangements

The GM/Hughes separation transactions include certain other arrangements related to the Hughes recapitalization and the Hughes split-off. These arrangements generally address matters relating to the separation of the Hughes business from General Motors pursuant to the Hughes split-off:

GM, Hughes and HEC Holdings have agreed to indemnification arrangements in connection with the transactions, including with respect to certain existing disputes between Hughes and Boeing related to the sale by Hughes of its satellite manufacturing business to Boeing in 2000. GM has agreed to be responsible for liability from a purchase price adjustment claim of Boeing to the extent that such liability, if any, exceeds $670 million. In addition, among other things, GM and Hughes have agreed generally to indemnify each other against losses arising out of the other company s businesses.

GM, Hughes and HEC Holdings have agreed to new income tax allocation arrangements, which will become effective upon completion of the Hughes/ EchoStar merger. These arrangements will modify the income tax allocation arrangements currently in place between GM and Hughes. Among other things, the new income tax allocation arrangements will govern the allocation of U.S. income tax liabilities among the companies for taxable periods ending on or prior to the completion of the transactions.

GM and Hughes have agreed to intellectual property arrangements concerning certain intellectual property and ongoing activities of the companies. Among other things, the intellectual property arrangements provide that before transferring its rights to certain Hughes bandwidth to any third party, Hughes will offer the Hughes bandwidth to GM on the same terms. Similarly, GM has agreed that before transferring its rights to certain OnStar bandwidth to a third party, it will offer the OnStar bandwidth to Hughes on the same terms.

GM, Hughes and HEC Holdings have also agreed to certain arrangements pertaining to employee matters. GM has agreed to provide certain service and salary credits under certain GM retirement plans for GM employees who transfer to Hughes, and Hughes has agreed to provide certain service and salary credits under the Hughes defined benefit pension plan for Hughes employees who transfer to GM.

For more information regarding the terms of these and other related arrangements, see Description of Principal Transaction Agreements Implementation Agreement Other General Indemnification and GM/ Hughes Separation Agreement Ancillary Separation Agreements.

Amendments to the GM Restated Certificate of Incorporation

In order to implement the GM/ Hughes separation transactions as described in this document, we will need to amend Article Fourth of the GM restated certificate of incorporation. In particular, in connection with the GM/ Hughes separation transactions, GM is proposing to amend Article Fourth of the GM restated certificate of incorporation to:

- provide for the reduction by the GM board of directors of GM s retained economic interest in Hughes to reflect the Hughes dividend distribution of up to $4.2 billion to be received by GM in connection with the Hughes recapitalization. This would be accomplished by reducing the denominator of the GM Class H fraction by an amount that reflects the Hughes dividend distribution;

- provide for GM to split off HEC Holdings by exchanging one share of HEC Holdings Class C common stock for each outstanding share of GM Class H common stock. This would be accomplished by adding a redemption feature to the terms of the GM Class H common stock that will make the GM Class H common stock redeemable in exchange for shares of HEC Holdings Class C common stock on a share-for-share basis; and

- provide that the current provisions of the GM restated certificate of incorporation that provide for a recapitalization of GM Class H common stock into GM $1 2/3 par value common stock at a 120% exchange rate under certain circumstances will not be applicable to the GM/Hughes separation transactions. This would be accomplished by adding a provision to expressly provide that the completion of the GM/ Hughes separation transactions as described in this document will not result in a recapitalization of the GM Class H common stock into GM $1 2/3 par value common stock at a 120% exchange rate.

Without this amendment to Article Fourth of the GM restated certificate of incorporation, the GM/Hughes separation transactions cannot be completed as proposed. In its current form, the GM restated certificate of incorporation does not permit the GM board of directors to reduce the denominator of the GM Class H fraction in connection with the receipt by GM of the Hughes dividend distribution. In addition, the current provisions of Article Fourth of the GM restated certificate of incorporation do not permit the redemption of GM Class H common stock in exchange for shares of HEC Holdings Class C common stock.

Also, under the GM restated certificate of incorporation in its current form, the separation of Hughes from GM pursuant to the Hughes split-off would result in a recapitalization of GM Class H common stock into GM $1 2/3 par value common stock at a 120% exchange rate but for the provision of the GM charter amendment that will expressly provide that the 120% recapitalization provision shall not apply to the transactions. However, as described in greater detail below at GM Background and Considerations Alternatives to the Transactions, GM determined that, in the context of the proposed separation of Hughes from GM, such a result would not be in the best interests of GM and its common stockholders and, accordingly, GM structured the transactions so as not to result in such a recapitalization.

Article Fourth of the GM restated certificate of incorporation, in the form proposed to be amended as described above, is included in Appendix A of this document. **We urge GM common stockholders to review the form of this proposed amendment to Article Fourth carefully before voting with respect to the proposals relating to the transactions.** Completion of the GM/Hughes separation transactions and the Hughes/ EchoStar merger is conditioned upon the requisite GM common stockholder approval of this proposed amendment to the GM restated certificate of incorporation (as well as the requisite GM common stockholder approval of the two related ratification matters).

GM is also proposing a further amendment to Article Fourth of the GM restated certificate of incorporation after the completion of the GM/Hughes separation transactions and the Hughes/ EchoStar merger in order to eliminate certain provisions relating to the GM Class H common stock that would no longer be necessary because it will no longer be outstanding after the GM/Hughes separation transactions. This is a technical amendment to the GM restated certificate of incorporation, which is necessary in order to

reflect the completion of the GM/ Hughes separation transactions and the elimination of the GM Class H common stock and GM s current dual-class common stock capital structure as a result of these transactions.

Article Fourth of the GM restated certificate of incorporation, in the form proposed to be further amended to eliminate certain provisions relating to the GM Class H common stock, is included in Appendix B of this document. **We urge GM common stockholders to review the form of this proposed amendment to Article Fourth carefully before voting with respect to this additional proposal.** Completion of the GM/Hughes separation transactions and the Hughes/ EchoStar merger is not conditioned upon the requisite GM common stockholder approval of this further proposed amendment to the GM restated certificate of incorporation.

GM does not currently expect to amend its bylaws in connection with the GM/ Hughes separation transactions, except to the extent necessary or appropriate to reflect the completion of the GM/ Hughes separation transactions and the elimination of the GM Class H common stock.

For more information regarding the terms of the GM/ Hughes separation transactions, including the Hughes recapitalization, the Hughes split-off and other related transactions, see Description of Principal Transaction Agreements Implementation Agreement and GM/ Hughes Separation Agreement below.

The Hughes/ EchoStar Merger

Overview. The combination of the businesses of Hughes and EchoStar pursuant to the Hughes/ EchoStar merger will be completed immediately following the completion of the GM/ Hughes separation transactions. As part of the Hughes/ EchoStar merger, EchoStar will merge with HEC Holdings, which will be the parent company of Hughes at the time of the merger, and HEC Holdings will be the surviving corporation. In connection with the Hughes/ EchoStar merger, the surviving corporation, which we sometimes refer to as New EchoStar, will be renamed EchoStar Communications Corporation. As a result of the Hughes/ EchoStar merger, Hughes will become a wholly owned subsidiary of New EchoStar. The Hughes/ EchoStar merger agreement is the primary transaction agreement that establishes the terms of the Hughes/ EchoStar merger.

As part of the Hughes/ EchoStar merger, among other things:

Each share of HEC Holdings Class C common stock distributed to GM Class H common stockholders in connection with the Hughes split-off will remain outstanding as a share of Class C common stock of New EchoStar and will be unchanged. Similarly, each share of HEC Holdings Class C common stock held by GM after the Hughes split-off will remain outstanding as a share of Class C common stock of New EchoStar and will be unchanged. As a result, former GM Class H common stockholders and General Motors will be Class C common stockholders of New EchoStar.

EchoStar Class A common stockholders will receive 1/0.73, or about 1.3699, shares of New EchoStar Class A common stock in exchange for each share of EchoStar Class A common stock they own, or cash in lieu of fractional shares of New EchoStar Class A common stock that they would otherwise receive. As a result, former EchoStar Class A common stockholders will become Class A common stockholders of New EchoStar.

EchoStar Class B common stockholders will receive 1/0.73, or about 1.3699, shares of New EchoStar Class B common stock in exchange for each share of EchoStar Class B common stock they own, or cash in lieu of fractional shares of New EchoStar Class B common stock that they would otherwise receive. As a result, former EchoStar Class B common stockholders will become Class B common stockholders of New EchoStar. A trust controlled by Charles W. Ergen, the Chairman of the Board of Directors and Chief Executive Officer of EchoStar, currently owns all of the outstanding shares of EchoStar Class B common stock and is expected to become the owner of all outstanding shares of New EchoStar Class B common stock as a result of the Hughes/ EchoStar merger.

Shares Outstanding and Voting Power of New EchoStar. Based on the assumptions about certain variable factors described below, we estimate that, immediately following the completion of the Hughes/ EchoStar merger:

- the New EchoStar Class A common stock would represent about % of the outstanding common stock of New EchoStar and about % of the total voting power of New EchoStar;

- the New EchoStar Class B common stock would represent about % of the outstanding common stock of New EchoStar and about % of the total voting power of New EchoStar; and

- the New EchoStar Class C common stock would represent about % of the outstanding common stock of New EchoStar and about % of the total voting power of New EchoStar.

The pro forma percentages of outstanding shares and voting power set forth above and throughout this document are presented for illustrative purposes only and are sensitive to their underlying assumptions. We will not know the actual percentages of outstanding shares and voting power of shares of New EchoStar common stock until immediately before the Hughes/ EchoStar merger. These calculations are based on a number of assumptions, including the average market price of GM Class H common stock during the specified period preceding the completion of the GM/Hughes separation transactions, which we discuss at Assumptions Used in Calculating the Pro Forma Percentages of Outstanding Shares and Voting Power and the Minimum GM Class H Common Stock Price Necessary to Satisfy the Equity Headroom Condition.

Except as to voting rights, the New EchoStar Class A common stock and New EchoStar Class C common stock will be identical. The New EchoStar Class B common stock will have special voting rights, will be convertible into New EchoStar Class A common stock or New EchoStar Class C common stock and will be subject to certain transfer restrictions. However, in all respects other than voting rights, convertibility and the transfer restrictions, the New EchoStar Class B common stock will be substantially the same as the New EchoStar Class A common stock and New EchoStar Class C common stock. The New EchoStar common stock will have the voting rights described below at New EchoStar Capital Stock Common Stock.

New EchoStar will have three different classes of common stock, with each class having different voting powers, in order to address two important objectives with respect to the transactions:

- to preserve the tax-free status of the Hughes split-off to GM for U.S. federal income tax purposes; and

- to preserve at least to some degree the greater voting power that the EchoStar Class B common stock currently has relative to the EchoStar Class A common stock.

GM and Hughes would not agree to complete the transactions unless they were assured that the Hughes split-off would be tax-free to GM and its stockholders for U.S. federal income tax purposes. GM has received a ruling from the IRS confirming the tax-free nature of the Hughes split-off, and the continued effectiveness of this ruling is a condition to the obligation of GM and Hughes to complete the transactions. The Hughes split-off will be tax-free to GM for these purposes only if, among other things, General Motors and certain of its historical stockholders acquire stock possessing more than 50% of the aggregate voting power of the stock of New EchoStar in the transactions. Accordingly, the terms of the various classes of common stock of New EchoStar are designed to ensure that the shares of New EchoStar Class C common stock held by GM (other than shares that are subject to GM share dispositions) immediately after the Hughes split-off and the shares of New EchoStar Class C common stock that are issued to certain of GM s historical stockholders in the Hughes split-off (which we refer to collectively as GM group shares) and certain shares of New EchoStar common stock issued after the Hughes split-off (which, together with the GM group shares, we refer to as qualifying shares) together possess at least 50.5% of the aggregate voting power of New EchoStar at all times during the first two years following the completion of the Hughes split-off (and possibly thereafter, in certain circumstances).

At the same time, EchoStar wanted to preserve at least to some degree the greater voting power that the EchoStar Class B common stock currently has relative to the EchoStar Class A common stock. This was particularly important given that Mr. Ergen, as the beneficial owner of all of the EchoStar Class B common stock and about 90% of the total voting power of EchoStar, was required to reduce substantially his current

voting power in EchoStar in order to address the tax objectives of GM and Hughes with respect to the transactions. Mr. Ergen agreed to such a substantial reduction of his own voting power, including giving up voting control of New EchoStar, in order to provide the holders of EchoStar Class A common stock the opportunity to participate in the potential benefits expected to accrue to them as a result of the completion of the Hughes/ EchoStar merger.

In order to ensure that the qualifying shares possess at least 50.5% of the aggregate voting power of New EchoStar at all times during the first two years following the completion of the Hughes split-off (and possibly thereafter, in certain circumstances), the number of votes per share of New EchoStar Class B common stock will be reduced as necessary. After the second anniversary of the Hughes split-off, the number of votes per share of New EchoStar Class B common stock will no longer be subject to downward adjustment, except as described at New EchoStar Common Stock Common Stock Voting Rights. Further, from and after the end of this two-year period, the voting power of each share of New EchoStar Class B common stock outstanding at the conclusion of the two-year period, as a percentage of aggregate voting power, generally will be fixed at the percentage of the aggregate voting power of all of the shares of New EchoStar common stock then outstanding to which such share of New EchoStar Class B common stock was entitled at the end of the two-year period. In order to maintain the per share percentage voting power of the New EchoStar Class B common stock as fixed at the end of the two-year period, the votes per share of New EchoStar Class B common stock will increase when certain additional shares of capital stock of New EchoStar are issued, except as described at New EchoStar Common Stock Common Stock Voting Rights. Thus, in general, the voting power of the New EchoStar Class B common stock will not be diluted by issuances of additional stock by New EchoStar after the end of the two-year period.

In order to preserve the relatively greater voting power that shares of EchoStar Class B common stock currently have compared to shares of EchoStar Class A common stock, each share of New EchoStar Class A common stock will entitle the holder thereof to one vote per share in the election of directors and on all other matters submitted to the stockholders of New EchoStar for approval and each share of New EchoStar Class B common stock initially will entitle the holder thereof to 10 votes per share on those same matters, subject to reduction during the first two years following the completion of the Hughes/ EchoStar merger and subject to the specified protection against dilution after the two-year period, in each case as described immediately above. In addition, the holders of New EchoStar Class B common stock are entitled to a separate class vote for approval of certain specified matters. For more information see New EchoStar Capital Stock Common Stock.

As a result of his expected ownership of all of the New EchoStar Class B common stock after the Hughes/EchoStar merger, Mr. Ergen, who will also be the Chairman of the Board of Directors and the Chief Executive Officer of New EchoStar, will have substantial influence over actions of New EchoStar that require stockholder approval.

Satisfaction of the Equity Headroom Condition. An important condition to the obligations of GM, Hughes, HEC Holdings and EchoStar to complete the Hughes/ EchoStar merger is that New EchoStar must have the ability, based on certain assumptions, to issue a specified minimum amount of equity as of the completion of the Hughes/ EchoStar merger without causing the GM group shares to possess 50% or less of the aggregate value of the outstanding stock of New EchoStar. This minimum amount is the greater of:

$1.0 billion *minus* the fair market value of the capital stock of HEC Holdings into which any equity and certain equity-linked securities issued by EchoStar after October 28, 2001 and before the completion of the transactions would convert at the completion of the Hughes/ EchoStar merger; and

$250 million.

As a result of Vivendi Universal s $1.5 billion investment in EchoStar Series D convertible preferred stock in January 2002, the parties currently anticipate that the minimum amount would be $250 million. The equity headroom condition is designed to ensure that, based on the assumptions used in the calculations, New EchoStar will have the ability to issue the minimum amount of new equity after the Hughes/ EchoStar merger without violating certain agreements with GM designed to preserve the tax-free status of the Hughes split-off to GM.

We cannot determine whether the equity headroom condition will be satisfied until immediately before the completion of the GM/Hughes separation transactions and the Hughes/ EchoStar merger because the satisfaction of this condition will depend on the facts and circumstances existing at that time, including the average market price of GM Class H common stock during a specified period preceding the completion of the GM/Hughes separation transactions. We will determine whether the equity headroom condition is satisfied at such time by applying certain presumptions and making determinations as to certain variables pursuant to the methodology set forth in the Hughes/ EchoStar merger agreement. For further information regarding this methodology, see Description of Principal Transaction Agreements Hughes/ EchoStar Merger Agreement Conditions. We will first determine whether the equity headroom condition will be satisfied in the event that GM receives a Hughes dividend distribution of $4.2 billion and is allowed to make share dispositions involving the full 100 million shares. If the equity headroom condition would not be satisfied under those circumstances, then:

first, the number of shares that GM may transfer pursuant to GM share dispositions after the completion of the Hughes/EchoStar merger would be mandatorily reduced to the extent necessary to satisfy the equity headroom condition, but not by more than 40 million shares; and

second, if GM has issued more than 60 million shares of GM Class H common stock in debt-for-equity exchanges prior to the completion of the GM/Hughes separation transactions, the amount of the Hughes dividend distribution would be mandatorily reduced to the extent necessary to satisfy the equity headroom condition by up to the amount of the proceeds received by GM from such debt-for-equity exchanges in excess of 60 million shares, but not by more than $700 million (from $4.2 billion down to $3.5 billion).

For a more detailed description of these mandatory reductions, see Description of Principal Transaction Agreements GM/Hughes Separation Agreement The Hughes Recapitalization Reduction in the Shares Subject to GM Share Dispositions; Reduction of the Hughes Recapitalization Amount. Any mandatory reductions in the amount of the Hughes dividend distribution or the number of shares in GM share dispositions would have the effect of reducing the amount of liquidity provided to GM in connection with the transactions. See Risk Factors Risk Factors