ECHOSTAR COMMUNICATIONS CORP
Form PRER14C
May 29, 2002

AMENDMENT NO. 1 TO

SCHEDULE 14C

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c) of the Securities

Exchange Act of 1934

Check the appropriate box:

x Preliminary Information Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
o Definitive Information Statement

ECHOSTAR COMMUNICATIONS CORPORATION

(Name of Registrant as Specified In Charter)

Payment of Filing Fee (Check the appropriate box):

x No fee required
o Fee computed on table below per Exchange Act Rules 14c-5(g) 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 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:

PRELIMINARY DRAFT DATED MAY 29, 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. for

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 of the business of Hughes Electronics from GM by means of a split-off of HEC Holdings, Inc., a newly formed company that will hold all of the outstanding stock of Hughes and will be the issuer of the Class C common stock distributed in the split-off; and**

- **the combination of the businesses of Hughes and EchoStar Communications by a merger of HEC Holdings and EchoStar immediately after the separation. The combined company will be renamed EchoStar Communications Corporation and will be the issuer of the Class A common stock distributed in the merger.**

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 48.

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 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 its 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 and the surviving corporation of that 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.

GM Class H common stockholders will receive as part of the transactions one share of the new EchoStar Class C common stock in exchange for each share of GM Class H common stock they own. Upon the completion of the transactions, based on assumptions described in this document, the former GM Class H common stockholders would hold about % of the outstanding common stock of the new EchoStar, representing about % of the new EchoStar s total voting power. 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 split-off 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 the dividend, it will receive shares of the new EchoStar Class C common stock as part of the transactions. Upon the completion of the transactions, based on assumptions described in this document, GM (and/or the GM $1 2/3 par value common stockholders under certain circumstances) would hold about % of the outstanding common stock of the new EchoStar, representing about % of the new EchoStar s total voting power.

THE BOARD OF DIRECTORS OF GENERAL MOTORS HAS UNANIMOUSLY APPROVED THE TRANSACTIONS AND RECOMMENDS THAT YOU VOTE TO APPROVE EACH OF THE PROPOSALS RELATING TO THE TRANSACTIONS BY EXECUTING AND RETURNING THE ENCLOSED CONSENT CARD AS SOON AS POSSIBLE.

GM has already approved this 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 such 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 48.**

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, representing 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, representing 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, representing 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 48.**

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 343.

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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 generally designed to prepare Hughes to complete the proposed combination with EchoStar by separating the Hughes business from GM. This will be accomplished 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 GM Class H common stockholders. As a result of the split-off, the GM Class H common stockholders and GM (and/or the GM $1 2/3 par value common stockholders as described in the answer to Question 3 below) will become stockholders of HEC Holdings. There are two principal 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 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, as a result, will become an independent, publicly owned company. 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, 77 and 204.

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 be the issuer of the Class A common stock and Class B common stock in the merger. HEC Holdings will then 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 merger.

For more information, see pages 11, 84 and 211.

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. GM $1 2/3 par value common stockholders will not receive any shares of HEC Holdings or the new EchoStar unless, as a result of the terms of the Internal Revenue Service ruling which GM is seeking in connection with the transactions, GM is required to make a distribution to the GM $1 2/3 par value common stockholders in accordance with the transaction agreements. In that event, GM $1 2/3 par value common stockholders would receive a pro rata distribution of shares of Class C common stock of HEC Holdings.

Whether or not they receive a distribution of Class C common stock of HEC Holdings, GM $1 2/3 par value common stockholders will retain their shares of GM $1 2/3 par value common stock after the transactions. As a result of these 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. Unless they receive a distribution of Class C common stock of HEC Holdings, GM $1 2/3 par value common stockholders will only have an indirect interest in the financial performance of Hughes to the extent of any ownership interest of GM 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, 10, 80, 84 and 166.

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 as part of the Hughes split-off, which would remain outstanding after the Hughes/ EchoStar merger and would then be shares of Class C common stock of the new EchoStar. The number of shares of Class C common stock of HEC Holdings that GM will receive will be determined based on GM s retained economic interest in Hughes at the time of the Hughes split-off, as reduced to reflect the dividend from Hughes as part of the Hughes recapitalization. Therefore, only if GM s retained economic interest in Hughes at that time is more than the amount of the dividend from Hughes will GM receive any shares of Class C common stock of HEC Holdings in the Hughes split-off; and

GM may benefit from debt reduction through its right to exchange up to an aggregate of 100 million shares of GM Class H common stock and the Class C common stock of HEC Holdings, if any, that GM receives in the Hughes split-off for GM s outstanding liabilities to certain of its creditors in GM debt-for-equity exchanges between now and six months following the completion of the transactions.

As described in greater detail elsewhere in this document, the exact amount of the dividend from Hughes and the exact number of shares of Class C common stock of HEC Holdings that GM would receive will not be known until the time of the completion of the transactions because each will depend upon certain factors that will not be known until that time.

Any portion of the Class C common stock of the new EchoStar that is received by GM and that is not subject to GM debt-for-equity exchanges would be retained by General Motors, unless as a result of the terms of the IRS ruling, GM is required to distribute those shares. If those shares of Class C common stock of the new EchoStar must be distributed, then GM will distribute the shares of Class C common stock of HEC Holdings which it receives as part of the GM/ Hughes separation transactions to the GM $1 2/3 par value common stockholders at the time of the Hughes split-off on a pro rata basis to the extent required by the transaction agreements.

For more information, see pages 19 and 75.

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 73.

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 the following two proposals relating to the transactions:

Proposal (1): Approval of GM Charter Amendment. This proposal consists of the approval of an amendment to Article Fourth of the GM restated certificate of incorporation. The amendment would, among other things:

add a provision which will permit the GM board of directors to reduce GM s retained economic interest in Hughes by an amount that reflects the Hughes dividend in connection with the Hughes recapitalization;

add 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, to effect the Hughes split-off; and

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 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.

This amendment is required so that GM can complete the GM/Hughes separation transactions as proposed. In its current form, the GM restated certificate of incorporation would not allow GM to complete the transactions as they are described in this document.

Proposal (2): Ratification of All Other Aspects of the Transactions. This proposal consists of the ratification of all other aspects of the transactions, including, among other things, the Hughes recapitalization and the dividend from Hughes to GM, the Hughes split-off, the Hughes/ EchoStar merger and other related transactions. Ratification refers to the process of seeking GM common stockholder approval of matters which do not, as matter of corporation law, require such approval. Even though it is not required to do so, GM is submitting these matters to GM common stockholders because GM believes that it is appropriate to give its common stockholders an opportunity to consider and approve these matters that will affect their investment in GM in significant ways. This ratification is also important because it will strengthen GM s ability to defend the transactions against any subsequent challenge in litigation.

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 dividend from Hughes to GM without the further distribution of a portion of that dividend from GM to the GM Class H common stockholders that is currently provided for under certain circumstances pursuant to a policy statement of the GM board of directors.

Although proposal (1) and proposal (2) are separate matters to be voted upon by GM common stockholders, these proposals are expressly conditioned on each other. This means that BOTH 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.

You should understand that the completion of the Hughes/ EchoStar merger is conditioned upon the completion of the GM/ Hughes separation transactions. This means that if GM s common stockholders do not approve proposal (1) and proposal (2), neither the Hughes/ EchoStar merger nor the GM/ Hughes separation transactions will occur.

Proposal (3): Approval of the Second GM Charter Amendment. This proposal consists of 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.

You should understand that the completion of the transactions is NOT conditioned upon the approval by GM common stockholders of proposal (3). Further, you should understand that proposal (3) will not be implemented unless proposal (1) and proposal (2) are both approved and the transactions are completed.

The GM board of directors has unanimously approved the GM/ Hughes separation transactions and the Hughes/ EchoStar merger 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 as soon as possible.

For more information, see pages 163 and 325.

Q7. Which GM common stockholders are entitled to vote on the transactions?

A7. 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 328.

Q8. Why are EchoStar common stockholders not being asked to vote on the proposed transactions?

A8. 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 173 and 335.

Q9. What should I do now?

A9. *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 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 card will serve as a voting instruction for the plan trustees, plan committees or independent fiduciaries of those plans, who will vote your shares in accordance with your instructions.

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 returning the consent card and related materials 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 48.

EchoStar Common Stockholders. EchoStar common stockholders do not need to take any action because, as explained in the answer to Question 8 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 325 and 335.

Q10. What happens if a GM common stockholder does not send in the consent card?

A10. If a GM $1 2/3 par value common stockholder or a GM Class H common stockholder does not send in the consent card, 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 as soon as possible. Your vote is important regardless of the number of shares that you own.

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, you should understand that procedures differ among these employee savings plans with respect to the voting of shares for which no consent card is received. These procedures are explained in greater detail elsewhere in this document.

For more information, see pages 328 and 329.

Q11. Can GM common stockholders revoke their approval once the consent card is mailed?

A11. 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 applicable 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 the applicable 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. You should send any revocations to the Secretary of General Motors at the following address:

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 329.

Q12. Should I send in my stock certificates now?

A12. 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.

Q13. What should I do if I have other questions?

A13. 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, or how to complete and submit your consent card, 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 343.

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 343.

The Companies

General Motors Corporation

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 automotive operations are comprised of four regions:

GM North America;

GM Europe;

GM Latin America/ Africa/ Mid-East; and

GM Asia Pacific.

GM North America designs, manufactures and markets vehicles primarily in North America under the following nameplates:

Chevrolet	GMC	Buick	Saturn
Pontiac	Oldsmobile	Cadillac	Hummer

GM Europe, GM Latin America/ Africa/ Mid-East and GM Asia Pacific meet the demands of customers outside North America with vehicles designed, manufactured and marketed under the following nameplates:

Opel	Holden	Saab	GMC	Buick
Vauxhall	Isuzu	Chevrolet	Cadillac	

GM s financing and insurance operations primarily relate to General Motors Acceptance Corporation, a wholly owned subsidiary of GM. GMAC provides a broad range of financial services, including consumer vehicle financing, full-service leasing and fleet leasing, dealer financing, car and truck extended service contracts, residential and commercial mortgage services, commercial vehicle and homeowners insurance and asset-based lending. For more information about GMAC, see the documents publicly filed by GMAC with the SEC, including GMAC s Annual Report on Form 10-K for the year ended December 31, 2001, its Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 and its various Current Reports on Form 8-K.

GM s other operations include the designing, manufacturing and marketing of locomotives and other heavy-duty transmissions.

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

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 provides advanced communications services on a global basis. Hughes has developed a wide range of entertainment, information and communications services for home and business use, including video, data, voice, multimedia and Internet services. Hughes businesses include:

DIRECTV. DIRECTV includes businesses in the United States and Latin America and, with DIRECTV Broadband, Inc., formerly known as Telocity Delaware, Inc., constitutes Hughes direct-to-home broadcast segment. As of March 31, 2002, DIRECTV had about 10.56 million subscribers in the United States and 1.6 million subscribers in Latin America.

Hughes Network Systems. Hughes Network Systems, which has more than a 50% share of the global market for very small aperture terminal private business networks and about 111,000 DIRECWAY broadband consumer customers as of March 31, 2002, constitutes the network systems segment of Hughes. Hughes Network Systems is one of the two largest manufacturers of DIRECTV® subscriber equipment, having shipped over 8.5 million units. Hughes Network Systems is also leading the development of SPACEWAY®, a next-generation satellite-based broadband communications platform that is expected to provide customers with high-speed, two-way data communications on a more cost-efficient basis than systems that are currently available. SPACEWAY is expected to launch service in North America in 2004.

PanAmSat. PanAmSat, a publicly owned company of which subsidiaries of Hughes own approximately 81%, constitutes Hughes satellite services segment. PanAmSat owns and operates 21 satellites that are capable of transmitting signals to geographic areas covering a substantial portion of the world s population. PanAmSat provides satellite capacity for the transmission of cable and broadcast television programming from the content source to the consumer s home or to the cable operator.

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

EchoStar operates two business units:

The DISH Network. The DISH Network is a direct broadcast satellite subscription television service in the United States. As of March 31, 2002, EchoStar had about 7.16 million DISH Network subscribers; and

EchoStar Technologies Corporation. 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, in connection with the Hughes/EchoStar merger, 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 72 and 189)

The Transactions that are the subject of this document principally consist of the GM/ Hughes separation transactions and the Hughes/ EchoStar merger. In addition to these two principal components, the Transactions include other related transactions contemplated by the agreements among GM, HEC Holdings, Hughes and EchoStar. The obligations of the companies to complete the Transactions are subject to the satisfaction or waiver of the conditions specified 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 77, 189 and 204)

The proposed GM/ Hughes separation transactions are generally designed to prepare Hughes to complete the proposed combination with EchoStar by separating the Hughes business from General Motors by means of a split-off. 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 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. Immediately after the Hughes recapitalization, HEC Holdings will be separated from General Motors 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 GM (and/or the GM $1 2/3 par value common stockholders, as applicable).

To complete the Hughes split-off, General Motors will distribute to each GM Class H common stockholder one share of HEC Holdings Class C common stock in exchange for each share of GM Class H common stock they own. As a result of this exchange, all outstanding shares of GM Class H common stock will be redeemed and canceled. Any shares of HEC Holdings Class C common stock that are not distributed to GM Class H common stockholders will continue to be held by General Motors immediately upon the completion of the Hughes split-off for up to five years or, as described elsewhere in this document, may be distributed to GM $1 2/3 par value common stockholders.

Other Separation-Related Arrangements. Certain other related transactions are contemplated in connection with the completion of the GM/ Hughes separation transactions. As described in greater detail elsewhere in this document, these other transactions generally address matters relating to the separation of Hughes 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 74 and 78)

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. The reduction of GM s retained economic interest in Hughes as part of the Hughes recapitalization 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 proposed Transactions.

In order to illustrate the effect of the Hughes recapitalization on GM s retained economic interest in Hughes, we have calculated GM s retained economic interest in Hughes based on the number of shares of GM Class H common stock outstanding as of , 2002 plus the number of shares of GM Class H common stock that would be issued, based on certain assumptions, upon the mandatory conversion of GM s currently outstanding Series H preference stock. We also have calculated GM s retained economic interest in Hughes by assuming the payment of a $4.2 billion dividend from Hughes to GM as part of the Hughes recapitalization. The calculations of the value of GM s retained economic interest in Hughes, the GM Class H common stockholders interest in Hughes and the adjustment of GM s retained economic interest in Hughes are each based on a price of $ per share of GM Class H common stock, which is the average market price of GM Class H common stock over a five-trading day period ending on , 2002. The results are shown below:

	Before the Hughes Recapitalization	After the Hughes Recapitalization
GM s Retained Interest in Hughes	%	%
	(a value of $ billion)	(a value of $ billion)
GM Class H Common Stockholders Interest in Hughes	%	%
	(a value of $ billion)	(a value of $ billion)

As this chart illustrates, based on the assumptions described above, the value of GM s retained economic interest in Hughes would have been reduced by $4.2 billion (the amount of the Hughes dividend distribution), or %. The GM Class H common stockholders percentage interest in Hughes would increase by the same percentage that GM s retained economic interest in Hughes would decrease, although the value of the GM Class H common stockholders interest in Hughes would be unaffected by the Hughes dividend distribution.

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. We will not know, however, until immediately before the completion of the Transactions, the actual amount of the Hughes dividend distribution, the size of the reduction of GM s retained economic interest in Hughes and the amount, if any, of GM s retained economic interest in Hughes after the reduction. These amounts could vary materially from the illustration above based on a number of factors, including the average market price of GM Class H common stock during a specified period preceding the time of the completion of the proposed Transactions.

In addition, other factors may affect GM s retained economic interest in Hughes between now and the completion of the Transactions. For instance, any GM debt-for-equity exchanges, as described below at GM Debt-for-Equity Exchanges, completed 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 such GM debt-for-equity exchanges.

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 Hughes/ EchoStar Merger (See pages 84 and 211)

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. In the Hughes/ EchoStar merger:

holders of EchoStar Class A common stock 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;

holders of EchoStar Class B common stock 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. 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

holders of GM Class H common stock and GM (and/or the holders of GM $1 2/3 par value common stock) will retain the shares of HEC Holdings Class C common stock distributed to them in the GM/ Hughes separation transactions and these shares will become shares of New EchoStar Class C common stock.

GM Debt-for-Equity Exchanges (See pages 92 and 193)

The transaction agreements permit GM to engage in one or more GM debt-for-equity exchanges between now and the date that is six months after the completion of the Hughes/ EchoStar merger. Any GM debt-for-equity exchanges would provide liquidity and value to GM as a result of the reduction of GM s outstanding liabilities pursuant to these transactions, but would reduce GM s retained economic interest in Hughes or New EchoStar, as the case may be.

In any GM debt-for-equity exchange, GM would 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 GM s outstanding liabilities to certain of GM s creditors. Under the transaction agreements, GM may not issue or distribute more than an aggregate of 100 million shares of GM Class H common stock and New EchoStar Class C common stock in the GM debt-for-equity exchanges. However, this aggregate number is subject to reduction under certain circumstances in order to satisfy the minimum equity headroom condition described below at Conditions to Completing of the Transactions. Also, the number of shares of the New EchoStar Class C common stock which may be distributed by GM in GM debt-for-equity exchanges would be limited if and to the extent that the value of GM s retained economic interest in Hughes following the Hughes dividend distribution would result in GM holding a number of shares of New EchoStar Class C common stock after the Hughes/ EchoStar merger that is less than the number of shares permitted to be distributed in GM debt-for-equity exchanges under the transaction agreements.

We will not know, until immediately before the completion of the Transactions, the number of shares of New EchoStar Class C common stock, if any, that GM will hold after the completion of the Transactions. As a result, until that time, we will not know the number of shares of New EchoStar Class C common stock that GM would be able to distribute in GM debt-for-equity exchanges after the completion of the Hughes/ EchoStar merger. These determinations will depend upon a number of factors, including, among other things, the actual amount of the Hughes dividend distribution and the average market price of GM Class H common stock during a specified period preceding that time.

Financings and Related Matters (See pages 93 and 94)

Hughes has completed certain financings, and expects to engage in additional financings and related activities, intended to enable it to pay the Hughes dividend distribution to GM and to fund its business during the period prior to the completion of the proposed Hughes split-off.

In February 2002, PanAmSat repaid a $1.725 billion loan from Hughes using cash on hand at PanAmSat and debt financings. Hughes deposited $1.5 billion of the proceeds of the PanAmSat loan repayment into a segregated cash collateral account with GMAC. Hughes then borrowed $1.875 billion under credit facilities provided by GMAC totaling $2.0 billion and repaid borrowings under certain of Hughes other credit facilities. Hughes existing revolving credit facility was amended and increased from $750 million to $1.235 billion. In addition, Hughes entered into a new term loan facility in March of 2002 of about $765 million. Prior to the completion of the Hughes split-off, Hughes also plans to obtain additional financing of up to $2.7 billion and to use the proceeds from this financing, together with its financing arrangements with GMAC, to pay the Hughes dividend distribution to GM.

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 required to refinance the indebtedness to be incurred by Hughes described above to pay a portion of the $4.2 billion Hughes dividend distribution to GM;

- up to about $4.125 billion will be required to repay other obligations of Hughes (including a $1.5 billion loan and other borrowings under the GMAC credit facilities described above) and to fund the operations of New EchoStar after the completion of the Transactions; and

- the remainder of about $0.2 billion will be required to pay estimated fees and expenses in connection with the 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 9 1/8% Senior Notes due 2009 issued by EchoStar s wholly owned indirect subsidiary, EchoStar DBS Corporation, on December 20, 2001, which we sometimes refer to as the EchoStar DBS Senior Notes, 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 described at The Transactions Description of the Transactions The Hughes/ EchoStar Merger Hughes/ EchoStar Merger Financings. 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.

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.

We currently expect that a portion of the proceeds of the Hughes/ EchoStar merger financing will be used to refinance up to $2.7 billion of indebtedness expected to be incurred by Hughes in order to pay the Hughes dividend distribution of up to $4.2 billion to GM in connection with the Hughes recapitalization.

We also currently expect that the remainder of the Hughes/ EchoStar merger financing, together with about $3.7 billion or more from EchoStar s cash reserves, will be used to pay off other obligations of Hughes (including a $1.5 billion loan and other borrowings under the GMAC credit facilities described above), to pay the estimated fees and expenses in connection with the Transactions and to fund the operations of New EchoStar after the completion of the Transactions.

Liquidity and Funding Needs of New EchoStar (See page 98)

As discussed above at Hughes/ EchoStar Merger Financings, 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 raised by EchoStar, Hughes or a subsidiary of Hughes at or prior to the completion of the Hughes/ EchoStar merger. New EchoStar or its subsidiaries, as applicable, will assume any of this 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. As discussed at Risk Factors Risk Factors Relating to New EchoStar After the Transactions Risks Relating to Liquidity and Financing Activities of New EchoStar 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 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 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. See Risk Factors Risk Factors Relating to the Transactions Risks Relating to New EchoStar New EchoStar is Expected to Incur Significant Expenses Related to the Integration of Hughes and EchoStar. 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.

As discussed at Risk Factors Risk Factors Relating to New EchoStar After the Transactions Risks Relating to Liquidity and Financing Activities of New EchoStar 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 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. See Risk Factors Risk Factors Relating to New EchoStar After the Transactions Risks Relating to Liquidity and Financing Activities of New EchoStar New EchoStar s Indebtedness May Contain Terms That Could Limit the Operational and Financial Flexibility of New EchoStar. 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. See Description of Principal Transaction Agreements Implementation Agreement Preservation of the Tax-Free Status of the Hughes Split-Off and Risk Factors Risk Factors 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. We also currently anticipate that New EchoStar will continue to experience net losses for some period of time following the completion of the Hughes/ EchoStar merger. See Risk Factors Risk Factors Relating to New EchoStar After the Transactions Risks Relating to the Business of New EchoStar We Expect That New EchoStar Will Experience Net Losses For Some Period of Time Following the Completion of the Hughes/ EchoStar Merger and We Cannot Be Certain That New EchoStar Will Achieve or Sustain Profitability.

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. As discussed at Risk Factors Risk Factors Relating to New EchoStar After the Transactions Risks Relating to Liquidity and Financing Activities of New EchoStar New EchoStar Will Have Substantial Additional Indebtedness and Will Depend Upon its Subsidiaries Earnings to Make Payments on its Indebtedness, there can be no assurance that additional debt financing will be available to New EchoStar on acceptable terms or at all. Although we cannot assure you that there will be sufficient funding for New EchoStar s operating needs after the completion of the Hughes/ EchoStar merger for the reasons discussed at Risk Factors Risk Factors Relating to New EchoStar After the Transactions Risks Relating to Liquidity and Financing Activities of New EchoStar We Cannot Assure You That There Will Be Sufficient Funding for New EchoStar, 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 received, equity financing.

PanAmSat Stock Sale (See pages 99 and 225)

If the Hughes/ EchoStar merger agreement is terminated because certain financing or regulatory-related conditions have not been satisfied, EchoStar has agreed 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. This 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. GM and Hughes agreed to the PanAmSat stock sale because it will provide liquidity and value to GM in the event that the Transactions cannot be completed because financing for the Hughes/ EchoStar merger or certain regulatory approvals of the Hughes/ EchoStar merger cannot be obtained. GM and Hughes currently expect 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 where the Hughes/EchoStar merger was not completed.

If the PanAmSat stock sale were to occur, Hughes would remain a wholly owned subsidiary of General Motors, but Hughes would no longer hold its indirect interest in PanAmSat. Hughes approximately 81% indirect interest in PanAmSat would then be held by EchoStar. The PanAmSat stock sale is subject to a number of conditions 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 Federal Communications Commission approval for the transfer of licenses in connection with the PanAmSat stock sale.

EchoStar Regulatory Termination Fee (See pages 90 and 224)

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 90 and 224)

Hughes will be required to pay EchoStar a $600 million termination fee, as 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 Hughes/ EchoStar merger, which generally refers to an alternative strategic transaction involving Hughes; 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 Transactions 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 Transactions;

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 Transactions.

***BEFORE* THE TRANSACTIONS**

THE HUGHES RECAPITALIZATION

***AFTER* THE TRANSACTIONS**

Purposes of the Transactions

(See pages 101 and 170)

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 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 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.

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 following the completion of the Hughes/ EchoStar merger. 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 a total of only 44 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.

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, based on the implied exchange ratio and on the closing trading prices of the GM Class H common stock and the EchoStar Class A common stock on October 25, 2001, just before the announcement of the execution of the transaction agreements. The implied exchange ratio, 0.73, is equal to the inverse of the exchange ratio in the Hughes/ EchoStar merger of 1/0.73 shares of New EchoStar Class A common stock in exchange for each share of EchoStar Class A common stock. The Transactions are also expected to provide significant liquidity to General Motors in respect of its retained economic interest in Hughes, which will help to support the credit position of GM after the Transactions. As explained in greater detail elsewhere in this document, this anticipated liquidity and value to GM will result from:

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

as and to the extent applicable, GM s benefit from debt reduction resulting from any GM debt-for-equity exchanges for up to an aggregate of 100 million shares of GM Class H common stock and 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.

You should understand that the aggregate amount of liquidity and value to be provided to GM pursuant to the Transactions is not known at this time and will depend upon the value of GM s retained economic interest in Hughes before the Hughes split-off and the value of GM s ownership interest, if any, in New EchoStar after the Hughes/ EchoStar merger, as applicable, and the circumstances under which GM achieves liquidity with regard to that interest. For example, GM would have the ability to engage in GM debt-for-equity exchanges and to hold a continuing ownership interest in New EchoStar after the Hughes/ EchoStar merger only if and to the extent that the value of GM s retained economic interest in Hughes at the time of the Hughes recapitalization were to exceed the amount of the Hughes dividend distribution and GM was not otherwise required to distribute shares to the GM $1 2/3 par value common stockholders pursuant to the transaction agreements based on the terms of the IRS ruling.

Recommendation of the GM Board of Directors

(See page 119)

The GM board of directors has carefully reviewed the GM/ Hughes separation transactions, the Hughes/ EchoStar merger and the other related transactions. An important part of that review included the oversight of the development of the terms of the Transactions by the GM capital stock committee, which consists solely of independent directors of GM. Hughes participated with GM in the development of the terms of the Transactions and its board of directors has also carefully reviewed the GM/ Hughes separation transactions and the Hughes/ EchoStar merger and has approved the GM/ Hughes separation transactions and the Hughes/ EchoStar merger.

The GM board of directors has received opinions from several investment banking firms in connection with its review of the Transactions. Two independent investment banking firms, Merrill Lynch and Bear Stearns, financial advisors to GM in connection with the 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 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.

Based on the above, among other things, and after careful consideration, the GM board of directors has determined that the Transactions are advisable and in the best interests of General Motors and its common stockholders and that the Transactions are fair to the holders of both classes of GM common stock. 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 as soon as possible.

Recommendation of the EchoStar Board of Directors

(See page 173)

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.

Regulatory Requirements

(See page 182)

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. We have updated the application to reflect the completion of the $1.5 billion investment by Vivendi Universal in EchoStar Series D convertible preferred stock. 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 will remain open for 45 days from the date of the notice. The FCC has indicated that the 180-day clock for merger review will remain stopped until the later of the closing of this comment period or upon receipt of sufficient information in response to the FCC s merger application information and document request. 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 required in order to complete the Transactions, we cannot assure you that we will obtain all such governmental approvals or that the granting of these approvals 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 184)

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 294)

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 (and/or GM $1 2/3 par value common stockholders, as applicable) would together hold shares of New EchoStar Class C common stock equaling about % of the outstanding common stock of New EchoStar, representing 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, representing 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, representing 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 Transactions. 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 Minimum Hughes Recapitalization Price and Pro Forma Percentages of Outstanding Shares and Voting Power Calculations.

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 will initially 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 to preserve the tax-free status to GM of the Hughes split-off. After the second anniversary of the completion of the Transactions, the voting power of each share of New EchoStar Class B common stock will generally be fixed at the same percentage of the aggregate voting power of all the shares of the New EchoStar common stock then outstanding as the share of New EchoStar Class B common stock was entitled to at the end of the two-year period, which will likely have the effect over time of increasing the number of votes per share of New EchoStar Class B common stock as a result of new share issuances; 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 debt-for-equity exchanges) 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 Transactions 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, if and to the extent permitted by the IRS, the approval of New EchoStar Class B common stock voting separately as a class will be required to approve 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 (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;

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 273)

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 NYSE or Nasdaq standards, as applicable.

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.

Interests of Directors and Executive Officers of GM, Hughes and EchoStar

(See pages 333 and 338)

You should be aware that some of the directors and executive officers of 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 April 30, 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.

Conditions to Completing the Transactions

(See pages 73, 207 and 217)

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 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 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 receipt by General Motors of a ruling by 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 after 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 retained interest 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 minimum equity headroom condition.

Satisfaction of the minimum equity headroom condition and retained interest value 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.

If necessary to satisfy the minimum equity headroom condition, the terms of the transaction agreements require a reduction in the number of shares of New EchoStar Class C common stock which may be distributed by GM in GM debt-for-equity exchanges after the Transactions by up to 40 million shares (from 100 million shares down to 60 million shares). In general, if GM has issued more than 60 million shares of GM Class H common stock in GM debt-for-equity exchanges prior to the completion of the Transactions, so that the full 40 million share reduction described above is not available, then the amount of the Hughes dividend distribution to GM is subject to a mandatory reduction of up to $700 million (from $4.2 billion down to $3.5 billion) if and to the extent required to satisfy the minimum equity headroom condition or the retained interest value condition.

We estimate that, if the circumstances at the time of the completion of the Transactions were to conform to certain assumptions described elsewhere in this document, after giving effect to the required reductions, the minimum equity headroom condition would be satisfied as long as the average price of GM Class H common stock during the specified period were to exceed $ per share.

Even though it is not required to do so, GM could voluntarily elect to reduce further the number of such GM debt-for-equity shares and/or the amount of the Hughes dividend distribution in order to satisfy the minimum equity headroom condition and/or the retained interest value condition. Any such voluntary reductions by GM would have the effect of further reducing the average market price of GM Class H common stock necessary to satisfy the minimum equity headroom condition, but would also reduce the amount of liquidity to be provided to GM in the Transactions. 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.

Certain Effects of the Transactions on GM Common Stockholders

(See page 165)

The following is a description of certain important effects of the Transactions on, and advantages and disadvantages 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 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 Transactions, GM $1 2/3 par value common stock will reflect only the financial performance of the remaining GM businesses, which will not include Hughes, except to the extent of any GM ownership of New EchoStar Class C common stock. Unless GM is required under the transaction agreements to distribute New EchoStar Class C common stock to the GM $1 2/3 par value common stockholders, 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.

Considerations Relating to the Time Interval Between GM Common Stockholder

Approval and Completion of the Transactions
(See pages 91, 124 and 194)

The GM board of directors has determined that the Transactions 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 receipt of 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 Hughes/ EchoStar merger, which generally refers to alternative strategic transactions involving Hughes. 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.

Following the receipt of the requisite GM common stockholder approval of the proposals relating to the Transactions, the key transaction agreements providing for the terms of the separation of Hughes from GM pursuant to the GM/ Hughes separation transactions cannot be amended if:

- such amendment would alter or change the amount or kind of securities, cash, property or rights GM common stockholders will receive in the Transactions; or

- such amendment would adversely affect the GM common stockholders, unless their further approval, if required, is obtained.

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

(See page 186)

General Motors has submitted a request for 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 GM receives this ruling, 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, HEC Holdings and EchoStar will receive, on the effective date of this document, opinions from their respective counsel 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 for U.S. federal income tax purposes. In rendering these opinions, counsel will rely on certain assumptions and 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. It is a condition to the completion of the Hughes/EchoStar merger that each of HEC Holdings and EchoStar receive an opinion to the same effect at the time of the completion of the Hughes/EchoStar merger. Assuming that the Hughes/EchoStar merger is treated as a reorganization for U.S. federal income tax purposes, none of HEC Holdings, EchoStar or the GM common stockholders will 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 only in respect of cash received instead of fractional shares of New EchoStar common stock.

Accounting Treatment

(See page 185)

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 323)

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; and

May 24, 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
May 24, 2002	$64.99	$14.10	$24.83	$18.13	$19.32

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, 2002	As of December 31, 2001	2000	1999	1998	1997
	(in millions)					
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

(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.

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

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.

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	$ (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	$ (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(1)	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) EchoStar believes it is common practice in the telecommunications industry for investment bankers and others 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, because EBITDA is independent of the actual leverage employed by the business; but EBITDA ignores funds needed for capital expenditures and expansion. 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 267.

	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)

	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 Transactions 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 Transactions.

	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 Transactions 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 Transactions 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)

Recent Developments

Matters Pertaining to Arthur Andersen

The firm of Arthur Andersen LLP served as EchoStar s independent public accountants for the fiscal year ended December 31, 2001. EchoStar s Audit Committee, in its discretion, may direct the appointment of different independent accountants at any time during the year if EchoStar s Audit Committee believes that a change would be in the best interests of EchoStar s stockholders. Although members of EchoStar s Audit Committee have not reached a final decision regarding EchoStar s independent public accountants for 2002, they are considering engaging another independent accounting firm for reasons that are unrelated to Arthur Andersen s audit of EchoStar s financial statements, and may take such action at any time. As a public company, EchoStar is required to file with the SEC periodic financial statements audited or reviewed by an independent, certified public accountant. In connection with the indictment of Arthur Andersen on federal obstruction of justice charges, the SEC has said that it will continue accepting financial statements audited by Arthur Andersen, and interim financial statements reviewed by it, so long as Arthur Andersen is able to make certain representations to its clients. EchoStar s access to the capital markets and its ability to make timely SEC filings could be impaired, at least temporarily, if the SEC ceases accepting financial statements audited by Arthur Andersen, if Arthur Andersen becomes unable to make the required representations to EchoStar or to deliver consents with respect to the inclusion of Arthur Andersen s prior audit reports on EchoStar s financial statements in filings with the SEC, or if for any other reason Arthur Andersen is unable to perform required audit-related services for EchoStar. In such a case, it would be necessary for EchoStar promptly to engage new independent certified public accountants. If members of EchoStar s Audit Committee decide to change EchoStar s independent public accountants, EchoStar will provide the disclosure required by the regulations of the SEC.

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 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. 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 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 would recognize taxable gain in excess of $ 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, will 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.

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 May 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. 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 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 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 Transactions.

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 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.

Risk Factors Relating to GM After the Transactions

The Amount of Liquidity and Value That GM Will Receive in the Transactions Is Not Known at this Time and Could Vary Significantly from the Amounts Described in this Document. Although the Transactions are designed to permit GM to benefit from its retained economic interest in Hughes through the receipt of the Hughes dividend distribution of up to $4.2 billion, the GM debt-for-equity exchanges and the receipt of shares of New EchoStar Class C common stock in connection with the Transactions, we cannot presently determine the exact amount of liquidity or value to be received by GM in connection with the Transactions. Based on the trading price of GM Class H common stock as of , 2002 and calculated as described elsewhere in this document, the value of GM s retained economic interest in Hughes would have been about $ billion as of that date. However, you should understand that the value of GM s retained economic interest as so calculated will increase and decrease from time to time based on fluctuations in the trading price of GM Class H common stock. Also, as described elsewhere in this document, the completion of GM debt-for-equity exchanges between now and the completion of the Transactions will reduce GM s retained economic interest in Hughes by the value of the shares issued in those transactions.

To the extent that the value of GM s retained economic interest in Hughes at the time of the completion of the Transactions is less than its recent value of $ billion, a correspondingly greater proportion of that interest would be eliminated as a result of the Hughes dividend distribution in connection with the Hughes recapitalization. This is because the Transactions have been structured so that GM s retained economic interest in Hughes will be reduced by an amount that reflects the Hughes dividend distribution. If the value of GM s retained economic interest in Hughes at the time of the completion of the Transactions is exactly equal to the amount of the Hughes dividend distribution, all of that retained economic interest would be eliminated in connection with the Hughes dividend distribution and, as a result, GM would not receive any shares of New EchoStar common stock in connection with the Transactions. Also, if the value of GM s retained economic interest in Hughes at the time of the completion of the Transactions is greater than the amount of the Hughes dividend distribution, but does not result in GM holding, after the Hughes recapitalization, at least 100 million shares of New EchoStar common stock, then only that lesser number of shares held by GM would be available for use in GM debt-for-equity exchanges. As explained in greater detail elsewhere in this document, the variable factors that could affect these outcomes include, among other things, 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 completion of the Transactions, as well as the extent to which GM has completed GM debt-for-equity exchanges prior to the completion of the Transactions.

In addition, the transaction agreements provide that the aggregate number of shares available for use in GM debt-for-equity exchanges and/or the amount of the Hughes dividend distribution will be mandatorily or may be voluntarily reduced under certain circumstances to satisfy two important conditions to the completion of the Transactions: the minimum equity headroom condition and the retained interest value condition. The minimum equity headroom condition is designed to ensure that, based on certain assumptions, New EchoStar could issue a specified minimum amount of equity immediately following the Transactions without violating certain agreements with GM that are designed to preserve the tax-free status of the Hughes split-off to GM. The retained interest value condition is designed to ensure that the amount of the Hughes dividend distribution does not exceed the value of GM s retained economic interest in Hughes at the time of payment of the Hughes dividend distribution.

The transaction agreements provide that, if necessary to satisfy the minimum equity headroom condition, the aggregate number of shares that GM may distribute pursuant to GM debt-for-equity exchanges would be mandatorily reduced by up to 40 million shares (from 100 million shares down to 60 million shares). In general, if GM has issued more than 60 million shares of GM Class H common stock in GM debt-for-equity exchanges prior to the completion of the Transactions so that the full 40 million share reduction described above is not available, then the amount of the Hughes dividend distribution to GM is subject to a mandatory reduction of up to $700 million (from $4.2 billion down to $3.5 billion) if and to the extent required to satisfy the minimum equity headroom condition or the retained interest value condition.

In addition, in order to cause these conditions to be satisfied, GM may voluntarily elect to further reduce either or both of the number of shares subject to GM debt-for-equity exchanges or the amount of the Hughes dividend distribution. This means that, under certain circumstances, GM could voluntarily elect to receive a Hughes dividend distribution of less than $3.5 billion. We cannot assure you whether or to what extent GM would consider any such voluntary reductions. GM currently expects that it would make any determination regarding any such voluntary reductions immediately prior to completion of the Transactions, based on factors it determines to be relevant as of such time.

Any mandatory or voluntary reductions to the number of shares subject to GM debt-for-equity exchanges or the amount of the Hughes dividend distribution would reduce the amount of liquidity to be provided to GM in connection with the Transactions. Under certain circumstances, such reductions could have a material adverse effect on GM s credit position after the completion of the Transactions. However, GM s credit position would continue to benefit from the value of the shares of New EchoStar Class C common stock retained by GM after the completion of the Transactions. For more information about these reductions, see Description of Principal Transaction Agreements GM/Hughes Separation Agreement The Hughes Recapitalization Reduction in the Shares Subject to GM Debt-for-Equity Exchanges; Reduction of the Hughes Recapitalization Amount. Finally, you should understand that the amount of liquidity and value that GM may realize as a result of either the disposition of shares pursuant to GM debt-for-equity exchanges 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 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 Transactions, operating results and market conditions will not result in lower credit ratings or a weaker financial condition for GM than if the 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. About 21% of the outstanding GM Class H common stock is currently 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 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 Transactions will be equal to or greater than the trading value of GM Class H common stock before the Transactions or if the 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. 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 For Some Period of Time Following the Completion of the Hughes/EchoStar Merger 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 continue to experience net losses for some period of time following the completion of the Hughes/EchoStar merger.

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 EchoStar s 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 Transactions, 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 GM debt-for-equity exchange prior to the Hughes split-off and shares of New EchoStar Class C common stock distributed in any subsequent GM debt-for-equity exchange. 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 Financing 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 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.

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 or otherwise. See Risk Factors 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.

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 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 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 EchoStar s Annual Report on Form 10-K for the year ended December 31, 2001, which is incorporated into this document by reference.

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 EchoStar s direct broadcast satellite permit for 11 still unspecified western channels (on May 16, 2002, the FCC canceled two other unbuilt EchoStar permits for a total of 22 western channels), EchoStar, Hughes and PanAmSat Ka-band authorizations, EchoStar s Ku-band FSS authorization, and PanAmSat s conditional authorization in the C-band and Ku-band at 72° east longitude if those authorizations are not used by a certain date or if other obligations with respect to those authorizations are determined by the FCC not to have been met;

potential loss of frequencies available pursuant to a special temporary authority granted for up to 180 days for EchoStar satellites, EchoStar II and EchoStar III, and PanAmSat satellites, PAS-4, PAS-5, PAS-7, SBS-6 and Galaxy VI, which the FCC may refuse to grant or renew and that may be subject to restrictive conditions;

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

requests by the states of Alaska and Hawaii that the FCC impose conditions relating to certain aspects of EchoStar s and DIRECTV s service to those geographic locations, which the FCC has denied for specified conditions but has cautioned that it may impose similar requirements as a result of a pending rulemaking;

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; and

required approvals from the FCC for the launch and/or operation of EchoStar satellite, EchoStar VIII, modification to operate EchoStar satellite, EchoStar II, at 148° west longitude, EchoStar s and DIRECTV s separate requests for expansion of direct broadcast satellite systems, and the launch and/or operation of an EchoStar Ku/Ka-band hybrid satellite at 121° west longitude. In addition, PanAmSat has filed applications for additional or replacement satellites in the C-band and Ku-band in a number of orbital locations.

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. 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.

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. There is some ambiguity about the extent to which these restrictions apply to direct broadcast satellite licenses.

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, Vivendi Universal s recent investment 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. This prohibition on exclusivity will expire in October 2002. The FCC has commenced a proceeding to determine whether to extend the period of exclusivity beyond October 2002. If the FCC allows the exclusivity prohibition to expire, many popular programs may become unavailable to New EchoStar.

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 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. 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 has commenced a rulemaking which seeks to streamline and revise its rules governing direct broadcast satellite service operators. This rulemaking involves many proposed direct broadcast satellite service rules. There can be no assurance about the content and effect of any new direct broadcast satellite service rules passed by the FCC, and the rules may include expanded geographic service requirements for Alaska, Hawaii and Puerto Rico. The FCC has also released a notice of proposed rulemaking regarding the current restrictions on the flexibility of direct broadcast satellite service operators to provide services other than direct broadcast satellite service, and may change these restrictions.

The FCC has adopted a proposal to 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 has been considering a terrestrial service, Northpoint Technology, Inc., that would retransmit local television or other video and data services to direct broadcast satellite service subscribers or others in the same direct broadcast satellite service spectrum that New EchoStar will use throughout the United States.

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 has also obtained a license from the FCC to conduct experimental operations.

On December 8, 2000, the FCC released a Report and Order and Further Notice of Proposed Rulemaking in this proceeding that concluded that a terrestrial point-to-multipoint service can share the spectrum with direct broadcast satellite service on a no interference basis, a conclusion that may have a material adverse impact on New EchoStar s operations. At the same time, the FCC initiated a further notice of proposed rulemaking to determine the appropriate interference standards and technical rules with which such a terrestrial service must comply. The FCC also requested proposals on how to process applications for licenses for the new service, and tentatively proposed excluding satellite companies from such licenses. EchoStar has filed a petition for reconsideration of the FCC s conclusion and comments on its proposals.

On May 23, 2002, the FCC released a Memorandum Opinion and Order and Second Report and Order announcing that it will license by auction point-to-multipoint terrestrial services to share direct broadcast satellite spectrum. As part of this order, the FCC also announced that in light of its decision to conduct an auction, it would dismiss without prejudice the pending applications of Northpoint and certain other companies. While the FCC also announced service and technical rules for the terrestrial service to ensure that it does not cause impermissible interference to the direct broadcast satellite service, these rules may not be sufficient to prevent impermissible interference to the direct broadcast satellite service. 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.

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, if and to the extent permitted by the IRS, a separate class vote of the holders of New EchoStar Class B common stock will be required 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 Transactions, 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 Transactions. 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, General Motors (as applicable), certain GM employee benefit plans and Vivendi Universal. 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 Transactions 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 debt-for-equity exchanges; 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*
- *certain other important matters, including the recommendation of the GM board of directors and the effects 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 HEC Holdings and EchoStar 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 enable GM to complete 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

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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 all aspects of the Transactions, including the Hughes/EchoStar merger, to GM common stockholders for their approval. Thus, by voting to approve the proposals being submitted to GM common stockholders pursuant to this consent solicitation, GM common stockholders will be ratifying all aspects of the Transactions, including, among other things, the Hughes/EchoStar merger. 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 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.

The Transactions also include other transactions related to the GM/ Hughes separation transactions and the Hughes/ EchoStar merger. To achieve additional liquidity through the benefit of debt reduction in connection with the Transactions, GM has the right 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 for the satisfaction of GM s outstanding liabilities to certain of GM s creditors, in one or more GM debt-for-equity exchange 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 Transactions 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 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 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 receipt by GM of a ruling by 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 retained interest 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 minimum 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 will 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 s benefit from debt reduction resulting from GM debt-for-equity exchanges for 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.

The aggregate amount of liquidity and value to be provided to GM in connection with the Transactions will depend upon the value of GM s retained economic interest in Hughes before the Hughes split-off and GM s ownership interest, if any, in New EchoStar after the Hughes/ EchoStar merger, as applicable. The circumstances under which GM achieves liquidity with regard to that interest are explained further below. For example, GM would have the ability to engage in GM debt-for-equity exchanges after the Hughes/ EchoStar merger and to hold a continuing ownership interest in New EchoStar only if and to the extent that the value of GM s retained economic interest in Hughes at the time of the Hughes recapitalization were to exceed the amount of the Hughes dividend distribution and GM was not otherwise required to distribute its remaining shares to the GM $1 2/3 par value common stockholders pursuant to the transaction agreements based on the terms of the IRS ruling.

Between now and the time of the completion of the Hughes split-off, GM has the ability to achieve liquidity and value in connection with GM 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. This would allow GM to benefit from debt reduction. These transactions would 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 GM 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 and value that GM would receive in connection with any such GM debt-for-equity exchanges would likely 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 Hughes split-off. The amount of liquidity and value to be provided to GM at the time of the completion of the Hughes split-off 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 prices of GM Class H common stock during a specified period (which is expected to consist of five trading days) preceding the completion of the Hughes split-off, which we sometimes refer to as the Hughes recapitalization price.

At the time of the completion of the Hughes split-off, 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 Hughes recapitalization price.

As explained further below at The GM/Hughes Separation Transactions, in connection with the Hughes dividend distribution, the number of notional shares representing GM s retained economic interest in Hughes will be reduced by an amount equal to the amount of the Hughes dividend distribution divided by the Hughes recapitalization price. If and to the extent that GM continues to have any retained economic interest in Hughes following the payment of this dividend and the associated reduction of GM s retained economic interest in Hughes, GM would retain a number of shares of HEC Holdings Class C common stock after the Hughes split-off equal to the value of its retained economic interest. 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 Transactions) may be subject to additional GM debt-for-equity exchanges after the Hughes split-off and, if and to the extent permitted by the IRS, GM would retain any remaining portion of such shares not used in the GM debt-for-equity exchanges for up to five years, which would provide GM with a continued ownership interest in New EchoStar.

The aggregate number of shares that GM may issue or distribute in GM debt-for-equity exchanges is subject to a mandatory reduction of up to 40 million shares (from 100 million shares down to 60 million shares), if and to the extent required in order to satisfy the minimum equity headroom condition. GM is not required to complete any GM debt-for-equity exchanges and may voluntarily reduce the number of shares subject to GM debt-for-equity exchanges below 60 million shares in order to satisfy the minimum equity headroom condition. In general, if GM has issued more than 60 million shares of GM Class H common stock in GM debt-for-equity exchanges prior to the completion of the Transactions so that the full 40 million share reduction described above is not available, then the amount of the Hughes dividend distribution is subject to a mandatory reduction of up to $700 million (from $4.2 billion down to $3.5 billion), if and to the extent required in order to satisfy the minimum equity headroom condition or the retained interest value condition. GM may also voluntarily elect to reduce the amount of the Hughes dividend distribution in order to satisfy these conditions so that the Hughes split-off and the Hughes/ EchoStar merger can be completed. Under no circumstances would GM be required under the transaction agreements to both reduce the number of shares subject to GM debt-for-equity exchanges down to 60 million and to reduce the amount of the Hughes dividend distribution down to $3.5 billion. However, GM could voluntarily make further reductions to the number of shares subject to GM debt-for-equity exchanges, the amount of the Hughes dividend distribution or both in order to satisfy the conditions to the Transactions.

We cannot assure you whether, or to what extent, GM would elect to voluntarily reduce the number of shares subject to GM debt-for-equity exchanges and/or the amount of the Hughes dividend distribution. Any such reductions would reduce the amount of liquidity to be provided to GM in connection with the Transactions. GM currently expects that it would make any determination regarding any such voluntary reductions immediately prior to completion of the Hughes split-off, based on factors it determines to be relevant as of such time. If GM were to determine not to make any such voluntary reductions, which determination would be within GM s sole discretion, such that the specified conditions would not be satisfied, then the Hughes split-off and the Hughes/ EchoStar merger would not occur unless such conditions were waived.

Following the completion of the Hughes split-off and the Hughes/ EchoStar merger, the amount of value that GM would receive with respect to any shares of New EchoStar Class C common stock that it holds, whether such shares are distributed in GM debt-for-equity exchanges 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.

You should also be aware that, depending on the terms of the IRS ruling, GM may be required to distribute to the holders of the GM $1 2/3 par value common stock shares of New EchoStar Class C common stock, if any, that are held by GM after the Hughes split-off. Although holders of GM $1 2/3 par value common stock would benefit directly from their receipt of shares of New EchoStar Class C common stock, any such required distribution could affect the value and liquidity provided to GM in the Transactions.

You should also 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 debt-for-equity exchanges or other dispositions after the Hughes/ EchoStar merger 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 Transactions.

For more information about the factors that will impact the amount of liquidity and value that GM receives in the Transactions, see Risk Factors Risks Relating to GM After the Transactions The Amount of Liquidity and Value That GM Will Receive in the Transactions Is Not Known at this Time and Could Vary Significantly from the Amounts Described in this Document.

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 economic value represented by its retained economic interest in Hughes prior to 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 common stockholders is being sought pursuant to 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, the Hughes dividend distribution would be reduced to less than $4.2 billion under the following circumstances:

- if required by the transaction agreements because the retained interest value condition will not be satisfied at the time of the Hughes recapitalization; and

- if required by the transaction agreements because the minimum equity headroom condition set forth in the Hughes/ EchoStar merger agreement will not be satisfied at the time of the Hughes/ EchoStar merger. For more information about the minimum equity headroom condition, see The Hughes/EchoStar Merger Satisfaction of the Minimum Equity Headroom Condition.

In both of the circumstances described above, the Hughes dividend distribution to GM will only be subject to a mandatory reduction of up to $700 million (from $4.2 billion down to $3.5 billion) if, in general, GM has issued more than 60 million shares of GM Class H common stock in GM debt-for-equity exchanges prior to the completion of the Transactions. In the event that a reduction is required, the Hughes dividend distribution will only be reduced to the extent necessary to ensure that the retained interest value condition and the minimum equity headroom condition are satisfied and, 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 Hughes recapitalization price**	=	**The number of notional shares by which GM s retained economic interest in Hughes will be reduced**

The Hughes recapitalization price is 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.

The following example illustrates 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. 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 plus the number of shares of GM Class H common stock that would be issued upon the conversion of GM Series H preference stock as if the mandatory conversion of that stock had occurred on , 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 % and GM s retained economic interest in Hughes would have been decreased by the same percentage. 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 been decreased by 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 a Hughes recapitalization price of $, which would have been the Hughes recapitalization price if the Hughes split-off had occurred as of , 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 Hughes recapitalization 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 been decreased by as a result of the Hughes

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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 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. Immediately after the Hughes dividend distribution but before the Hughes split-off, GM will contribute all of the 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 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 shares of HEC Holdings Class C common stock. If the GM Series H preference stock is still outstanding at the time, HEC Holdings will also issue to GM a number of shares of HEC Holdings preference stock equal to the number of shares of GM Series H preference stock outstanding.

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 the classes of GM stock that are primarily associated with the financial performance of Hughes: the GM Class H common stock and the GM Series H preference stock (if it is outstanding at the time of the Hughes split-off). 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 that will be owned entirely by the former GM Class H common stockholders, GM (and/or the GM $1 2/3 par value common stockholders) and, if applicable, the former holders of the GM Series H preference stock. 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. Immediately 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 under 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 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.

After the distribution of HEC Holdings Class C common stock to the holders of GM Class H common stock in the Hughes split-off, GM will continue to hold the remainder (if any) of the shares of HEC Holdings Class C common stock received by GM in the contribution 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 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 debt-for-equity exchanges after the Hughes split-off, as described at GM Debt-for-Equity Exchanges below. In addition, if and to the extent permitted by the IRS, any remaining portion of these shares would be retained by General Motors after the Transactions for up to five years.

If and to the extent required by the IRS in order to obtain the IRS ruling relating to the tax-free status of the Hughes split-off and certain related transactions, or to the extent necessary to satisfy the minimum equity headroom condition set forth in the Hughes/ EchoStar merger agreement, GM would distribute shares of HEC Holdings Class C common stock held by GM after the completion of the Hughes split-off to the holders of GM $1 2/3 par value common stock to the extent required by the transaction agreements. Any such distribution would be made on a pro rata basis by means of a dividend distribution as a part of the Hughes split-off and around the time of the completion of the redemption of the GM Class H common stock in accordance with the transaction agreements.

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.

Exchange of GM Series H Preference Stock. The outstanding GM Series H preference stock will automatically convert, in accordance with its terms, into GM Class H common stock on June 24, 2002. We currently expect that all outstanding shares of GM Series H preference stock will be converted into shares of GM Class H common stock prior to the Hughes split-off. However, if and to the extent that any shares of GM Series H preference stock remain outstanding at the time of the proposed redemption of GM Class H common stock in connection with the Hughes split-off as described above, GM will exchange shares of HEC Holdings preference stock having substantially identical economic terms to the GM Series H preference stock for all outstanding shares of GM Series H preference stock in accordance with the terms of the GM Series H preference stock. As a result, there will be no shares of GM Series H preference stock outstanding after the completion of the Hughes split-off.

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 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. This is because 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.

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 eliminate any possible application of the recapitalization provision 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.

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

Certain other separation-related arrangements are contemplated in connection with the GM/ Hughes separation transactions. These other arrangements generally address matters relating to the separation of Hughes 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:

add a provision which will permit the GM board of directors to reduce the GM Class H dividend base by an amount that reflects the Hughes dividend distribution in connection with the Hughes recapitalization;

add 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, to effect the Hughes split-off following the Hughes recapitalization, as described in this document; and

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 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.

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 allow the GM board of directors to reduce the GM Class H dividend base 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, a separation of Hughes from GM such as the Hughes split-off could result in a recapitalization of GM Class H common stock into GM $1 2/3 par value common stock at a 120% exchange rate. 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 Transactions is conditioned upon GM common stockholder approval of this proposed amendment to the GM restated certificate of incorporation.

GM is also proposing a further amendment to Article Fourth of the GM restated certificate of incorporation after the completion of the Transactions 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 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 Transactions is not conditioned upon 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 and, if applicable, the GM Series H preference 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 (or GM $1 2/3 par value common stockholders, as applicable) 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 (or GM $1 2/3 par value common stockholders, as applicable) 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, representing 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, representing 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, representing 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 Hughes recapitalization price, which we discuss at Assumptions Used in Minimum Hughes Recapitalization Price and Pro Forma Percentages of Outstanding Shares and Voting Power Calculations.

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 s receipt of a ruling from the IRS confirming the tax-free nature of the Hughes split-off 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 debt-for-equity exchanges) 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 for at least the first two years after the Hughes split-off.

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 New 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 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, the number of votes per share of New EchoStar Class B common stock will be reduced as necessary during this two-year period. At the end of this two-year period, the number of votes per share of New EchoStar Class B common stock generally will no longer be subject to downward adjustment. Further, from and after the end of this two-year period, the voting power of each share of New EchoStar Class B common stock at any time generally will be fixed at the same percentage of the aggregate voting power of all of the shares of New EchoStar common stock then outstanding as the share of New EchoStar Class B common stock was entitled to at the end of the two-year period, which will likely have the effect over time of increasing the number of votes per share of New EchoStar Class B common stock. 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, if and to the extent permitted by the IRS, certain specified matters will require a separate class vote of the holders of New EchoStar Class B common stock for approval. 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 Transactions, 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 Minimum 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

- depending on the terms of the IRS ruling, either $250 million or $135 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 latter provision would apply in determining the minimum amount. The minimum equity headroom condition is designed to ensure that, based on the assumptions used in the calculations, New EchoStar will have the ability to issue a 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 minimum equity headroom condition will be satisfied until immediately before the completion of the Transactions. To make this determination, we will first calculate how much equity New EchoStar would be able to issue 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. If this amount is greater than or equal to the minimum amount described in the immediately preceding paragraph, then the minimum equity headroom condition will be satisfied. The Hughes/ EchoStar merger agreement specifies a methodology for determining whether or not the minimum equity headroom condition is satisfied which involves applying certain presumptions and making determinations as to certain variables, based on the facts and circumstances existing at the time of the completion of the Transactions. For instance, the Hughes/ EchoStar merger agreement specifies that, for purposes of the minimum equity headroom condition, shares of stock of New EchoStar which may be issued in certain expected or assumed transactions or shares of stock which may be issued upon conversion, exercise or exchange of other securities into stock of New EchoStar generally are considered to be outstanding stock of New EchoStar and are treated as part of a plan that includes the GM/Hughes separation transactions and the Hughes/ EchoStar merger under Section 355(e) of the Code. The methodology set forth in the Hughes/ EchoStar merger agreement also specifies how the GM group shares should be valued and how the aggregate value of the outstanding stock of New EchoStar should be determined. For instance, the Hughes/ EchoStar merger agreement specifies that the value of a share of New EchoStar Class C common stock will be equal to the Hughes recapitalization price, which is the same price used to determine the reduction in GM s retained economic interest in Hughes as part of the Hughes recapitalization, as described above at The Hughes Recapitalization. For further information as to the methodology contained in the Hughes/ EchoStar merger agreement, see Description of Principal Transaction Agreements Hughes/EchoStar Merger Agreement Conditions.

When we first determine whether the minimum equity headroom condition will be satisfied as described above, we will assume that the Hughes dividend distribution will be $4.2 billion and that the number of shares subject to the GM debt-for-equity exchanges will be 100 million shares, reduced by the number of shares already exchanged in GM debt-for-equity exchanges as of that time. If, in that determination, we calculate that based upon the facts and circumstances existing at the time, the minimum equity headroom condition would not be satisfied, then:

first, we will determine the number of shares by which the 100 million aggregate share limitation on GM debt-for-equity exchanges would need to be reduced in order to satisfy the minimum equity headroom condition, which cannot be a reduction of more than 40 million shares in the aggregate. Then, we will reduce the number of shares of New EchoStar Class C common stock which remain available for use by GM in GM debt-for-equity exchanges after the completion of the Transactions by such amount of shares as determined above; and

second, in the event that GM has issued more than 60 million shares of GM Class H common stock in GM debt-for-equity exchanges prior to the completion of the Transactions and, as a result, the number of shares remaining available for distribution in the GM debt-for-equity exchanges is not large enough to be reduced by the necessary amount of shares as determined above to satisfy the minimum equity headroom condition, we will reduce the amount of the Hughes dividend distribution by the least of the following:

an amount reflecting the value of the reduction in GM s outstanding liabilities as a result of GM debt-for-equity exchanges in excess of 60 million shares completed prior to the completion of the Transactions;

$700 million (to not less than $3.5 billion); and

the smallest amount necessary in order to satisfy the minimum equity headroom condition.

See Description of Principal Transaction Agreements GM/Hughes Separation Agreement The Hughes Recapitalization Reduction in the Shares Subject to GM Debt-for-Equity Exchanges; Reduction of the Hughes Recapitalization Amount. Depending on the terms of the IRS ruling, GM may be required under the transaction agreements to distribute shares of HEC Holdings Class C common stock that otherwise would be retained by GM after the completion of the Hughes split-off to the GM $1 2/3 par value common stockholders in order to satisfy the minimum equity headroom condition. Any mandatory reductions in the amount of the Hughes dividend distribution or the number of shares in GM debt-for-equity exchanges, and any distribution of HEC Holdings Class C common stock to the GM $1 2/3 par value common stockholders, would have the effect of reducing the amount of liquidity provided to GM in connection with the Transactions. See Risk Factors Risk Factors Relating to GM After the Transactions The Amount of Liquidity and Value That GM Will Receive in the Transactions Is Not Known at this Time and Could Vary Significantly from the Amounts Described in this Document.

It is not possible at this time to determine whether the minimum equity headroom condition will be satisfied at the time that we propose to complete the Transactions. Whether the minimum equity headroom condition will be satisfied will depend on the facts and circumstances existing at the time of the completion of the Transactions. However, for illustrative purposes only, we can estimate the minimum Hughes recapitalization price that would be needed to satisfy the minimum equity headroom condition by making certain assumptions and following the methodology set forth in the Hughes/ EchoStar merger agreement. For example, assuming that the number of shares subject to GM debt-for-equity exchanges were reduced by the full amount to 60 million shares, based on the assumptions described below, we currently estimate that the minimum equity headroom condition would be satisfied so long as the Hughes recapitalization price were equal to at least $ per share. **This calculation is provided for illustrative purposes only. The minimum Hughes recapitalization price that actually will be required in order to satisfy the minimum equity headroom condition will vary to the extent that the circumstances existing at the time of the Hughes/ EchoStar merger differ from the assumptions underlying this calculation. Some of these assumptions are discussed below. We will not know the actual minimum Hughes recapitalization price necessary in order for the minimum equity headroom condition to be satisfied until immediately before the completion of the Hughes split-off and the Hughes/ EchoStar merger.**

In considering potential market prices of the GM Class H common stock during the period in which the Hughes recapitalization price would be determined, one factor to consider, among others, is the product of the implied exchange ratio multiplied by the EchoStar Class A common stock price. The implied exchange ratio, 0.73, is equal to the inverse of the exchange ratio in the Hughes/ EchoStar merger of 1/0.73 shares of New EchoStar Class A common stock in exchange for each share of EchoStar Class A common stock. We believe it is possible that, prior to the time of the completion of the Hughes/ EchoStar merger, the market prices of shares of GM Class H common stock may be about 0.73 of the market prices of shares of EchoStar Class A common stock at such time. However, we cannot provide you any assurances with respect to any relationship between the market prices of GM Class H common stock and the market prices of EchoStar Class A common stock during the period with respect to which the Hughes recapitalization price would be determined. We cannot provide you any assurances with respect to the impact, if any, that any such relationships would have on the Hughes recapitalization price.

If the minimum equity headroom condition would not be satisfied even if GM reduced the number of shares subject to GM debt-for-equity exchanges and/or the amount of the Hughes dividend distribution as described above to the full extent required by the terms of the GM/Hughes separation agreement, GM would have the right, but not the obligation, to make further reductions of the number of shares subject to GM debt-for-equity exchanges and to the amount of the Hughes dividend distribution in order to cause the condition to be satisfied. See Description of Principal Transaction Agreements GM/Hughes Separation Agreement The Hughes Recapitalization. We cannot assure you that GM would determine to make any such voluntary reductions. Any such voluntary reductions would reduce the amount of liquidity to be provided to GM in connection with the Transactions. See Risk Factors Risk Factors Relating to GM After the Transactions The Liquidity and Value That GM Will Receive in the Transactions Is Not Known at this Time and Could Vary Significantly from the Amounts Described in this Document. 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 as of such time. If GM were to determine not to make any such voluntary reductions, which determination would be within GM s sole discretion, such that this condition would not be satisfied, then the Hughes split-off and the Hughes/ EchoStar merger would not occur unless this condition was waived.

You should understand that the satisfaction of the minimum equity headroom condition will not ensure that New EchoStar actually will be able to issue equity at any time after the completion of the Hughes/ EchoStar merger or, if so, on what terms any such equity issuances could be completed. The transaction agreements contain provisions that severely restrict New EchoStar s ability to issue additional equity or equity-linked securities for two years after the Hughes/ EchoStar merger, absent possible favorable IRS rulings, and New EchoStar s ability to issue any additional equity will be subject to these transaction agreements and general market conditions. The determination as to whether a proposed equity issuance by New EchoStar is permitted under these restrictions will be made under the facts and applicable law at or around the time of the proposed issuance, which may result in more restrictive limitations than the parties anticipated at the time of completion of the Transactions. We can provide no assurances in this regard. See Risk Factors Risk Factors 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.

For more information about the minimum equity headroom condition, see Description of Principal Transaction Agreements Hughes/ EchoStar Merger Agreement Conditions.

Assumptions Used in Minimum Hughes Recapitalization Price and Pro Forma Percentages of Outstanding Shares and Voting Power Calculations. We have applied the methodology set forth in the Hughes/ EchoStar merger agreement for determining whether the minimum equity headroom condition is satisfied and have made assumptions about certain variables in calculating:

- the amounts set forth throughout this document with respect to pro forma percentages of outstanding shares and voting power of shares of New EchoStar common stock upon the completion of the Hughes/ EchoStar merger; and

- the estimated minimum Hughes recapitalization price set forth in this document that would be necessary in order for the minimum equity headroom condition to be satisfied.

We have made assumptions about the relative fair market value of the various classes of New EchoStar common stock and have assumed that, among other things:

- there will be no material changes in the number of shares of GM Class H common stock and EchoStar common stock currently outstanding other than issuances upon conversion of GM Series H preference stock and EchoStar Series D convertible preferred stock (to which we have given full effect for purposes of this calculation);

- GM will receive a favorable IRS ruling with respect to the treatment of certain transactions involving GM and New EchoStar securities under Section 355(e) of the Code;

- no GM debt-for-equity exchanges will be completed prior to the completion of the Hughes/ EchoStar merger, which means that the amount of the Hughes dividend is not subject to mandatory reduction under the terms of the transaction agreements; and

- the Hughes dividend distribution to GM will be $4.2 billion.

In addition, in calculating the pro forma percentages of outstanding shares and voting power of shares of New EchoStar common stock, we have assumed a Hughes recapitalization price of $ and we have assumed that the number of shares of New EchoStar Class C common stock available to be distributed in connection with GM debt-for-equity exchanges following the completion of the Hughes/ EchoStar merger is 100 million.

Changes in the above-described assumptions and other factors could materially affect the minimum Hughes recapitalization price required in order for the minimum equity headroom condition to be satisfied as of any particular time and/or the actual outstanding shares and voting power percentages immediately after the completion of the Hughes/ EchoStar merger. Such other factors include, among other things:

- **the exercise of stock options with respect to GM Class H common stock or EchoStar common stock;**
- **the conversion of outstanding EchoStar convertible debt securities into shares of EchoStar common stock; and**
- **additional equity issuances by EchoStar;**

in each case prior to the completion of the Hughes/ EchoStar merger.

Certain Covenants and Other Matters Relating to the Hughes/ EchoStar Merger. GM, Hughes, HEC Holdings and EchoStar have agreed that they will cooperate with each other to obtain prompt termination of the waiting period applicable to the Hughes/ EchoStar merger under the Hart-Scott Rodino Act and in the process of obtaining required governmental approvals, including FCC approval. Hughes and EchoStar may be required, if necessary, to enter into settlements with certain regulatory agencies that require them to divest assets. Divestiture will not be required, however, if those actions would result in the expected synergies of the Hughes/ EchoStar merger being reduced to an amount that is no longer meaningful.

Hughes, HEC Holdings and EchoStar also agreed that, upon the completion of the Hughes/ EchoStar merger, New EchoStar will offer multi-channel subscription television service under the DIRECTV brand name.

In addition, EchoStar will be required to pay Hughes a $600 million termination fee, as described in greater detail at Description of Principal Transaction Agreements Hughes/ EchoStar Merger Agreement Termination Fees; Expense Reimbursement, if:

- the GM/ Hughes separation transactions and the Hughes/ EchoStar merger do not occur because EchoStar or Hughes terminates the 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. antitrust laws or FCC regulations; or
- Hughes terminates the 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 the proceeds received by Hughes in payment of this fee would be used to repay outstanding debt obligations of Hughes and to fund Hughes operations. However, EchoStar will not be obligated to pay this fee if it is willing to accept a settlement with federal, state or local authorities under U.S. federal or state antitrust laws or the FCC but Hughes is not willing to accept such settlement and instead terminates the Hughes/ EchoStar merger agreement. If the termination of the Hughes/ EchoStar merger agreement was caused by or was the result of Hughes failure to comply with its obligations to use its best efforts to satisfy specified conditions in the Hughes/ EchoStar merger agreement relating to antitrust requirements and governmental approvals, EchoStar is obligated to pay to Hughes only $300 million of the termination fee at the time of termination and the parties may elect to resolve the dispute over the remaining $300 million in accordance with the Hughes/EchoStar merger agreement.

Furthermore, as described in greater detail at Description of Principal Transaction Agreements Hughes/EchoStar Merger Agreement Termination Fees; Expense Reimbursement :

- if the GM/Hughes separation transactions and the Hughes/ EchoStar merger do not occur because EchoStar terminates the Hughes/ EchoStar merger agreement because GM fails to obtain the requisite GM common stockholder approval of the proposals relating to the Transactions and under certain circumstances enters into an agreement with respect to a competing transaction to the Hughes/

EchoStar merger, Hughes will be required to pay to EchoStar a $600 million termination fee on the date the definitive agreement with respect to the competing transaction is executed; or

if 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 a competing transaction or because, under certain circumstances the GM board of directors provides notice to EchoStar that it cannot or will not recommend the Transactions or is required to change or revoke its recommendation of the Transactions to GM common stockholders for their approval, Hughes will be required to pay to EchoStar a $600 million termination fee at the same time as the termination if the Hughes/ EchoStar merger agreement is terminated by Hughes or one business day after the termination if the Hughes/ EchoStar merger agreement is terminated by EchoStar.

For more information regarding the terms of the Hughes/ EchoStar merger, see Description of Principal Transaction Agreements Hughes/ EchoStar Merger Agreement below.

Restrictions on Consideration of Competing Transactions and the Fiduciary Out Exception

Under the terms of the transaction agreements, General Motors and Hughes have agreed not to solicit any proposals from third parties with respect to any merger, consolidation or other business combination involving Hughes or any acquisition of any capital stock or material portion of the assets, subject to certain exceptions, of Hughes or its subsidiaries, any acquisition of any GM Class H common stock or any combination of the foregoing, each of which we sometimes refer to as a competing transaction. In addition, GM and Hughes have agreed not to participate in discussions with or furnish information to any third party with respect to any competing transaction, subject to a fiduciary out exception described below. We sometimes refer to these agreements together as the non-solicitation covenant. General Motors and Hughes believe that it was necessary and appropriate to enter into the non-solicitation covenant and related provisions in order to reach agreement with EchoStar on the terms of the Transactions, particularly in light of the thorough process in which GM and Hughes had engaged of exploring and negotiating alternative transactions involving Hughes prior to entering into the transaction agreements.

The fiduciary out exception to the non-solicitation covenant applies until the receipt of the requisite GM common stockholder approval of the proposals relating to the Transactions, which may occur several months before the Transactions would be completed. Pursuant to this exception, GM and Hughes may, subject to certain conditions, participate in discussions with and furnish information to a third party (but not solicit proposals) with respect to a competing transaction. One of the conditions for such actions is that GM shall have received a bona fide, written proposal by the third party for a competing transaction that is on terms that the GM board of directors determines in good faith, after consultation with its financial advisors and counsel, would, if completed, result in a transaction that would be more favorable to GM and its stockholders than the Transactions, taking into account such factors as the GM board in good faith deems to be relevant, including the identity of the third party and all legal, financial, regulatory and other aspects of the proposal, such as the terms of any financing and the likelihood that the transaction will be completed, and the GM board of directors, after consultation with counsel, determines in good faith that it is required to do so in order to comply with its fiduciary duties. We sometimes refer to a proposal described in the preceding sentence as a superior proposal. For a more complete description of the non-solicitation covenant, see Description of Principal Transaction Agreements Implementation Agreement Covenants of GM, Hughes and EchoStar No Solicitation of Competing Transactions Involving Hughes.

Hughes has the right to terminate the Hughes/EchoStar merger agreement if GM proposes to enter into an agreement or arrangement with respect to a competing transaction, but only if GM is not in breach of certain provisions of the non-solicitation covenant and only if Hughes concurrently pays a termination fee of $600 million to EchoStar. 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 fiduciary out, 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, you should understand that, 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 described in this document.

GM Debt-for-Equity Exchanges

Between now and the date that is six months after the completion of the Hughes/ EchoStar merger, GM has the right under the transaction documents to issue new shares of GM Class H common stock or distribute shares of New EchoStar Class C common stock that it holds after the Hughes/ EchoStar merger, as the case may be, by exchanging such shares for the satisfaction of outstanding GM liabilities held by certain of GM s creditors, in one or more transactions. We sometimes refer to these transactions as GM debt-for-equity exchanges. The GM debt-for-equity exchanges would provide additional liquidity and value to General Motors as a result of the reduction of outstanding GM debt, which will help to support its credit position after the completion of the Transactions.

Any GM debt-for-equity exchanges completed prior to the Hughes split-off would be completed by GM issuing new shares of GM Class H common stock. Any such GM debt-for-equity exchanges before the Hughes split-off 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 amount of shares issued in the transaction. After the Hughes split-off, any GM debt-for-equity exchanges would be completed by GM distributing a portion of any shares of New EchoStar Class C common stock GM holds after the completion of the Hughes/ EchoStar merger. Any such GM debt-for-equity exchanges after the Hughes split-off would have the effect of reducing GM s ownership interest in New EchoStar by the amount of shares distributed in the transaction. GM has agreed with EchoStar that it will in no event issue or distribute more than an aggregate of 100 million shares of GM Class H common stock or New EchoStar Class C common stock, as the case may be, pursuant to GM debt-for-equity exchanges during the specified period. In addition, you should understand that the number of shares of New EchoStar Class C common stock that GM may be entitled to distribute in GM debt-for-equity exchanges after the completion of the Transactions will depend upon, among other things, the value of GM s remaining retained economic interest in Hughes after the Hughes recapitalization, as described further at Liquidity and Value to be Provided to GM.

Based upon the GM Class H common stock closing price of $ per share on , 2002 and assuming General Motors had exchanged 100 million shares on that date in exchange for outstanding GM liabilities, General Motors would have reduced its outstanding debt by a total of about $ billion. You should understand that the amount by which GM will be able to reduce its outstanding debt will depend upon the price of a share of GM Class H common stock or New EchoStar Class C common stock on the date or dates that the GM debt-for-equity exchanges are completed, which may be different than $. You should also understand that this estimate of GM s debt reduction does not take into account any transaction expenses which General Motors would have to bear in connection with GM debt-for-equity exchanges. GM is not obligated to engage in any GM debt-for-equity exchanges and, therefore, may not issue or distribute the maximum 100 million shares in GM debt-for-equity exchanges. In addition, the aggregate number of shares which may be issued or distributed by GM in GM debt-for-equity exchanges is subject to reduction under certain circumstances.

If and to the extent necessary in order to satisfy the minimum equity headroom condition set forth in the Hughes/ EchoStar merger agreement as described further above, the aggregate number of shares that GM may distribute pursuant to GM debt-for-equity exchanges after the Hughes split-off will be mandatorily reduced to as low as 60 million shares pursuant to the terms of the GM/ Hughes separation agreement, as described in greater detail below. See Description of Principal Transaction Agreements GM/ Hughes Separation Agreement The Hughes Recapitalization.

GM, Hughes, HEC Holdings and EchoStar have agreed to cooperate with each other in connection with the execution of any GM debt-for-equity exchanges. In addition, the parties have agreed that certain securities issuances by EchoStar would have priority over GM debt-for-equity exchanges during the period beginning upon the receipt of the IRS ruling and the requisite GM common stockholder approval and concluding immediately prior to the Hughes/ EchoStar merger. During the EchoStar priority period, GM will not commence or effect any GM debt-for-equity exchanges if EchoStar provides GM with a lockout notice in which EchoStar informs GM that it has a good faith intention to make an underwritten offering of shares of its Class A common stock. Any lockout period applicable to GM in connection with an EchoStar offering will not last longer than 90 days and will not extend for more than 60 days past the date of completion of the Hughes/ EchoStar merger.

During the period beginning with the date of completion of the Hughes/ EchoStar merger and concluding on the earlier of the six-month anniversary of the Hughes/ EchoStar merger and the date on which the maximum permitted number of shares will have been exchanged, the parties have agreed that any GM debt-for-equity exchanges will have priority over securities issuances by New EchoStar. During this GM priority period, if GM provides New EchoStar with a lockout notice, New EchoStar will not commence or effect any offering of its Class A common stock or Class C common stock or any securities convertible into or exchangeable therefor. Any lockout period applicable to New EchoStar in connection with any GM debt-for-equity exchanges during the GM priority period will not last longer than 90 days. However, New EchoStar may, under certain circumstances, prevent GM from participating in any GM debt-for-equity exchanges during the GM priority period for up to 30 days in the aggregate.

GM has agreed to consult with EchoStar regarding the material terms of any GM debt-for-equity exchanges, other than pricing, during the pre-merger EchoStar priority period described above. EchoStar has the right to object to any of such terms that it reasonably determines is either inconsistent with the IRS ruling or would otherwise be reasonably likely to materially impair or delay the completion of the Hughes/ EchoStar merger or any of the GM/ Hughes separation transactions, in which case the applicable terms would not be included in the GM debt-for-equity exchange. All expenses of any GM debt-for-equity exchanges will be borne by GM.

For more information regarding the terms of the GM debt-for-equity exchanges, see Description of Principal Transaction Agreements Implementation Agreement GM Debt-for-Equity Exchanges below.

Hughes Business and Dividend Financings

Hughes has completed certain financings, and expects to engage in additional financings and related activities, intended to enable it to pay the Hughes dividend distribution of up to $4.2 billion to General Motors and to fund its business during the period prior to the completion of the Hughes split-off.

To this end, Hughes exercised a contractual right to request PanAmSat to refinance a $1.725 billion loan from Hughes to PanAmSat. In February 2002, PanAmSat repaid this loan using cash on hand at PanAmSat, proceeds from PanAmSat s issuance of $800 million of PanAmSat Senior Notes and $1.0 billion of borrowings under new credit facilities provided to PanAmSat by third party lenders. Hughes deposited $1.5 billion of the proceeds of the PanAmSat loan repayment into a segregated cash collateral account with GMAC. GMAC has committed to lend to Hughes up to $1.5 billion, secured by the funds deposited into the cash collateral account with GMAC, and about $500 million secured by certain other assets of Hughes. Hughes has borrowed an aggregate of about $1.875 billion under these GMAC facilities and used the proceeds to repay borrowings under certain of Hughes other credit facilities. Hughes retired certain of the credit facilities that were repaid. Hughes existing $750 million revolving credit facility was repaid and was amended and increased to $1.235 billion. In addition, Hughes entered into a new term loan facility of $765 million in March 2002.

Certain of Hughes borrowings, including the GMAC facilities, the revolving credit facility and the term loan facility described above, are required to be repaid on the earlier of the completion of the Hughes split-off and December 2002. If the Hughes/EchoStar merger is not completed prior to December 2002, Hughes would likely seek to refinance or obtain an extension of the maturity dates of those facilities. See Risk Factors Risk Factors Relating to the Transactions Risks Relating to Hughes and EchoStar 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. If any failure to complete the Hughes/EchoStar merger results in the payment of a termination fee from EchoStar and/or a sale of PanAmSat to EchoStar, it is currently expected that Hughes would utilize the cash proceeds received to repay certain outstanding debt obligations of Hughes and to fund Hughes business.

Prior to the completion of the Hughes split-off, Hughes also plans to obtain additional financing of up to $2.7 billion pursuant to a committed bank credit facility, public or private debt offerings or a combination thereof. On the day of the completion of the Hughes split-off, Hughes and GMAC will offset against each other the $1.5 billion segregated cash collateral account and the $1.5 billion loan owed to GMAC. GMAC will immediately thereafter renew its $1.5 billion loan to Hughes. Hughes will then pay the dividend to GM of up to $4.2 billion described above in connection with the Hughes recapitalization, with the funds coming from the credit facilities and financing arrangements described above.

Hughes/EchoStar Merger Financings

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 required to refinance the indebtedness to be incurred by Hughes described above at Hughes Business and Dividend Financings in order to pay a portion of the $4.2 billion Hughes dividend distribution to GM in connection with the Hughes recapitalization;

up to about $4.125 billion will be required to repay other obligations of Hughes (including the $1.5 billion loan and other borrowings under the GMAC credit facilities described above at Hughes Business and Dividend Financings) and to fund the operations of New EchoStar after the completion of the Transactions; and

the remainder of about $0.2 billion will be required to pay estimated fees and expenses in connection with the 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.

Since the signing of the Hughes/EchoStar merger agreement, EchoStar has raised a total of about $2.2 billion of additional cash through the sale of $700 million of EchoStar DBS Senior Notes and the $1.5 billion investment by Vivendi Universal in EchoStar Series D convertible preferred stock, increasing its cash on hand available to satisfy the financing required to complete the Hughes/ EchoStar merger to at least $3.7 billion. For more information, see Certain Completed EchoStar Financings. The bridge financing commitments have been reduced by the total amount of these financings (to $3.325 billion). Any other financings that EchoStar completes prior to the closing of the Hughes/ EchoStar merger will 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 are 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 loan documents are entered into, the banks can terminate their commitment if:

There has been a material and adverse change, as determined by the banks, to the structure, terms or conditions of the transactions described in this document.

There has been any development, change or pending or threatened litigation or other proceeding that is reasonably likely to have a material and adverse effect, as determined by the banks, on the business, operations, assets, liabilities or financial condition of the borrowers.

In the 16-day period before the completion of the Hughes/ EchoStar merger, there has been, as determined by the banks, any change or disruption that is material to the financial, banking or capital markets generally and that has had a material and adverse effect on the ability to market the financing to other prospective lending banks.

The proposed capital structures of the borrowers are not satisfactory to the banks.

If any of Hughes material agreements or contracts would be terminated, altered or modified in a manner that would have a material and adverse effect on Hughes and its subsidiaries, or would require the payment of a material fee if terminated under certain circumstances, when the transactions described in this document are completed.

Final documents for the loans are not entered into by January 28, 2003.

In addition, the commitment letter contains other conditions typical of a commitment of this type, including requirements that Hughes and EchoStar cooperate with the banks marketing efforts to bring in other banks, that all agreements and representations have been complied with, and other similar conditions. As of the date of this document, we do not believe that any events have occurred that would allow any of the committed banks to terminate their commitments.

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 terms of various transaction agreements among GM, Hughes and EchoStar and the terms of the bridge financing commitments.

We currently expect that a portion of the proceeds of the Hughes/ EchoStar merger financing will be used to refinance up to $2.7 billion of indebtedness expected to be incurred by Hughes to pay a portion of the up to $4.2 billion Hughes dividend distribution to GM in connection with the Hughes recapitalization. The remainder of the Hughes/ EchoStar merger financing, together with about $3.7 billion or more from EchoStar s available cash on hand, will be used to pay off other obligations of Hughes (including the $1.5 billion loan and other borrowings under the GMAC credit facilities described above at Hughes Business and Dividend Financings), to pay the estimated fees and expenses in connection with the Transactions and to fund the operations of New EchoStar after the completion of the Transactions. The availability of the Hughes/ EchoStar merger financing is a condition to the obligations of the companies to complete the Hughes/ EchoStar merger.

The table below summarizes the information above relating to the sources and uses of the $7.025 billion of financing required for the completion of the Hughes/ EchoStar merger.

Financing Required to Complete the Hughes/EchoStar Merger

Sources:

at least $3.7 billion of cash on hand at EchoStar which consists of:

$1.5 billion of cash on hand at EchoStar at the time of signing of the Hughes/ EchoStar merger agreement;

$0.7 billion raised by EchoStar through sale of EchoStar DBS Senior Notes; and

$1.5 billion raised by EchoStar through investment by Vivendi Universal in EchoStar Series D convertible preferred stock; and

$3.325 billion of cash, which 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; and

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.

Total Sources: $7.025 billion

Uses:

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

up to about $4.125 billion to repay other obligations of Hughes (including the $1.5 billion loan and other borrowings under the GMAC credit facilities described above at Hughes Business and Dividend Financing) and to fund the operations of New EchoStar after the completion of the Transactions; and

the remainder of about $0.2 billion in estimated fees and expenses in connection with the Transactions.

Total Uses: $7.025 billion

Certain Completed EchoStar Financings. On December 20, 2001, EchoStar s wholly owned indirect subsidiary, EchoStar DBS Corporation, issued $700 million aggregate principal amount of EchoStar DBS Senior Notes, which will provide funding for EchoStar and, after the Hughes/ EchoStar merger, for New EchoStar. If the Hughes/ EchoStar merger is not completed under certain circumstances, a portion of the proceeds from the EchoStar DBS Senior Notes may be used for EchoStar s purchase of the approximately 81% interest held by Hughes subsidiaries in PanAmSat.

On January 22, 2002, Vivendi Universal made a $1.5 billion equity investment in EchoStar, which will provide funding for EchoStar and, after the Hughes/ EchoStar merger, for New EchoStar. In addition, EchoStar and Vivendi Universal entered into an eight-year strategic alliance in which Vivendi Universal will develop and provide EchoStar s DISH Network customers, and customers of New EchoStar after completion of the Hughes/ EchoStar merger, with a variety of programming and interactive television services. In exchange for this equity investment, EchoStar issued to a subsidiary of Vivendi Universal 5,760,479 shares of EchoStar Series D convertible preferred stock. Each share of EchoStar Series D convertible preferred stock is convertible into 10 shares of EchoStar Class A common stock and has the same economic rights (other than liquidation rights) and voting rights as shares of EchoStar Class A common stock. The shares of EchoStar Series D convertible preferred stock, which are convertible into an aggregate of 57,604,790 shares of EchoStar Class A common stock, will convert into shares of EchoStar Class A common stock:

at the option of the holder at any time and from time to time; and

unless previously converted, automatically:

immediately prior to the effectiveness of Hughes/EchoStar merger:

on the first date on which the sum of (x) the number of shares of EchoStar Class A common stock into which the shares of Series D convertible preferred stock then held by Vivendi Universal are convertible on such date and (y) the number of shares of EchoStar Class A common stock then held by Vivendi Universal and which Vivendi Universal received upon prior conversion of EchoStar Series D convertible preferred stock, is less than 29,378,443 (as such number may be adjusted from time to time as necessary to reflect appropriately any stock splits, subdivisions, combinations and similar changes to EchoStar s capital stock);

upon any purported sale, assignment, transfer or disposition of a share of EchoStar Series D convertible preferred stock or the beneficial ownership thereof to any person other than Vivendi Universal or any wholly owned subsidiary of Vivendi Universal; or

on January 22, 2007.

In addition, in connection with its investment in EchoStar, Vivendi Universal received certain contingent value rights that are intended to provide protection against any downward movements in the price of the EchoStar Class A common stock to be issued upon conversion of the EchoStar Series D convertible preferred stock. Vivendi Universal received 57,604,790 contingent value rights, which is the number of shares of EchoStar Class A common stock to be issued to Vivendi Universal upon conversion of the EchoStar Series D convertible preferred stock. If, on any of the settlement dates specified below, the volume weighted average price of EchoStar Class A common stock or New EchoStar Class A common stock during a 20-trading day period preceding the specified settlement dates is below the reference price of $26.0395 at which the contingent value rights were originally issued (as such price may be adjusted from time to time, including to reflect the Hughes/EchoStar merger), which we refer to as the reference price, and unless the contingent value rights were earlier terminated as described below, a payment obligation is triggered for each outstanding contingent value right at that time equal to the difference between the volume weighted average price and the reference price. The maximum payment under the contingent value rights is $225 million if the Hughes/ EchoStar merger is completed, or $525 million if the Hughes/ EchoStar merger is not completed. In general, any amount owing under these contingent value rights would be settled by New EchoStar three years after the completion of the Hughes/ EchoStar merger except under certain limited circumstances, including if at any time during the 30-month period beginning on the date that is six months after the date of the completion of the Hughes/EchoStar merger and ending three years after the completion of the Hughes/EchoStar merger the volume weighted-average price of the New EchoStar Class A common stock exceeds 120% of the reference price on each trading day for 90 consecutive calendar days, in which case the contingent value rights will automatically terminate. In addition, if the Hughes/ EchoStar merger is not completed, these contingent value rights will be settled by EchoStar 30 months after the completion of the PanAmSat stock sale or the termination of each of the PanAmSat stock purchase agreement and the Hughes/ EchoStar merger agreement except under certain limited circumstances, including if at any time during these 30 months the volume weighted-average price of the EchoStar Class A common stock exceeds 120% of the reference price on each trading day for 90 consecutive calendar days, in which case the contingent value rights will automatically terminate. Although the contingent value rights were issued to Vivendi Universal by EchoStar, New EchoStar will be responsible for this obligation after the completion of the Hughes/ EchoStar merger. Any settlement of these contingent value rights would be paid in cash or common stock at the option of EchoStar or New EchoStar, as the case may be, but if the Hughes/ EchoStar merger has been completed then these contingent value rights could be settled in common stock of New EchoStar only if certain tax-related conditions are satisfied.

For a more complete description of the EchoStar Series D convertible preferred stock, see EchoStar Capital Stock EchoStar Preferred Stock EchoStar Series D Convertible Preferred Stock. EchoStar filed copies of or the forms of certain of the definitive agreements relating to the Vivendi Universal investment with the SEC on a Current Report on Form 8-K on December 21, 2001. For more information about how you can obtain copies of these agreements, see Where You Can Find More Information below.

Liquidity and Funding Needs of New EchoStar

As discussed above at Hughes/ EchoStar Merger Financings, 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 raised 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 of this 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. As discussed at Risk Factors Risk Factors Relating to New EchoStar After the Transactions Risks Relating to Liquidity and Financing Activities of New EchoStar 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 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. See Risk Factors Risk Factors Relating to the Transactions Risks Relating to New EchoStar New EchoStar is Expected to Incur Significant Expenses Related to the Integration of Hughes and EchoStar. 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.

As discussed at Risk Factors Risk Factors Relating to New EchoStar After the Transactions Risks Relating to Liquidity and Financing Activities of New EchoStar 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 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. See Risk Factors Risk Factors Relating to New EchoStar After the Transactions Risks Relating to Liquidity and Financing Activities of New EchoStar New EchoStar s

Indebtedness May Contain Terms That Could Limit the Operational and Financial Flexibility of New EchoStar. 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. See Description of Principal Transaction Agreements Implementation Agreement Preservation of the Tax-Free Status of the Hughes Split-Off and Risk Factors Risk Factors 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. We also currently anticipate that New EchoStar will continue to experience net losses for some period of time following the completion of the Hughes/ EchoStar merger. See Risk Factors Risk Factors Relating to New EchoStar After the Transactions Risks Relating to the Business of New EchoStar We Expect That New EchoStar Will Experience Net Losses For Some Period of Time Following the Completion of the Hughes/ EchoStar Merger and We Cannot Be Certain That New EchoStar Will Achieve or Sustain Profitability.

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 the 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. As discussed at Risk Factors Risk Factors Relating to New EchoStar After the Transactions Risks Relating to Liquidity and Financing Activities of New EchoStar New EchoStar Will Have Substantial Additional Indebtedness and Will Depend Upon its Subsidiaries Earnings to Make Payments on its Indebtedness, there can be no assurance that additional debt financing will be available to New EchoStar on acceptable terms or at all. Although we cannot assure you that there will be sufficient funding for New EchoStar s operating needs after the completion of the Hughes/ EchoStar merger for the reasons discussed at Risk Factors Risk Factors Relating to New EchoStar After the Transactions Risks Relating to Liquidity and Financing Activities of New EchoStar We Cannot Assure You That There Will Be Sufficient Funding for New EchoStar, 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 received, equity financing.

PanAmSat Stock Sale

GM, Hughes, and EchoStar have agreed that, in the event that the Hughes/ EchoStar merger does not occur due to the failure by EchoStar to satisfy certain financing requirements for the Hughes/ EchoStar merger or due to the fact that certain 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 at a purchase price of $22.47 per share. GM and Hughes agreed to the PanAmSat stock sale because it will provide liquidity and value to Hughes in the event that the Transactions cannot be completed because certain conditions are not satisfied. GM and Hughes currently expect 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 where the Hughes/ EchoStar merger was not completed.

EchoStar has the option to structure its purchase of Hughes subsidiaries interest as a merger or tender offer so that it can attempt to acquire 100% of PanAmSat in one transaction, in which case Hughes must receive at least the same amount of consideration that it would have received in the PanAmSat stock sale. EchoStar has agreed that, unless it has previously entered into an agreement for the acquisition of PanAmSat by merger or commenced a tender offer for all of the outstanding PanAmSat shares, it will commence an exchange offer promptly following the completion of the PanAmSat stock sale for all PanAmSat shares that remain outstanding following the completion of the PanAmSat stock sale for a purchase price of at least $22.47 per share payable, at the option of the holder, either in cash or shares of EchoStar Class A common stock. If the Hughes/EchoStar merger does occur, New EchoStar will indirectly hold the approximately 81% interest in PanAmSat.

Based on the purchase price of $22.47 per share, the proceeds of the PanAmSat stock sale would be about $2.7 billion. This purchase price would be payable either:

- 100% in cash, if a private party brings suit under antitrust laws or FCC regulations and obtains a final and non-appealable permanent injunction or other order preventing the Hughes/ EchoStar merger;

- up to $600 million in shares of EchoStar common stock (with EchoStar having the option to determine the exact amount of shares to be issued up to that amount) and the remainder in cash, if Hughes or EchoStar terminates the Hughes/ EchoStar merger agreement because a federal, state or local governmental authority brings suit under U.S. federal or state antitrust laws or FCC regulations and obtains a final and non-appealable permanent injunction or other order preventing the Hughes/ EchoStar merger or if 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); or

- at least $1.5 billion in cash, with EchoStar required to use commercially reasonable efforts to pay the remaining $1.2 billion in cash and, if it is unable to do so, in a combination of notes and EchoStar common stock, if the Hughes/ EchoStar merger agreement is terminated because EchoStar fails to satisfy certain financing requirements for the Hughes/ EchoStar merger financing.

If EchoStar purchases all of the common stock of PanAmSat held by Hughes subsidiaries, Hughes would remain a wholly owned subsidiary of General Motors, but would no longer have its indirect interest in PanAmSat, and GM Class H common stockholders would remain stockholders of GM. It is currently expected that the proceeds of a PanAmSat stock sale, about $2.7 billion, would be used to repay certain outstanding debt obligations of Hughes and to fund Hughes business.

The PanAmSat stock sale is subject to a number of conditions which must be satisfied before the transaction could be completed. These conditions include, 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.

Subject to the satisfaction or waiver of all conditions in the PanAmSat stock purchase agreement, the parties have agreed that the completion of the PanAmSat stock sale would take place within 60 days of the termination of the Hughes/ EchoStar merger agreement for the specified reasons. For more information regarding the terms of the PanAmSat stock sale, see Description of Principal Transaction Agreements PanAmSat Stock Purchase Agreement below.

GM Background and Considerations

GM s Reasons for the Transactions

There are two principal purposes of the Transactions from the perspective of General Motors and Hughes. First, the Transactions are expected to better position Hughes to compete in the multi-channel video programming distribution market and, overall, in the telecommunications industry, and to provide Hughes with greater opportunities and financial resources to develop an expanded competitive business and an opportunity to achieve business synergies from its combination with EchoStar that will be beneficial to New EchoStar, its stockholders and its customers and employees. Second, 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 expected to provide significant liquidity to General Motors in respect of its current retained economic interest in Hughes.

Cable television companies currently account for about 80 percent of the multi-channel video programming distribution market. The telecommunications industry also has recently experienced a trend toward consolidation through transactions which in many cases seek to combine content assets with distribution assets and increase the size of the parties to the transaction in order to improve competitive position and drive economies of scale. This consolidation trend has been evidenced by a significant number of recent mergers and acquisitions, including America Online s merger with Time Warner in 2001, AT&T s acquisition of Tele-Communications, Inc. in 1999 and Media One in 2000, US West s acquisition of Continental Cablevision in 1996 and Qwest s subsequent acquisition of US West in 2000, and several other potential transactions, including the pending combination of the cable businesses of AT&T and Comcast. AOL Time Warner, AT&T and Comcast, the cable television industry leaders, are well-capitalized and have increasingly directed their marketing and advertising efforts directly against the businesses of Hughes and EchoStar. This industry consolidation and heightened competitive environment led to an increased focus by General Motors and Hughes on responding to the competitive challenges facing Hughes and its business and sparked the desire of both GM and Hughes to capitalize on the opportunities potentially available to Hughes in an environment of increasing industry consolidation.

The Transactions are intended to enable Hughes to maintain a strong position in the increasingly competitive multi-channel video programming distribution market and to provide it with a significant opportunity to develop an expanded business and to enhance its position in a consolidating telecommunications industry. We believe that the combined businesses of Hughes and EchoStar will represent a strong competitor in the market which can achieve significant business synergies for the benefit of New EchoStar, its stockholders, its customers and employees. Based on analysis and discussions that have taken place since October of 2001 between Hughes and EchoStar concerning their transition plans, GM and Hughes management currently believe that New EchoStar could achieve as much as $5 billion in annual EBITDA improvements by 2007.

GM and Hughes expect the potential synergies to come from a combination of cost savings and revenue growth opportunities. The principal elements of the expected cost savings include:

- reductions in subscriber acquisition costs;
- reduced customer turnover;
- lower programming costs; and
- elimination of duplicative overhead costs.

The principal elements of the expected revenue growth opportunities include:

- greater availability of less expensive broadband services;
- local programming in all 210 markets;
- greater advertising and interactive services revenues; and

new high definition television and specialty programming and expanded video-on-demand and pay-per-view programming.

You should understand that these estimated potential synergies are forward-looking statements subject to the risks and uncertainties described at Disclosure Regarding Forward-Looking Statements. These estimates of synergies are based on numerous estimates, assumptions and judgments and are subject to significant uncertainties. We cannot assure you that any particular amount of synergies will be realized by New EchoStar in connection with the Hughes/ EchoStar merger. See also Risk Factors Risk Factors Relating to the Transactions Risks Relating to New EchoStar New EchoStar May Not Realize the Benefits Expected From the Hughes/ EchoStar Merger.

We further believe that the Hughes/ EchoStar merger will provide Hughes with the increased financial capacity to facilitate Hughes strategic plans and fund Hughes growth initiatives. The Hughes split-off will provide the GM Class H common stockholders the ability to benefit from the expected increase in value resulting from the Hughes/ EchoStar merger and will provide them a more conventional stock interest in New EchoStar in place of their current tracking stock interest in the business of Hughes.

Compounding the competitive situation facing Hughes was the impact that continued ownership of Hughes by General Motors was expected to have on GM s other businesses, including its core automotive and related businesses. First, Hughes projected significant financing requirements over the next few years to support its key growth initiatives, including the expansion of the DIRECTV subscriber base and the development of new services. The increase in the aggregate level of debt of GM and its consolidated subsidiaries that would be required in order to meet these financing requirements was expected to result in downward pressure on GM s credit ratings, which are an important element to GM s business success. General Motors, including its wholly owned subsidiary, GMAC, is the world s largest non-governmental borrower. General Motors sells its vehicles through a dealer network, and GMAC typically provides the financing for dealers to acquire their inventory. In turn, when dealers sell automotive vehicles to retail customers, those sales are often financed through GMAC. As a result of this business model, GMAC is continuously engaged in debt financings in the capital markets, and often has nearly $100 billion in debt outstanding. Even a slight decline in GM s overall credit ratings could have a negative impact on GMAC s ability to borrow on a cost-effective basis. Second, net losses were projected for Hughes in order for it to sustain its investments aimed at increasing its subscriber levels. These projected net losses were expected to adversely impact reported earnings attributable to GM $1 2/3 par value common stock and the related earnings per share.

From GM s perspective, the Transactions present an opportunity to meet its own liquidity objectives over the near term and support its credit rating. As part of the Transactions, GM will restructure its retained economic interest in Hughes in order to realize some of the economic value arising from GM s ownership of Hughes. To accomplish this objective, prior to the Hughes split-off, GM will receive a dividend from Hughes of up to $4.2 billion and its retained economic interest in Hughes will be reduced by an amount that reflects the dividend. For more information about the Hughes dividend distribution, see Description of the Transactions The GM/ Hughes Separation Transactions The Hughes Recapitalization and Description of Principal Transaction Agreements GM/ Hughes Separation Agreement The Hughes Recapitalization. In addition, in connection with the Transactions, GM may have the ability to conduct GM debt-for-equity exchanges, as described in greater detail at Description of the Transactions GM Debt-for-Equity Exchanges and Description of Principal Transaction Agreements Implementation Agreement GM Debt-for-Equity Exchanges. Any GM debt-for-equity exchanges would allow GM to reduce a portion of its outstanding liabilities in exchange for a portion of its retained economic interest in Hughes or, after the Hughes/ EchoStar merger, a portion of its ownership interest in New EchoStar, if any. Finally, subject to IRS approval, GM may retain any such ownership interest in New EchoStar Class C common stock, which would permit GM to benefit from any increase in value resulting from the Hughes/ EchoStar merger or the operation of the New EchoStar business following the completion of the Hughes/ EchoStar merger. For more information regarding the factors that will affect whether GM will have any such ownership interest and, if so, the size of that ownership interest, see Description of the Transactions The GM/Hughes Separation Transactions The Hughes Recapitalization Reduction in GM s Retained Economic Interest in Hughes.

GM s receipt of the Hughes dividend distribution, GM s benefit from debt reduction resulting from any GM debt-for-equity exchanges and any retention by General Motors of an ownership interest in New EchoStar after the Transactions are currently expected to provide GM with significant liquidity and value, which would help to support its credit position after the completion of the Transactions.

Further, in the context of increasing competition and consolidation by competitors of Hughes, General Motors has been required during the last several years to spend increasing amounts of board of directors, management and staff time and other resources to address the strategic challenges facing Hughes and its businesses. The GM/ Hughes separation transactions and the Hughes/ EchoStar merger will allow General Motors to allocate resources currently devoted to those matters to GM s core automotive and other businesses.

Alternatives to the Transactions

Before determining to proceed with the GM/ Hughes separation transactions and the Hughes/ EchoStar merger, General Motors and Hughes carefully considered several strategic alternatives involving Hughes. In considering these strategic alternatives, General Motors and Hughes focused on the effect of such alternatives on the holders of each class of GM common stock, the effect of such alternatives on both classes of GM s common stockholders, taken together, and the potential of such alternatives to maximize value for GM common stockholders, for the businesses of GM and Hughes and for their employees.

As a preliminary matter, General Motors determined that any strategic transaction involving Hughes could result in a level of corporate and stockholder tax so significant that it would make the transaction uneconomic unless it were accomplished on a tax-free basis. Accordingly, General Motors determined that any potential strategic transactions involving Hughes should be structured to be tax-free for U.S. federal income tax purposes to General Motors and its stockholders. Accordingly, GM is currently seeking a ruling from the IRS regarding the tax-free status of the Hughes split-off and the receipt of that ruling is a condition to the completion of the Transactions. For more information, see Material U.S. Federal Income Tax Considerations Relating to the Transactions below.

In addition, General Motors considered the impacts of a potential transaction if it were structured in a manner that 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, as currently provided for under certain circumstances in accordance with the provisions of the GM restated certificate of incorporation. GM considered the substantial dilution that would likely reduce the value of the GM $1 2/3 par value common stock as well as the substantial change that would result in the form and nature of the investment of GM Class H common stockholders, who under such provisions would have their tracking stock investment in the Hughes business replaced with GM $1 2/3 par value common stock representing a more conventional investment in all of GM s operations. General Motors believed that most GM Class H common stockholders had purchased their stock in order to make an investment based on the businesses of Hughes rather than an investment based on all of GM s businesses, and considered that the frustration of that investment objective that would be caused by a recapitalization of GM Class H common stock into GM $1 2/3 par value common stock would likely result in substantial adverse trading activity that would exacerbate the anticipated adverse effect on the trading value of the stock to the detriment of both classes of investors. Accordingly, and in light of the substantial benefits that the contemplated strategic transactions would be expected to have for the holders of both classes of GM common stock, General Motors determined that it would be in the best interests of all of GM s common stockholders to structure the contemplated strategic transactions involving Hughes so as not to result in a recapitalization of GM Class H common stock into GM $1 2/3 par value common stock. Accordingly, the proposed amendment of the GM restated certificate of incorporation will, among other things, expressly provide that the Transactions will not result in a recapitalization of GM Class H common stock into GM $1 2/3 par value common stock. For more information, see Description of the Transactions The GM/ Hughes Separation Transactions Hughes Split-Off No Pro Rata Distribution of the Hughes Dividend Distribution, No 120% Recapitalization of GM Class H Common Stock into GM $1 2/3 Par Value Common Stock and Amendments to the GM Restated Certificate of Incorporation.

General Motors and Hughes determined that, in order to address the strategic challenges facing Hughes and its businesses, to facilitate its planned strategic growth initiatives and to preserve and enhance stockholder value for GM common stockholders, General Motors and Hughes should pursue a transaction which would separate Hughes from General Motors and position it to engage in a business combination with another company in the telecommunications industry. In reaching that determination, General Motors and Hughes considered the following principal alternatives to such a transaction:

continuation of the existing business strategy by maintaining Hughes as a wholly owned subsidiary of General Motors, while maintaining the GM Class H common stock as a tracking stock of GM reflecting the financial performance of Hughes;

an initial public offering, spin-off or split-off of a portion or various portions of the Hughes business, such as its DIRECTV business, either with or without a pre-arranged business combination; and

a separation of Hughes from General Motors in the absence of a pre-arranged strategic combination, together with a significant investment by a strategic investor or additional debt financing.

After careful consideration, General Motors and Hughes determined that maintaining Hughes current status as a wholly owned subsidiary of General Motors would limit Hughes ability to achieve its strategic objectives and risk degrading its competitive position, particularly in view of the increasing consolidation within the industry. In addition, as described further at GM s Reasons for the Transactions above, maintaining Hughes as General Motors wholly owned subsidiary was expected to have adverse effects on GM s credit rating and financial position, which in turn would adversely affect reported earnings attributable to GM $1 2/3 par value common stock and the related earnings per share and its ability to finance its core automotive and related businesses, resulting in an adverse effect on GM common stockholders. Further, General Motors and Hughes anticipated that the market reaction to the announcement of maintaining Hughes current status would be negative in view of the strategic challenges currently facing Hughes.

General Motors and Hughes evaluated the possibility that a substantial portion of the Hughes business, such as its DIRECTV business, might be divested on more attractive terms as part of a strategic business combination with another company. If a portion of the Hughes business were separated from General Motors, the remaining Hughes business could either be retained by General Motors or disposed of through a spin-off or split-off or similar transaction, an initial public offering or a sale to a strategic partner, or some combination of several of these transactions. After giving careful consideration to a variety of potential alternative transaction structures, both General Motors and Hughes realized that the separation of a portion of the Hughes business might be inconsistent with Hughes overall strategic objectives and would result in a loss of the various synergies currently enjoyed by the various Hughes businesses. If GM Class H common stock were to remain in existence as a tracking stock of GM and continue to reflect the financial performance of the retained Hughes business, this option could also give rise to complex issues relating to the valuation of the DIRECTV and other Hughes assets. Moreover, under any scenario involving the separation of a portion of the Hughes business, General Motors and Hughes expected that General Motors would receive less liquidity in respect of its retained economic interest in Hughes, and while the retained business could potentially represent a source of growth and value in the future, the financing needs of the retained business would likely exert unfavorable pressure on the financial position of General Motors in the near term. In addition, General Motors and Hughes were advised that any structure involving a separation of a portion or portions of the Hughes business would likely be less tax efficient.

A separation of Hughes from GM in the absence of a pre-arranged business combination could better position Hughes to obtain financing for Hughes near-term operations through an investment by a strategic investor or the incurrence of additional debt. In addition, this alternative would allow General Motors to focus its board of directors, management, staff time and other resources on GM s core automotive and other businesses. However, General Motors and Hughes determined that a separation of Hughes in the absence of a pre-arranged business combination would be unlikely to provide the financial resources to permit Hughes to expand its business and provide GM with the liquidity it desired in respect of its retained economic interest in Hughes. Further, because of the time required in order to implement the separation of Hughes from General Motors, there was a significant risk that the parties suitable to combine with the free-standing Hughes would undertake to pursue other strategic transactions while General Motors and Hughes implemented the separation of Hughes from General Motors and, as a result, be unwilling or unable to enter into a strategic transaction with Hughes after such time as it became a free-standing entity.

Coupling the Hughes split-off pursuant to the GM/ Hughes separation transactions with the Hughes/ EchoStar merger offered the same benefits as a separation in the absence of a pre-arranged business combination but also enhanced the likelihood that Hughes could meet its strategic objectives by providing Hughes with greater opportunities and financial resources to expand its business than might otherwise be possible if Hughes were separated from GM in the absence of a pre-arranged business combination. In addition, General Motors and Hughes believed that the Hughes split-off combined with the Hughes/ EchoStar merger would enable the combined company to achieve significant business synergies for its benefit and the benefit of its stockholders and customers.

After carefully considering each of the alternatives described above, General Motors and Hughes made the judgment that the Transactions, taken as a whole, offered the best solution to the strategic challenges and business objectives of General Motors and Hughes as described further above at GM s Reasons for the Transactions.

GM s Development of the Transactions

The proposed GM/ Hughes separation transactions and the Hughes/ EchoStar merger arise from the long-standing desire of both General Motors and Hughes to expand the business of Hughes while enhancing the value of the Hughes business to General Motors and its stockholders.

From time to time, General Motors and Hughes have reviewed Hughes business strategy and engaged in discussions with industry participants about possible business combinations or other strategic transactions involving Hughes. As part of these efforts, Hughes and EchoStar engaged in preliminary discussions regarding the possibility of pursuing a strategic transaction between the two companies. However, those discussions did not result in any workable arrangements for both Hughes and EchoStar that warranted further exploration.

Beginning in mid-2000, following the completion in June of the restructuring of GM s retained economic interest in Hughes pursuant to an exchange offer of newly issued shares of GM Class H common stock for then outstanding shares of GM $1 2/3 par value common stock and the contributions by GM of newly issued shares of GM Class H common stock to certain of its employee benefit plans, General Motors and Hughes management and their respective financial, legal, tax, accounting and other advisors initiated an intensive assessment of the strategic objectives of Hughes and the financial, legal, tax, accounting and other issues relating to Hughes strategic position and alternatives. Consistent with this approach, Hughes completed the sale of its satellite manufacturing operations to Boeing in October 2000, thereby concentrating its activities on the multi-channel video programming distribution marketplace and related telecommunications businesses.

In connection with this review, General Motors and Hughes analyzed and compared the benefits of a strategic combination involving Hughes and another company in the telecommunications industry with significant distribution and/or content production capabilities to other strategic alternatives, including expanding the business of Hughes under continued GM ownership while addressing the financing needs of the Hughes businesses and of GM s other businesses and maximizing stockholder value. General Motors and Hughes carefully considered several strategic alternatives which are discussed in greater detail at Alternatives to the Transactions above. However, for the reasons described at Alternatives to the Transactions above, General Motors and Hughes over time determined that pursuing a combination of Hughes business with another company in the telecommunications industry represented the best alternative for achieving their objectives.

In conjunction with the ongoing assessment of the alternatives potentially available to Hughes, in the fall of 2000 Hughes met with various telecommunications companies in an effort to assess their potential interest in a business combination involving Hughes. While most of these companies expressed some degree of interest in pursuing discussions about a possible alliance with Hughes, the scope and terms of alliance in which they were interested varied largely from one company to another. Based on their indications of interest, a handful of parties, including EchoStar and Sky Global Networks (a subsidiary of The News Corporation Limited), appeared interested in exploring a potential merger transaction with Hughes following its separation from General Motors. Other companies indicated an interest in making a minority equity investment in Hughes following a separation of Hughes from General Motors. A few of the companies approached by Hughes indicated interest in acquiring only Hughes indirect interest in PanAmSat. Each of these options was considered by management of GM and Hughes in view of the strategic objectives discussed above and at GM s Reasons for the Transactions.

After considering the indications of interest, General Motors and Hughes determined to postpone discussions with parties only interested in minority investments until a later stage due to the fact that several of them expressed a further interest in participating as a minority investor in a transaction involving a combination of Hughes business with that of another industry participant. In addition, as a result of their assessment of the relative merits of the strategic alternatives available with respect to Hughes, General Motors and Hughes decided to focus principally on a transaction involving all of Hughes and decided that potential discussions with buyers interested only in Hughes indirect interest in PanAmSat would be handled as a separate process.

Over time, several of the parties indicated that they had no interest in pursuing further discussions regarding a strategic transaction involving Hughes. As a result, by late November 2000, General Motors and Hughes were engaged in serious discussions about a merger with only three potential strategic partners, including Sky Global Networks. While EchoStar was also considered a potential strategic partner, at this point in time General Motors and Hughes had reservations regarding the extent to which EchoStar and Hughes would have difficulty in obtaining the regulatory clearance that would be needed for a merger of Hughes and EchoStar. In particular, EchoStar had commenced in February 2000 a lawsuit against Hughes (and other parties) alleging antitrust violations by Hughes and others, premised in part on satellite television representing a separate competitive market (or a separate submarket of the multi-channel video distribution market). Although General Motors and Hughes considered these allegations to be without merit, they were concerned that obtaining regulatory clearance for a merger of Hughes and EchoStar might be more difficult, regardless of the parties true competitive circumstances, if EchoStar were to continue to maintain the view of the competitive marketplace that it had presented in this lawsuit. Accordingly, at that point in time EchoStar was not considered the most promising candidate with which Hughes could negotiate and consummate a business combination and, based on the indication of interest EchoStar had expressed, only preliminary discussions with it were pursued.

As the process of pursuing a strategic transaction involving Hughes continued, GM and Hughes management, with the assistance of their respective advisors, continued to evaluate the financial, legal, tax and accounting issues that would be presented in connection with such a transaction, and the Hughes board of directors, GM capital stock committee and GM board of directors similarly considered these matters in progressively greater detail. In this regard, the key meetings of the Hughes board of directors, GM capital stock committee and GM board of directors are described below. In connection with these and other meetings, certain members of the GM board of directors, including George M.C. Fisher, Nobuyuki Idei and Lloyd D. Ward, recused themselves from the discussions regarding potential transactions due to potential conflicts of interest resulting from their positions with other parties involved or potentially involved in discussions or negotiations with Hughes. Each of the meetings described below was attended by internal counsel of GM and/or Hughes and, in many cases, by outside counsel representing GM and Hughes in connection with the potential transactions.

December 5, 2000 General Motors Board Meeting. At the December 5, 2000 meeting of the GM board of directors, GM management presented a report, prepared by Mr. Eric A. Feldstein, Vice President and Treasurer of GM, which reviewed the status of the discussions that had been held relating to a Hughes strategic transaction and GM management s preliminary evaluation of the benefits that could be obtained from any transaction with the various potential parties. In addition, at this meeting, GM management and legal counsel presented a report outlining a process for oversight by the Hughes and GM boards of directors of the development of a specific transaction that would address substantive and procedural fairness considerations between the two classes of GM common stock that were likely to arise in the development of such a transaction. Ms. Roxanne S. Austin, then Corporate Senior Vice President and Chief Financial Officer of Hughes, also presented a report on the Hughes business plan. This meeting followed a meeting of the Hughes board of directors on November 29, 2000 which had reviewed the same subjects and had endorsed Hughes pursuing further the strategic opportunities reported to be available to it.

Following discussion of these matters, the GM board of directors authorized and directed GM and Hughes management to explore and develop jointly the terms of possible specific transactions involving Hughes and the retention of independent investment banking firms separately by General Motors and Hughes to assist in these efforts. Also as part of this effort, and consistent with established governance policies of GM and Hughes, the Hughes board of directors was to review and to make recommendations to the GM board of directors with regard to any such transaction that might be proposed by management. The GM board of directors further delegated to the GM capital stock committee the responsibility to oversee the activities to be undertaken by management of General Motors and of Hughes in developing the terms of a possible transaction involving Hughes and the responsibility to review and make recommendations to the GM board with regard to any such transaction that might be proposed by Hughes or GM management, including the fairness to the holders of both classes of GM common stock of the process for determining the terms of a transaction, any conditions to approval or completion of such a transaction that should be imposed in order to protect the interests of the holders of either class of GM common stock and the fairness to the holders of each such class of stock of any transaction proposed. Also, the GM board of directors directed GM and Hughes management and the appropriate financial, legal, tax, accounting and other advisors to General Motors and Hughes to carry out their responsibilities with respect to the potential transactions in accordance with the purposes and within the framework of the above-described process. As part of the GM capital stock committee s oversight activities, outside counsel to the GM capital stock committee briefed GM capital stock committee members on a regular basis on the status of the discussions and the development of transaction terms and participated in the reports given at all of the meetings referred to below.

By February 2001, two potential strategic partners for Hughes had emerged from its discussions about a strategic transaction, one of which was Sky Global Networks. During this period, representatives of Sky Global Networks and its parent company, The News Corporation, met with representatives of General Motors and Hughes and developed parameters for a potential split-off of Hughes and subsequent merger of Hughes and Sky Global Networks. Preliminary discussions with the other potential strategic partner were also pursued but by the end of this period these discussions terminated because the parties were unable to reach a common understanding on fundamental terms for a transaction.

In March 2001, General Motors and Hughes suspended their discussions with Sky Global Networks and The News Corporation in order to assess certain concerns that had emerged about a possible combination of Hughes and Sky Global Networks. As more detailed information was exchanged in these discussions, senior management of Hughes expressed reservations about the commitment of Sky Global Networks to achieving substantial synergies from a combination with Hughes. In addition, following public speculation regarding a possible Hughes/ Sky Global Networks transaction, GM Class H common stockholders generally expressed doubts about the capability for such a transaction to create sufficient value for stockholders of the combined businesses and about the sufficiency of the premium to the market price of the GM Class H common stock that could be expected by GM common stockholders from a transaction with Sky Global Networks. In light of these concerns, General Motors and Hughes began to reconsider alternative strategic transactions involving Hughes which did not include a combination with a strategic partner, including separation transactions involving stand-alone strategic investments in Hughes or debt financing at a higher level of leverage than that customarily used by Hughes in its business. Hughes also re-engaged in discussions with EchoStar, the only company of those approached in the fall of 2000, other than The News Corporation and Sky Global Networks, that remained interested in pursuing discussions about a potential business combination with Hughes, to explore whether it was feasible to reach agreement upon the terms of such a transaction. Various structures for such a transaction were considered at this time and General Motors and Hughes reservations relating to the pending EchoStar lawsuit were discussed.

In April 2001, Sky Global Networks and The News Corporation proposed economic terms for a strategic combination of Hughes and Sky Global Networks, including an opportunity for GM to receive greater liquidity in respect of its retained economic interest in Hughes, that were more attractive to General Motors and Hughes than the terms previously proposed by these companies. As a result, discussions began again regarding a possible transaction involving Hughes and Sky Global Networks. To facilitate further discussions, in mid-April 2001, General Motors and Hughes developed and presented to Sky Global Networks an outline of acceptable parameters for a split-off of Hughes and combination of Hughes and Sky Global Networks. This outline specified the objectives of General Motors and Hughes, which consisted of maximizing the value to be provided to GM and its common stockholders, structuring the transaction in a manner that would be tax-free to GM and its common stockholders, ensuring that the combined company would have sufficient access to financing to fund its ongoing business needs and providing GM with liquidity and value in respect of a significant portion of GM s retained economic interest in Hughes. In addition, GM and Hughes specified certain terms in the outline that they would expect to be included as a component of any proposal to be received from The News Corporation and Sky Global Networks with respect to a transaction, including a distribution to GM of not less than $5 billion in cash and up to $2.2 billion in securities and an associated reduction in GM s retained economic interest in Hughes and the receipt of stock appreciation rights that would allow GM to benefit from any increase in the share price of the merged Hughes/ Sky Global entity. In response to the outline, Sky Global Networks and The News Corporation presented specific proposed transaction terms at a meeting of senior executives of The News Corporation with GM and Hughes senior executives and their financial and legal advisors. These proposed transaction terms included a distribution to GM of $5 billion in cash and $2.2 billion in the form of one or more promissory notes and an associated reduction of GM s retained economic interest in Hughes, as well as stock appreciation rights which would allow GM to benefit from any increase in the share price of the merged Hughes/ Sky Global entity. The proposed transaction terms also contemplated that, without taking into account the reduction in GM s retained economic interest in Hughes, GM and the GM common stockholders would own about 70% of the merged Hughes/ Sky Global entity.

From time to time during February, March and April, 2001, the GM capital stock committee, the Hughes board of directors and the GM board of directors received information and updates regarding the status of the discussions. For example, at the February 6, 2001 meeting of the GM board of directors, Mr. John M. Devine, Vice Chairman and Chief Financial Officer of GM, presented a status report and answered questions relating to the discussions with The News Corporation and Sky Global Networks, as well as discussions with another company in the telecommunications industry regarding the possibility of a strategic transaction involving Hughes. Similarly, at the March 5, 2001 meeting of the GM board of directors, Mr. Devine presented a status report and answered questions regarding the discussions with The News Corporation and Sky Global Networks, as well as EchoStar, relating to the possibility of a strategic transaction involving Hughes. Also, at the March 6, 2001 special meeting of the Hughes board of directors, Mr. Michael T. Smith presented a report regarding these matters. Other updates were provided to the Hughes board of directors at its March 27, 2001 and April 30, 2001 meetings.

At its March 23, 2001 meeting, the GM capital stock committee accepted the determination of Mr. John F. Smith, Jr., Chairman of the Board of Directors of General Motors, that, in view of the fact that he and Mr. Michael T. Smith, then Chairman of the Board of Directors and Chief Executive Officer of Hughes, are brothers, Mr. John F. Smith, Jr. should recuse himself from participation as a member of General Motors management and of the General Motors and Hughes boards of directors in consideration of a potential strategic transaction involving Hughes. It was determined that Mr. G. Richard Wagoner, Jr., President and Chief Executive Officer of GM, would participate directly in coordinating the development by GM and Hughes management of a strategic transaction relating to Hughes and would report to the committee on a periodic basis on the matter. Mr. John F. Smith, Jr. subsequently played no role in GM s consideration of a potential strategic transaction involving Hughes, and did not participate in the meetings of the Hughes board of directors, the GM capital stock committee and the General Motors board of directors discussed below, until October 2001, roughly two months after Mr. Michael Smith s retirement from Hughes (as discussed below). Also at its March 23, 2001 meeting the GM capital stock committee reviewed the issues that might arise in developing a strategic transaction involving Hughes as to which the interests of GM s two classes of common stockholders might diverge and the processes that should be followed by GM and Hughes to assure fair consideration of the interests of both classes of common stockholders.

April 30, 2001 Hughes Board Meeting. At the April 30, 2001 meeting of the Hughes board of directors, the Hughes board discussed the proposal made by Sky Global Networks and The News Corporation and Hughes management provided an update regarding other alternatives for a strategic transaction involving Hughes, including transactions not involving a combination with a strategic partner such as a separation transaction involving a stand-alone strategic investment in Hughes or debt financing at a higher level of leverage than customarily used by Hughes in its business. At this meeting, based largely upon the fact that The News Corporation and Sky Global Networks had, in principle, accepted the objectives and parameters outlined by GM and Hughes for a transaction, the Hughes board of directors recommended that Hughes management, working together with GM management, focus principally on the proposal made by Sky Global Networks and The News Corporation. The Hughes board of directors, however, did not believe that further negotiations with Sky Global Networks and The News Corporation should be conducted on an exclusive basis, and directed that the process remain open to proposals from other parties.

May 1, 2001 General Motors Board Meeting. At the May 1, 2001 meeting of the GM board of directors, GM and Hughes management updated the GM board of directors regarding the status of the discussions relating to a possible transaction involving Hughes and the transaction proposal made by Sky Global Networks and The News Corporation. The GM board of directors also reviewed and considered the results of the Hughes board meeting on the prior day. Mr. Wagoner led a discussion of these matters and answered questions, with input from Ms. Austin, Mr. Warren G. Andersen, Assistant General Counsel of GM, Mr. Feldstein, Mr. Eddy W. Hartenstein, Corporate Senior Executive Vice President of Hughes, and Mr. Joseph A. Walker, Senior Advisor to GM.

Following discussion of these matters, based largely upon the fact that The News Corporation and Sky Global Networks had acknowledged the objectives of GM and Hughes and, in principle, accepted the parameters outlined by GM and Hughes for a transaction, GM and Hughes management recommended to the GM board of directors that General Motors and Hughes take further steps to pursue, on a non-exclusive basis, the possibility of a transaction involving a split-off of Hughes and subsequent merger of Hughes and Sky Global Networks based upon the proposal made by Sky Global Networks and The News Corporation. Based on, among other things, the assessment that a combination of Sky Global Networks and Hughes would create a strong global media group, involving content, distribution and emerging technology capabilities and meaningful operating synergies, and that the combination would provide both the capital necessary to finance ongoing Hughes business strategies and adequate liquidity to General Motors in the context of a separation of Hughes from GM, the GM board of directors approved this recommendation of management. The GM board of directors authorized representatives of General Motors and of Hughes to engage in further discussions and negotiations with Sky Global Networks and The News Corporation with the goal of seeing if definitive agreements could be reached based on their proposal. This decision to proceed with the negotiation of definitive documentation for a Hughes/Sky Global Networks business combination was subject to the resolution of certain issues and concerns raised by management with respect to the proposal made by Sky Global Networks and The News Corporation, primarily the resolution of the terms of commercial arrangements between the merged entity and certain strategic investors, the resolution of the terms of the governance arrangements for the merged entity, the determination of any financial responsibility GM might have as part of the proposed transaction with respect to certain liabilities of Hughes and the completion of due diligence. Immediately following the May 1, 2001 meeting of the GM board of directors, General Motors issued a press release describing the actions taken at the meeting with respect to the further pursuit of discussions and negotiations with Sky Global Networks and The News Corporation.

On May 14, 2001, General Motors received a letter from EchoStar s Chairman and Chief Executive Officer, Charles W. Ergen, indicating EchoStar s desire to pursue a transaction involving the combination of Hughes with EchoStar. This letter was followed on May 17, 2001 by a formal proposal by EchoStar relating to a split-off of Hughes from General Motors and subsequent merger of Hughes and EchoStar involving a cash distribution by Hughes to GM in connection with the split-off and a stock-for-stock exchange in the merger.

During the second half of May and June 2001, General Motors and Hughes management evaluated this EchoStar proposal and met with representatives of EchoStar to further develop and refine their understanding of the proposal. In these discussions, EchoStar proposed that the parties consider agreeing to a joint operating agreement under which they would share satellite capacity in the event that a merger of their operations was not permitted. This alternative was analyzed and rejected by the parties as impractical due to a number of issues, including the need to agree on compatible technologies, the possible competitive disadvantages that conversion to compatibility could cause one or both parties during the conversion process, the difficulties of placing the most important assets of their respective businesses under joint control, concerns about investing in new technologies without long-term unitary control of the fruits of the investment and resolving the problems that could occur upon termination of any joint operating arrangement. In addition to the joint operating agreement in the event that a merger was not permitted, the transaction terms proposed by EchoStar included a distribution to GM of $5.5 billion in cash and $1.7 billion in the form of a promissory note and an associated reduction of GM s retained economic interest in Hughes and contemplated that Hughes and EchoStar would merge in a transaction in which the GM Class H common stock and the common stock of EchoStar would be valued on the basis of market prices. Another alternative proposal included the sale of Hughes indirect interest in PanAmSat to EchoStar in the event that the merger was not permitted and in the event that the joint operating agreement was entered into between the parties. At this time, the basic terms of the proposal by The News Corporation and Sky Global Networks remained substantially the same as those presented to the senior executives of GM and Hughes and their financial, legal and other advisors in April 2001.

In late June, General Motors and Hughes concluded that, despite the significant synergies and value expected to be created by a merger of Hughes and EchoStar, a transaction with EchoStar on the terms presented was not as attractive an alternative as the transaction then being proposed by Sky Global Networks and The News Corporation. This judgment was based primarily on the determinations that the economic terms then proposed by EchoStar were less desirable to GM, Hughes and the GM common stockholders, that the Sky Global Networks transaction had a potential for future value creation that was not provided by the transaction proposed by EchoStar because, among other things, the Sky Global Networks transaction provided an alignment with a content provider with a global presence and that the merged Hughes/ Sky Global Networks entity would have greater financial strength than a merged Hughes/ EchoStar entity, as well as the belief that the transaction proposed by Sky Global Networks had a greater certainty of completion and continuing concerns regarding the regulatory issues involved in a transaction with EchoStar. On July 9, 2001, General Motors and Hughes expressed their concerns to EchoStar in a written response to the EchoStar proposal.

From May through July 2001, General Motors and Hughes, with the assistance of their respective financial, legal, tax, accounting and other advisors, continued their discussions with Sky Global Networks and The News Corporation and their advisors regarding the possibility of a combination of Hughes and Sky Global Networks following a separation of Hughes from GM. During this period of May through July 2001, GM and Hughes management provided periodic updates and information to the GM capital stock committee, the Hughes board of directors and the GM board of directors regarding the status of potential transactions involving the combination of Hughes with Sky Global Networks or EchoStar. In particular, at the May 21, 2001 and May 31, 2001 meetings of the Hughes board of directors and the June 25, 2001 and July 5, 2001 joint meetings of the Hughes board of directors and the GM capital stock committee, Hughes and GM management provided reports regarding the status of these discussions. On May 25, 2001, Mr. Michael T. Smith retired as Chairman and Chief Executive Officer of Hughes. Mr. Harry J. Pearce was elected as the new Chairman of Hughes, and Mr. Jack A. Shaw was appointed as the new Chief Executive Officer of Hughes. In addition, at the June 5, 2001 meeting of the GM board of directors, Mr. Devine, Mr. Feldstein and Mr. Shaw reported to the GM board of directors regarding the status of the discussions with Sky Global Networks and The News Corporation and the discussions with EchoStar.

EchoStar Public Proposal. On August 5, 2001, EchoStar publicly disclosed a proposal to merge Hughes into EchoStar in an all-stock transaction. A letter from EchoStar outlining the proposal was sent to the GM board of directors and simultaneously publicly released. The terms of the proposed merger included the distribution of 0.75 shares of EchoStar common stock in exchange for each share of GM Class H common stock. The proposal was reviewed at an August 7, 2001 meeting of the General Motors board of directors. General Motors and Hughes determined that the terms of the transaction, as then proposed by EchoStar, did not address certain of the key objectives of GM and Hughes with respect to such a transaction, including the lack of a cash liquidity component for GM in respect of its retained economic interest in Hughes, assurance of a tax-free transaction for GM and its stockholders and a means for protecting the interests of General Motors and Hughes in the event that a merger of Hughes and EchoStar could not be completed due to regulatory difficulties. As such, GM and Hughes determined that the terms as then proposed by EchoStar were, considered as a whole, inferior to the terms previously proposed by EchoStar. However, due to the significant potential synergies and value expected to be created by a merger of Hughes and EchoStar, General Motors and Hughes determined to continue discussions with EchoStar regarding the possibility of a combination of Hughes and EchoStar, in parallel with the ongoing discussions relating to a combination of Hughes with Sky Global Networks. In these continuing discussions, General Motors, Hughes and EchoStar discussed alternative deal structures and explored additional means of adequately protecting General Motors and Hughes in the event that regulatory clearance for a merger of Hughes and EchoStar could not be obtained.

On August 19, 2001, EchoStar proposed to General Motors and Hughes two alternative transaction structures designed to address some of the concerns previously expressed by GM and Hughes. The first alternative was structured as a single-step combination of Hughes business with EchoStar s and consisted of a reduction of $6.7 billion of GM s retained economic interest in Hughes in exchange for $5.0 billion of cash and a $1.7 billion promissory note to be followed by a separation of Hughes from General Motors and a merger of Hughes into EchoStar in which 0.75 shares of EchoStar common stock would be exchanged for each share of GM Class H common stock. The second alternative was structured as a two-step combination of Hughes business with EchoStar s and was designed to provide funding for the Hughes business in the near term, before regulatory clearance could be achieved for a merger of Hughes and EchoStar. It consisted of the initial purchase by EchoStar of Hughes interest in PanAmSat for $3.7 billion of cash and $0.3 billion of EchoStar common stock and the subsequent merger of PanAmSat into EchoStar, providing the public holders of PanAmSat common stock with EchoStar common stock at the same valuation as EchoStar s purchase of Hughes indirect interest in PanAmSat. The second option also involved a reduction of GM s retained economic interest in Hughes and a separation and merger transaction on the same terms as the first option, with these transactions being executed at a later time following the receipt of all applicable stockholder and regulatory approvals. Both options provided for a $600 million mutual break-up fee under certain circumstances in the event that certain regulatory clearances for the proposed transaction were not received.

Throughout August, September and October 2001, while simultaneously continuing discussions with Sky Global Networks and The News Corporation, General Motors, Hughes and EchoStar, with assistance from their respective advisors, continued their discussions, in conjunction with proposals and counter-proposals between the parties, regarding the possibility of a strategic transaction along the lines EchoStar had proposed. Among the matters discussed were the availability of financing for the contemplated transactions and the regulatory issues that would be faced in obtaining clearance for a merger of Hughes and EchoStar. Analysis of the regulatory issues associated with a merger of EchoStar and Hughes continued. As part of this effort, Hughes and EchoStar exchanged information regarding recent developments and trends in their competitive environment, including the increase in competition each of Hughes and EchoStar were encountering from cable television companies and other competitors due to technological advancements and the growing implementation by cable companies of newer technology in 2001, including the growth of digital cable. This significant evolution and expansion of competition in the market for multi-channel voice distribution and the fact that a merger between Hughes and EchoStar would increase competition in that market caused EchoStar to agree in these discussions that it was prepared to withdraw its suit. These developments lessened the concerns of General Motors and Hughes regarding the regulatory issues that might be involved in a transaction between EchoStar and Hughes.

During this time, GM and Hughes management provided periodic updates to the GM capital stock committee, the Hughes board of directors and the GM board of directors, including, among other things, information regarding the status of potential transactions involving Sky Global Networks and EchoStar. In these updates, GM and Hughes management reported on the status of the development of a possible transaction involving Hughes, including the status of discussions with Sky Global Networks and The News Corporation and the status of discussions with EchoStar, and described various open issues associated with each of the potential transactions.

At the August 29, 2001 joint meeting of the Hughes board of directors and the GM capital stock committee, management of GM and Hughes reported on the EchoStar proposals and discussed potential regulatory issues associated with a combination of Hughes with EchoStar. At this meeting, Mr. Feldstein, Mr. Hartenstein and Mr. Walker provided an update regarding various aspects of the negotiations with both parties. On September 5, 2001, at another joint meeting of the Hughes board of directors and the GM capital stock committee, Mr. Feldstein and Mr. Walker presented an update on the status of discussions with both Sky Global Networks, The News Corporation and EchoStar.

At additional joint sessions of the Hughes board of directors and the GM capital stock committee on September 26 and September 28, 2001, Mr. Devine, Mr. Shaw, Mr. Feldstein and Mr. Walker, among others, provided further status reports regarding the negotiations relating to both potential transactions. In addition, concerns on the part of General Motors and Hughes with the financing arrangements available for an EchoStar transaction and with the antitrust issues that would be faced in completing a transaction were discussed. At the September 28, 2001 meeting, the Hughes board of directors and the GM capital stock committee, after a discussion of the merits and risks of both proposed transactions, authorized the management of General Motors and Hughes to proceed with final negotiations with Sky Global Networks and The News Corporation to resolve all of the open issues in connection with a transaction involving Hughes and Sky Global Networks, subject to board approval of the final terms and conditions. At the same time, the Hughes board of directors, with the endorsement of the GM capital stock committee, authorized Hughes management to continue discussions with EchoStar with a view towards providing EchoStar an opportunity to submit a final offer with respect to a transaction involving Hughes that would address the concerns which General Motors and Hughes had with EchoStar s previous proposal. At the October 2, 2001 meeting of the GM board of directors, Mr. Devine and Mr. Walker provided an update on both potential transactions to the GM board of directors.

October 19, 2001 Hughes Board and GM Capital Stock Committee Meeting. At the October 19, 2001 meeting of the Hughes board of directors and the GM capital stock committee, GM and Hughes management presented a further update regarding the status of the development of a possible transaction involving Hughes, including the status of discussions with Sky Global Networks and The News Corporation regarding a combination of Hughes with Sky Global Networks and the status of discussions with EchoStar regarding a combination of Hughes with EchoStar. Management of GM and Hughes described the proposed terms of each of the transactions, including the relative advantages and disadvantages of each such transaction, and identified the remaining open issues associated with each transaction. After discussion, the Hughes board of directors and GM capital stock committee determined that GM and Hughes should inform Sky Global Networks, The News Corporation and EchoStar that their final proposals for a transaction with Hughes should be submitted to GM and Hughes by October 24 so that the Hughes board of directors, GM capital stock committee and GM board of directors would be positioned to consider both proposals and make a final decision about Hughes pursuing a strategic transaction. The Hughes board of directors and the GM capital stock committee determined to reconvene, together with the GM board of directors, on October 27, 2001 for this purpose.

Following the October 19, 2001 meeting, GM and Hughes, with the assistance of their respective financial, legal, tax, accounting and other advisors, continued discussions and negotiations with Sky Global Networks and The News Corporation and with EchoStar, in each case with their respective advisors, regarding the terms of, and definitive documentation relating to, a possible transaction involving a combination of Hughes with each of these companies following the separation of Hughes from GM pursuant to a split-off.

As a result of the negotiations during this period among GM, Hughes, Sky Global Networks and The News Corporation, the terms of a transaction involving the combination of Hughes with Sky Global Networks following the separation of Hughes from GM pursuant to a split-off that would be presented by the parties to their boards of directors were agreed upon. At this time, Sky Global Networks and The News Corporation informed GM and Hughes of their determination to withdraw their proposal in the event that the proposed transaction involving Hughes and Sky Global Networks was not approved by the GM board of directors at its meeting scheduled for October 27, 2001. At this time, the basic terms of the transaction proposed by The News Corporation and Sky Global Networks consisted of:

Hughes paying a dividend to GM of up to $3.5 billion in cash and $1.0 billion in the form of a promissory note and an associated reduction of GM s retained economic interest in Hughes;

the merged entity providing GM stock appreciation rights with respect to a notional amount of shares equivalent to the reduction in GM s retained economic interest which would allow GM to benefit from any increase in the share price of the merged Hughes/Sky Global entity;

the split-off of Hughes from GM;

the merger of Hughes and Sky Global Networks, with each share of Hughes common stock outstanding after the split-off of Hughes from GM being converted into one share of common stock of Sky Global Networks. As a result, without taking into account the reduction in GM s retained economic interest in Hughes or any strategic investments in the merged entity, GM and the GM common stockholders would own 72% of the merged Hughes/Sky Global entity;

financing for the merger transaction in the amount of $5.0 billion in committed bank facilities and investments by two strategic investors of a total of $3.5 billion in cash in the merged entity as well as $400 million in contributed assets;

commercial arrangements proposed to DIRECTV by two strategic investors in connection with their investments. In addition, the merged entity would enter into commercial arrangements with The News Corporation and other related parties, and GM would enter into commercial arrangements with The News Corporation; and

indemnification by GM to the merged entity for certain contingent liabilities of Hughes.

As a result of the negotiations during this period among GM, Hughes and EchoStar, the terms of a transaction involving the combination of Hughes with EchoStar following the separation of Hughes from GM pursuant to a split-off that would be presented by the parties to their boards of directors were agreed upon. However, during the evening of October 26, 2001, discussions with EchoStar s commercial banks regarding the terms of the financing commitments from one of EchoStar s two commercial banks faltered and, as a result, it appeared that EchoStar would be unable before the upcoming meeting of the GM board of directors and Hughes board of directors to obtain the commitments for the full amount of the financing required in order to complete the transaction that the parties had contemplated presenting to their boards of directors. At this time, the basic terms of the transaction proposed by EchoStar consisted of the following, as described in greater detail elsewhere in this document:

the Hughes dividend distribution of up to $4.2 billion in cash and an associated reduction of GM s retained economic interest in Hughes;

the right of GM to engage in GM debt-for-equity exchanges involving up to 100 million shares to permit GM to obtain additional liquidity;

the split-off of Hughes from GM;

the Hughes/ EchoStar merger, with each share of EchoStar Class A common stock and each share of EchoStar Class B common stock being converted into 1/0.73, or about 1.3699, shares of the Class A common stock and Class B common stock of New EchoStar, respectively;

financing for the merger transaction in the amount of $5.525 billion from bank facilities which, as described above, were not committed in full at that time, and $1.5 billion in cash from EchoStar;

the PanAmSat stock sale; and

payment by EchoStar of a $600 million regulatory termination fee under the circumstances described elsewhere in this document.

October 27, 2001 Hughes Board, GM Capital Stock Committee and General Motors Board Meeting. On October 27, 2001, there was a joint meeting of the Hughes board of directors, the GM capital stock committee and the GM board of directors. All members of the Hughes board of directors were present at or participated by teleconference in the meeting and all except four members of the GM board of directors were present at or participated by teleconference in the meeting. The meeting was also attended by representatives of Kirkland & Ellis, legal counsel to GM, Weil, Gotshal & Manges LLP, legal counsel to Hughes, and Latham & Watkins, special counsel to the management and directors of Hughes, in connection with the proposed transactions.

Mr. John F. Smith, Jr. opened the meeting by noting the long history of board activity in prior meetings in which it had reviewed potential strategic transactions involving Hughes and commenting on the necessity of the meeting for reaching a resolution regarding the ultimate structure of a transaction which would provide for the separation of Hughes from GM and its subsequent merger with either Sky Global Networks or EchoStar.

Mr. Wagoner, Mr. Eckhard Pfeiffer, as Chairman of the GM capital stock committee, Mr. Pearce and Mr. Shaw added further introductory comments, and each of them commented briefly on the purposes of the meeting, and the interests of stockholders, employees, customers and the general public that were to be addressed by the potential transactions.

Mr. Devine then discussed the immediate issues regarding a potential transaction involving Hughes. Mr. Devine explained that, after many months of negotiations, two alternative transactions regarding Hughes had been developed to a stage at which it was appropriate for the GM board of directors and the Hughes board of directors to consider a decision between them. Mr. Devine noted that the principal objective of any transaction involving Hughes was to enhance the value of Hughes and General Motors for the benefit of GM stockholders. Other important aspects included achieving increased liquidity for General Motors in the context of a separation of Hughes from General Motors and attaining reasonable certainty that the transaction, which was expected to take about a year to complete, would be completed. He noted that each of the potential transactions with Sky Global Networks and EchoStar would address the principal objective, albeit in different ways.

Mr. Devine informed the directors that, while all elements of the potential transaction with Sky Global Networks had been negotiated and documented including committed financing arrangements, certain aspects of the EchoStar transaction relating to its financing had not been finalized. In particular, Mr. Devine noted that commitments for only half of the financing needed for a transaction between Hughes and EchoStar was then available, although EchoStar was confident that it could obtain the necessary commitments in the near term. Mr. Devine also stated that GM s and Hughes financial advisors expected that, in time, satisfactory financing for a transaction between Hughes and EchoStar could likely be arranged.

Mr. Devine stated that representatives of Sky Global Networks and The News Corporation had informed him that its proposed transaction would not continue to be available unless it was approved at that meeting. Accordingly, both potential transactions as they then existed were being presented to the directors for their consideration.

Mr. Devine noted that briefing materials describing the two alternative potential transactions had been distributed to the directors in advance of the meeting and confirmed that these materials had been received by all such directors. He added that negotiations regarding various terms, particularly the financing of the EchoStar transaction, had continued until a few hours before the commencement of the meeting and that the most recent developments would be discussed at the meeting.

Mr. Walker then discussed the two alternative transactions involving Hughes. He provided, first, a summary of the potential transaction with Sky Global Networks, including the common structural aspects of the Sky Global Networks transaction and the EchoStar transaction. Both transactions essentially consisted of a split-off of Hughes from General Motors pursuant to a redemption of the outstanding GM Class H common stock in exchange for stock of the split-off company, immediately followed by a combination of the Hughes business with the other party by means of a merger. Generally speaking, the proposed terms of separation of Hughes from General Motors were similar in both transactions. It was noted that the transaction with Sky

Global Networks involved certain strategic investors, including certain commercial arrangements between the combined company and these investors.

Mr. Walker outlined the financing that would be involved in the Sky Global Networks transaction, the market and regulatory contingencies involved in the transaction and the stockholder approval requirements for the transaction. During this presentation, legal counsel commented on the tax aspects of the potential transaction with Sky Global Networks, including the rulings that would be sought from the IRS regarding the tax-free nature of the separation of Hughes from GM, receipt of which was a condition to the completion of the transaction and noted that essentially the same requirements would apply to the EchoStar transaction.

At the end of Mr. Walker s discussion of the terms of the Sky Global Networks transaction, a discussion commenced regarding the financing available for that transaction in comparison with that available for the EchoStar transaction and related matters. This discussion led to a more general discussion of the relative advantages and disadvantages of the EchoStar transaction and the Sky Global Networks transaction. During this discussion, Mr. Devine reported that a letter had just been received from Mr. Ergen concerning potential revisions to the financing terms for the proposed EchoStar transaction. A discussion of how to respond to this development ensued, after which there was a brief recess of the meeting in order to facilitate review and consideration among management of GM and Hughes and their respective financial and legal advisors concerning Mr. Ergen s letter, including possible discussions with EchoStar and its investment bankers.

When the meeting reconvened, Mr. Devine reviewed further the content of the letter from Mr. Ergen, copies of which were made available to the persons present at the meeting, and certain additional telephone discussions with representatives of EchoStar and its investment bankers held during the recess. The letter emphasized the high degree of confidence which EchoStar and its financial advisors had that committed financing needed for their proposed transaction could be obtained within a short period and contained an offer from Mr. Ergen to satisfy any potential concerns of GM and Hughes regarding EchoStar s ability to obtain financing commitments for the transaction by pledging a significant amount of Mr. Ergen s personal stake in the common stock of EchoStar to demonstrate his confidence that the needed financing commitments would be attained. The letter and the alternatives available to GM and Hughes in light of Mr. Ergen s offer were commented on by various directors, Mr. Devine, Mr. Walker and by the representatives of the financial advisors to GM and Hughes and the legal counsel to GM and Hughes.

After this discussion, Mr Walker reviewed the transaction terms that had developed through the most recent negotiations with EchoStar and its potential lenders, which had continued until a few hours before the meeting commenced. He explained the concerns of GM and Hughes with respect to the financing of the EchoStar transaction, which EchoStar and its financial advisors and potential lenders had not at the point those negotiations had ended been able to satisfactorily address.

Mr. Walker then reviewed the conditions to the completion of the alternative transactions. Legal counsel commented on the antitrust reviews to which the transactions would be subject, assessed the antitrust analysis of the transactions and compared the analysis of the EchoStar transaction to the analysis of the Sky Global Networks transaction. A discussion followed of the arrangements that had been negotiated with EchoStar in the event that antitrust clearance for a merger between Hughes and EchoStar was not achieved, including EchoStar s purchase of Hughes interest in PanAmSat and payment of a significant termination fee to Hughes under certain circumstances. The consequences for Hughes competitive position of such a development were also discussed. Mr. Walker then discussed the comparative merits (including potential synergies), risks and opportunities associated with each of the alternative transactions. The risks and benefits from the perspective of both the GM Class H common stockholders and the GM $1 2/3 par value common stockholders were discussed. Because the two alternative transactions were structured in a similar manner, the risks and benefits to the GM Class H common stockholders and the GM $1 2/3 par value common stockholders were substantially the same with respect to both transactions, except to the extent of the differences in the potential synergies, the liquidity to be provided to General Motors in respect of its retained economic interest in Hughes and the obligations of GM with respect to certain Hughes contingent liabilities in the two proposed transactions. The risks and benefits of the transaction proposed by EchoStar are more fully described below at Certain Effects of the Transactions on GM Common Stockholders. On the basis of all relevant factors (including the differences noted above), it was determined that, on balance, the transaction proposed by EchoStar was more favorable to both classes of GM common stockholders than the transaction proposed by Sky Global Networks and The News Corporation. The two alternative transactions were also compared to the prospect of a Hughes stand-alone strategy. Also discussed were the actions that EchoStar might take if Hughes and GM pursued a transaction with Sky Global Networks and the actions that Sky Global Networks and The News Corporation might take if Hughes and GM pursued a transaction with EchoStar. Members of Hughes management and others present commented on these matters in the course of these presentations and numerous questions about the matters presented were asked by the directors and answered.

Representatives of Merrill Lynch, together with representatives of Bear Stearns, and representatives of Credit Suisse First Boston, together with representatives of Goldman Sachs, made presentations at this time with respect to the proposed transaction involving Sky Global Networks. During the presentations, questions from the directors were asked and answered. Counsel to the independent directors then reviewed the fiduciary duties of the directors of GM and Hughes in relation to the potential transactions under consideration. The long history of deliberation by the GM board of directors, the GM capital stock committee and the Hughes board of directors regarding a strategic transaction involving Hughes was reviewed, as was the information which had been delivered to the directors concerning the subject over the period of such deliberation and the role played by the directors in overseeing management s development of the transactions now being considered by the directors. The detailed information that had been provided to the directors in preparation for the meeting was also noted. Finally, the process for consideration of the proposed transactions by the Hughes board of directors, the GM capital stock committee and the GM board of directors that was being undertaken at the meeting was reviewed and counsel provided advice on the proper discharge of the directors role relating to the potential transactions.

At this time, management of Hughes and GM were asked to discuss their views concerning the relative merits of the alternative proposals of Sky Global Networks and EchoStar. A discussion of the relative terms, risks and benefits of the alternative transactions then ensued among management and the directors, as well as the financial and legal advisors present at the meeting. The meeting then briefly recessed.

After the recess, Mr. Wagoner outlined the conclusions of GM senior management regarding the alternatives facing the directors. Mr. Wagoner expressed the view that, although resolution of significant antitrust issues would apparently be necessary in order to complete the potential EchoStar transaction, the assessment of the risks that would be involved in doing so and of the other risks to successful completion of the EchoStar transaction was not out of line with the assessment of the overall risks to successful completion of the Sky Global Networks transaction. In contrast, he noted the consensus judgment which had emerged in the discussions during the meeting to the effect that the financial terms of the EchoStar transaction, most notably the higher implied premium to be received by GM and its common stockholders in the transaction, were more favorable than those of the Sky Global Networks transaction and that the synergies and upside potential for all GM common stockholders seemed to be significantly greater if GM and Hughes were able to complete the EchoStar transaction than would be the case if the Sky Global Networks transaction were completed.

Mr. Wagoner concluded that, given the recent proposal from Mr. Ergen, further effort to achieve a final agreement on a potential EchoStar transaction was warranted and he then proposed that the meeting be recessed until October 28, 2001 with directions to the GM and Hughes teams working on the matter to negotiate with the EchoStar team in order to develop definitive agreements which could form a basis for management and the financial advisors to GM and Hughes recommending to the directors that a transaction with EchoStar be authorized. The risk that the Sky Global Networks transaction would no longer be available if GM and Hughes proceeded in this manner was noted. Mr. Wagoner s proposal was discussed by the directors and accepted by all members of the GM board of directors and the Hughes board of directors present and the meeting was recessed until the afternoon of October 28, 2001.

Following the recess of the GM board of directors meeting on October 27, 2001, Sky Global Networks and The News Corporation publicly announced the withdrawal of their proposal to enter into a strategic transaction involving Hughes.

Also following the recess of the meeting, GM and Hughes management, with the assistance of their respective financial, legal, tax, accounting and other advisors, finalized the terms of the GM/ Hughes separation transactions and the Hughes/ EchoStar merger with EchoStar s management and its advisors, resolved all outstanding issues, including the terms of an interim GM financing commitment to be secured by the EchoStar stock beneficially held by Mr. Ergen, and finalized all terms of the definitive agreements relating to these transactions.

October 28, 2001 Hughes Board Meeting. On October 28, 2001, the Hughes board of directors met, in a continuation of the joint session with the GM board of directors and the GM capital stock committee that had been convened on October 27, 2001, to discuss and consider the definitive terms of the GM/ Hughes separation transactions and the Hughes/ EchoStar merger. All members of the Hughes board of directors were present at or participated by teleconference in the meeting. The presentations made, including the joint presentation from representatives of Credit Suisse First Boston and Goldman Sachs, financial advisors to Hughes in connection with the Hughes/ EchoStar merger, and other matters discussed at this meeting are described below as part of the description of the October 28, 2001 meeting of the GM board of directors, which was held concurrently.

After receiving the recommendations of Hughes management and considering the other presentations made and information delivered at the meeting, as further described below, and the information and advice previously provided to and the previous deliberations of the Hughes board of directors, the Hughes board of directors unanimously determined that the Transactions, including the execution, delivery and performance of the Hughes/ EchoStar merger agreement, the implementation agreement and the GM/Hughes separation agreement, were advisable, desirable and in the best interests of Hughes and its stockholder and approved all elements of the GM/ Hughes separation transactions, the Hughes/ EchoStar merger and related transactions requiring its approval and recommended to the GM board of directors that it approve the Hughes/ EchoStar merger.

October 28, 2001 GM Capital Stock Committee Meeting. On October 28, 2001, the GM capital stock committee met, in a continuation of a joint session with the GM board of directors and the Hughes board of directors that had been convened on October 27, 2001, to discuss and consider the definitive terms of the GM/Hughes separation transactions and the Hughes/ EchoStar merger and related transactions. All members of the committee were in attendance at this meeting.

The GM capital stock committee reviewed and considered the matters discussed at the meeting, as discussed above and below, and the recommendation of GM and Hughes management and the Hughes board of directors that the GM board of directors approve the GM/ Hughes separation transactions and the Hughes/ EchoStar merger and related transactions as proposed. After considering the presentations made and information delivered at the meeting and the information and advice previously provided to and reviewed by the committee and its prior deliberations, the committee unanimously concluded that the GM/ Hughes separation transactions and Hughes/ EchoStar merger and related transactions, on the terms and conditions presented, were as of such date advisable, desirable and in the best interests of GM and its common stockholders and fair to each class of GM common stockholders and recommended to the GM board of directors that General Motors enter into the agreements relating to the Transactions.

October 28, 2001 General Motors Board Meeting. On October 28, 2001, the GM board of directors met, in a continuation of a joint session with the GM capital stock committee and Hughes board of directors that had been convened on October 27, 2001, to discuss and consider the definitive terms of the GM/ Hughes separation transactions and the Hughes/ EchoStar merger and related transactions. All except three members of the GM board of directors were present at or participated by teleconference in the meeting.

At the October 28, 2001 meeting, Mr. Feldstein provided a report of the developments since the meeting recessed. He noted the withdrawal by Sky Global Networks of its proposal and reported on the resolution which had been reached on each of the items that had remained open with EchoStar when the meeting had recessed. Referencing briefing material that had previously been sent to the directors, Mr. Feldstein explained that the financing issues identified in the previous day s discussion had been addressed on an interim basis pursuant to an arrangement involving the pledge of $2.7625 billion of EchoStar Class B common stock beneficially held by Mr. Ergen. Under this arrangement, General Motors would agree to fund $2.7625 billion of the financing required for the transaction with EchoStar, with the expectation that its commitment would be replaced by alternative financing sources as soon as possible following announcement of the transaction. If such alternative financing were not obtained prior to the time when the transaction was to close, General Motors would provide the necessary financing and receive a promissory note collateralized with the stock of Mr. Ergen. Mr. Feldstein noted that all other aspects of the transaction were the same as previously presented to the directors.

Mr. Michael Gaines, Vice President and Chief Financial Officer of Hughes, then provided a report on Hughes plan for funding its operations from October 28, 2001 through the anticipated closing date of a transaction between Hughes and EchoStar. Various questions were then asked and answered.

At this time, Mr. Pfeiffer on behalf of the non-management directors asked senior management of both GM and Hughes to present their conclusions concerning the proposed transaction and the previously identified strategic objectives for a transaction involving Hughes. Mr. Shaw enthusiastically recommended that General Motors and Hughes enter into the proposed transaction with EchoStar. Mr. Wagoner, with similar enthusiasm, supported the proposed EchoStar transaction as the means of best enhancing stockholder value and the interests of GM and Hughes.

The GM board of directors also received the joint presentation from representatives of Credit Suisse First Boston and Goldman Sachs, financial advisors to Hughes in connection with the Hughes/ EchoStar merger, and oral opinions, later confirmed in writing, from each of them to the effect that, based upon and subject to the matters described in the opinions and based upon such other matters as such financial advisors considered relevant, as of the date of that opinion and based on market conditions on that date, the exchange ratios set forth in the Hughes/ EchoStar merger agreement were fair from a financial point of view to the holders of Hughes Class C common stock immediately prior to the Hughes/ EchoStar merger, including General Motors, the holders of GM $1 2/3 par value common stock and the holders of GM Class H common stock, as applicable. The fairness opinions from the Hughes financial advisors were also addressed to the Hughes board of directors. For more information about the fairness opinions received from the Hughes financial advisors, see Fairness Opinions of Hughes Financial Advisors.

In addition, the GM board of directors received presentations from representatives of Merrill Lynch and Bear Stearns, financial advisors to General Motors in connection with the proposed transactions, and oral opinions, later confirmed in writing, from each of them to the effect that, on the basis of and subject to the assumptions, conditions, limitations and other matters described therein, as of that date, taking into account all relevant financial aspects of the Transactions taken as a whole, the consideration to be provided to General Motors and its subsidiaries, to the holders of the GM $1 2/3 par value common stock, if applicable, and the holders of the GM Class H common stock in the GM/ Hughes separation transactions was fair, from a financial point of view, to the holders of the GM $1 2/3 par value common stock as a class and the holders of the GM Class H common stock as a class, respectively. For more information about the fairness opinions received from the GM financial advisors, see Fairness Opinions of GM s Financial Advisors.

After receiving the recommendations of Hughes management, the Hughes board of directors, GM management and the GM capital stock committee and considering the other presentations made and information delivered at the meeting and the information and advice previously provided to and reviewed by the board of directors and its prior deliberations, the GM board of directors, by unanimous vote of the directors present, determined that the Transactions, including the execution of the implementation agreement, the contribution of the stock of Hughes to a newly formed holding company which would become the parent company of Hughes at the time of the Hughes split-off and the amendments to GM s restated certificate of incorporation in connection with the Transactions, were advisable, desirable and in the best interests of General Motors and its stockholders. In addition, the GM board of directors, by the same vote, determined that, as of October 28, 2001, the GM/Hughes separation transactions, on the terms and subject to the conditions presented, would be fair to the GM $1 2/3 par value common stockholders and the GM Class H common stockholders. On such date, the GM board of directors further determined, by the same vote, that, subject to its fiduciary duties under applicable law, the GM board of directors would recommend the

GM/Hughes separation transactions for approval by the GM common stockholders. Accordingly, the GM board of directors approved and authorized the GM/ Hughes separation transactions, the Hughes/ EchoStar merger and related transactions.

On October 28, 2001, General Motors, Hughes and EchoStar signed definitive agreements relating to the Transactions and jointly issued a press release announcing their agreement to enter into the Transactions.

On November 1, 2001, the lawsuit filed by EchoStar against Hughes and certain other parties in February, 2000 was dismissed with prejudice. In addition, all counterclaims made by Hughes in connection with that lawsuit were dismissed with prejudice.

On November 5, 2001, EchoStar succeeded in obtaining a commitment from an alternative financing source, Credit Suisse First Boston, for the $2.7625 billion financing commitment provided by General Motors in connection with the transactions. Accordingly, the GM interim financing commitment, and the related pledge of EchoStar stock by Mr. Ergen, were terminated.

From time to time since October 28, 2001, the GM board of directors and the Hughes board of directors have received information and updates regarding the status of the Transactions.

Further Discussions with EchoStar; Restatement of Transaction Agreements. From time to time after the execution of the definitive agreements with EchoStar on October 28, 2001, representatives of GM, Hughes and EchoStar, and their respective advisors, have engaged in discussions regarding various matters relating to the Transactions.

On December 14, 2001, General Motors and Hughes provided their written consent to EchoStar s execution of agreements relating to a $1.5 billion investment by Vivendi Universal in preferred stock of EchoStar and the issuance of $700 million of EchoStar DBS Senior Notes. For a description of the Vivendi Universal investment and the EchoStar DBS Senior Notes offering, see Description of the Transactions Hughes/ EchoStar Merger Financings. On December 14, 2001, General Motors, Hughes and EchoStar also amended several provisions of the implementation agreement and the Hughes/ EchoStar merger agreement to reflect certain of the terms of the investment by Vivendi Universal.

At the time of the signing in October 2001, General Motors, Hughes and EchoStar had anticipated that certain modifications to the structure of the Transactions might become appropriate. As a result, the parties agreed to appropriately amend and restate certain of the transaction agreements upon the final determination of the nature and scope of such structural modifications. On , 2002, the parties amended and restated the transaction agreements entered into at the signing to reflect, among other things, the creation of a holding company which would become the parent company of Hughes at the time of the Hughes split-off and Hughes/ EchoStar merger and the corporate entity into which EchoStar would be merged pursuant to the Hughes/ EchoStar merger.

In addition, as contemplated by the terms of a letter agreement entered into by and among General Motors, certain employee benefit plans of General Motors, Mr. Ergen and EchoStar at the time of the signing in October 2001, the parties continued negotiations relating to the terms of registration rights agreements. For more information about these registration rights agreements, see Shares Eligible For Future Sale.

Negotiations among GM, Hughes and EchoStar also continued with respect to the terms of the certificate of incorporation, bylaws and stockholders rights plan for New EchoStar. For more information about these arrangements, see New EchoStar Capital Stock.

Recommendations of the Hughes Board of Directors, the GM Capital Stock Committee, and the GM Board of Directors; Fairness of the GM/ Hughes Separation Transactions and the Hughes/ EchoStar Merger

As described above, the managements and directors of General Motors and Hughes considered over a significant period of time the strategic challenges facing Hughes and reviewed and assessed various alternatives for a strategic transaction involving Hughes that would meet those challenges, including holding exploratory discussions with numerous telecommunications companies and detailed negotiations over proposals submitted by Sky Global Networks and The News Corporation and proposals submitted by EchoStar. See Alternatives to the Transactions and GM s Development of the Transactions above. Based on this lengthy consideration, at meetings held on October 28, 2001, the Hughes board of directors, the GM capital stock committee and the GM board of directors acted on the Transactions.

The Hughes board of directors has unanimously approved the Transactions, and recommended to the GM board of directors that it approve the Hughes/ EchoStar merger.

The GM capital stock committee also unanimously recommended to the GM board of directors that General Motors enter into the agreements relating to the Transactions. The GM board of directors, upon the recommendation of GM management and the GM capital stock committee, as well as the recommendation of Hughes management and the Hughes board of directors, unanimously determined that the Transactions, including the execution of the implementation agreement, the contribution of the stock of Hughes to a newly formed holding company and the amendments to GM s restated certificate of incorporation in connection with the Transactions, were advisable, desirable and in the best interests of General Motors and its stockholders and approved these matters. In addition, the GM board of directors, upon recommendation of the GM capital stock committee, has unanimously determined that the Transactions, on the terms and subject to the conditions of the transaction agreements, would be fair to the GM $1 2/3 par value common stockholders and the GM Class H common stockholders and recommends the GM/Hughes separation transactions for approval by the GM common stockholders.

In considering the Transactions, the GM board of directors concluded that a potential strategic transaction involving the separation of the Hughes business from GM that 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, as currently provided for under certain circumstances in accordance with provisions of the GM restated certificate of incorporation, would not be in the best interests of GM and its common stockholders. A recapitalization under such provisions, although it would provide a 20% premium to the GM Class H common stockholders in comparison to the trading price of the GM Class H common stock at the time the exchange rate would be set under these provisions, 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, instead of having a tracking stock investment in the Hughes business, would then have a more conventional investment in all of GM s operations. Accordingly, in light of the substantial benefits which the Transactions are expected to provide to the holders of both classes of GM common stock, the GM board of directors determined that the Transactions should be structured so as not to result in a recapitalization under the relevant provisions of the GM restated certificate of incorporation and, for this purpose, determined to recommend to the GM common stockholders the proposed amendment of the GM restated certificate of incorporation.

In granting their approvals and making their recommendations, the Hughes board of directors, GM capital stock committee, and GM board of directors all considered a number of factors, including the following which were considered material positive aspects of the Transactions if completed:

Enhanced Competitive Position of Hughes. The Transactions are expected to better position Hughes to compete in the multi-channel video programming distribution market and, overall, in the telecommunications industry. The combination of Hughes and Echostar would create one of the largest subscription television platforms, enabling New Echostar to compete more effectively with cable television providers (who currently account for about 80 percent of the multi-channel video programming distribution market) and provide New EchoStar with a significant opportunity to develop an expanded business in the consolidating telecommunications industry.

Potential Cost and Revenue Synergies. The combination of Hughes and EchoStar is expected to provide New EchoStar with an opportunity to realize significant economies of scale and generate substantial cost and revenue synergies. The principal elements of the expected cost savings include reductions in subscriber acquisition costs, reduced customer turnover, lower programming costs and elimination of duplicative overhead costs. The principal elements of the expected revenue growth opportunities include greater availability of less expensive broadband services, penetration of more local markets with access to local programming, expansion of high definition television, specialty programming, video-on-demand and pay-per-view programming.

Premium Valuation of Hughes. The Transactions, as negotiated with Echostar, offered a significant implied premium to GM and GM common stockholders for their interests in Hughes, based on the implied exchange ratio of GM Class H common stock for common stock of New EchoStar in the Hughes/ EchoStar merger and on the closing stock price of the GM Class H common stock on October 25, 2001, the last trading day before the announcement of the Transactions.

Liquidity for GM; Credit Rating Support. The Transactions are expected to provide significant liquidity to General Motors in respect of its retained economic interest in Hughes, which will help to support the credit position of GM after the Transactions. The anticipated liquidity will result primarily from:

GM s receipt of a dividend of up to $4.2 billion in cash from Hughes as part of the Hughes recapitalization;

as and to the extent applicable, the reduction in GM indebtedness that may result from any GM debt-for-equity exchanges, as described in greater detail elsewhere in this document; 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.

The liquidity that GM would receive from the Hughes dividend distributions and the associated reduction of its retained economic interest in Hughes would be provided based on the trading price of the GM Class H common stock after receipt of the necessary approvals for the Transactions and determined during a specified period preceding the completion of the Transactions.

Tax-Free Transaction. 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 for U.S. federal income tax purposes as a result of the Hughes split-off, and neither HEC Holdings nor the holders of HEC Holdings Class C common stock will recognize gain or loss for U.S. federal income tax purposes as a result of the Hughes/ EchoStar merger. Any strategic transaction involving Hughes that would have been taxable likely would have resulted in an amount of corporate and stockholder tax such that the transaction would be considered uneconomic in comparison to GM s continued ownership of Hughes.

In granting their approvals and making their recommendations, the Hughes board of directors, the GM capital stock committee, and the GM board of directors also considered a number of potentially material negative factors of pursuing the Transactions, including the following:

Regulatory Concerns. There is a risk that the Hughes/ EchoStar merger might not receive required regulatory approvals or clearances from competition authorities in the United States and certain other countries, the FCC and telecommunications regulatory authorities in certain other countries and numerous state and local authorities, or that certain of these governmental authorities could bring an action seeking to prevent the Hughes/ EchoStar merger. There is also a risk that certain of these governmental authorities may attempt to impose onerous conditions on their approval or clearance of the Transactions.

Competitive Risks During Pendency. The pendency of the Hughes/ EchoStar merger for many months following the announcement of the execution of the transaction agreements could have an adverse impact on Hughes ability to attract and retain customers and employees and otherwise weaken the competitive position of Hughes.

Preclusion of Other Potential Opportunities. Entering into the transaction agreements and pursuing the Transactions would preclude Hughes and GM from pursuing other opportunities that were potentially available to them, including the alternative transactions that had been negotiated with Sky Global Networks and The News Corporation, and other opportunities that might become available during the period of many months during which the Transactions would be pending.

In addition, in initially acting on the Transactions at their October 28, 2001 meetings, the Hughes board of directors, the GM capital stock committee and the GM board of directors also considered the availability of the financing needed by EchoStar to complete the Transactions. At that time, EchoStar did not have the full financing needed for the Transactions available or committed by third parties, presenting a material risk to GM that the possible unavailability of third-party financing commitments might require recourse to financing provided by GM. Subsequently, EchoStar obtained the necessary third party financing commitments.

In addition to the positive and negative factors described above, in connection with its decisions, the GM board of directors (as well as the Hughes board of directors and the GM capital stock committee, as pertinent) considered:

- the reports, presentations and recommendations of Hughes executive management and the approvals and recommendations of the Hughes/ EchoStar merger and the related GM/ Hughes separation transactions by the Hughes board of directors;

- the reports, presentations and recommendations of GM s executive management regarding the GM/ Hughes separation transactions, the Hughes/ EchoStar merger and the other related transactions;

- that some of the directors and executive officers of Hughes have or may have interests in connection with the Transactions that are different from, or in addition to, the interests of the stockholders of GM;

- the advice, presentation and written fairness opinions of Credit Suisse First Boston and Goldman Sachs regarding the Hughes/ EchoStar merger;

- the advice, presentations and written fairness opinions of Merrill Lynch and Bear Stearns regarding the Transactions;

- legal advice received with respect to the Transactions, including the tax consequences of the Transactions, the issues and prospects concerning needed regulatory approvals, the fiduciary duties of the officers and directors of GM and Hughes to GM, Hughes and both classes of GM common stockholders and the consequences of the exchange of shares of GM Series H preference stock for shares of Hughes preference stock in connection with the Transactions in the event that any GM Series H preference stock were outstanding at the time of the completion of the Transactions;

- the oversight by the GM capital stock committee of the development of the GM/ Hughes separation transactions and the Hughes/ EchoStar merger, its prior deliberations concerning the strategic alternatives available with respect to Hughes and concerning the interests of the GM Class H common stockholders and the GM $1 2/3 par value common stockholders, its determination that, on the terms and subject to the conditions of the transaction agreements, the Transactions, taken as a whole, would be fair to both the GM Class H common stockholders and the GM $1 2/3 par value common stockholders and in the best interests of GM and its common stockholders and its recommendation that GM enter into the agreements relating to the Transactions;

- the information previously provided to and reviewed by the GM board of directors and the prior deliberations of the GM board of directors concerning the Transactions and the possibility of alternative strategic transactions and business strategies involving the business of Hughes, including the alternative transaction that had been negotiated involving the combination of the business of Hughes and the business of Sky Global Networks following a split-off of Hughes from General Motors; and

- related matters reported on at the October 28, 2001 meeting and other previous meetings of the GM board of directors.

See GM s Development of the Transactions above and Fairness Opinions of Hughes Financial Advisors and Fairness Opinions of GM s Financial Advisors below.

The GM board of directors also recognized that the existence of two classes of GM common stock having separate dividend and other rights could give rise to potential divergences between the interests of the two classes of GM common stock in connection with the contemplated Transactions, and gave consideration to this potential divergence of interests in its deliberations. In December 2000, the GM board of directors, consistent with established governance policies of GM, had delegated to the GM capital stock committee (which consists solely of independent directors of GM) the responsibility to oversee the activities to be undertaken by management of General Motors and of Hughes in developing the terms of a possible transaction involving Hughes. This responsibility included reviewing and making recommendations to the GM board with regard to any such transaction that might be proposed by Hughes or GM management, including the fairness to the holders of both classes of GM common stock of the process for determining the terms of a transaction, any conditions to approval or completion of such transaction that should be imposed in order to protect the interests of the holders of either class of GM common stock and the fairness of such transaction to the holders of each such class of stock. At the outset, the GM capital stock committee considered the processes that should be followed by Hughes and GM in pursuing a possible strategic transaction involving Hughes. The committee considered establishing separate, formal negotiating teams available to represent the different stockholder classes in formulating the terms of the transactions but ultimately determined that, under the circumstances, formal teams were unnecessary, given the nature of the transactions proposed by Sky Global Networks and The News Corporation and by EchoStar, the potential divergences between the interests of GM s two classes of common stockholders, the autonomy of Hughes management and the Hughes board of directors and the significant oversight role that the GM capital stock committee would play with respect to the activities of the management of General Motors and of Hughes in connection with the possible transactions.

In concluding that the Transactions are fair to both classes of GM common stockholders, the GM capital stock committee initially and, then, the GM board of directors placed substantial reliance on its determination that fair processes had been followed in the development of the definitive terms of the Hughes/ EchoStar merger and GM/ Hughes separation transactions. In this regard, the GM capital stock committee and the full GM board of directors confirmed the full participation of Hughes and Hughes management, along with their financial, accounting, tax, legal and other professional advisors (who were separate from those advising GM and its management), in the process of developing the terms of the Hughes/ EchoStar merger, the GM/ Hughes separation transactions and related transactions, and the similar participation of GM and GM management. During this process, both Hughes management and GM management had been provided full and confidential access to the GM capital stock committee and their recommendations, as well as those of the Hughes board of directors, regarding the proposed Transactions, the alternative transactions negotiated with Sky Global Networks and The News Corporation and other possible strategic alternatives for Hughes that were sought and considered. See GM s Development of the Transactions above. In addition, the GM board of directors considered that, consistent with the GM restated certificate of incorporation and the GM board policy statement on capital stock matters, the GM/ Hughes separation transactions would be subject to the approval of the holders of a majority of the outstanding shares of GM Class H common stock and the holders of a majority of the GM $1 2/3 par value common stock, each voting as a separate class, and also voting together as a single class based on their respective per share voting power in accordance with the GM restated certificate of incorporation.

In reviewing the fairness of the Transactions, the GM capital stock committee and the GM board of directors considered, among other things, that GM would receive from Hughes prior to the Hughes split-off a dividend of up to $4.2 billion. The GM capital stock committee and the GM board attributed substantial importance to the Hughes dividend distribution and the associated reduction of GM s retained economic interest in Hughes and that the Transactions would occur on market-based terms, as the amount of the reduction in the number of notional shares representing GM s retained economic interest in Hughes would be equal to the dollar amount of the Hughes dividend distribution divided by the trading price of GM Class H common stock over a specified period preceding the completion of the Hughes split-off. See The Transactions Description of the Transactions The Hughes Recapitalization.

In addition, the GM board of directors relied upon the opinions delivered by Merrill Lynch and Bear Stearns with respect to the fairness, 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, of the consideration to be provided to General Motors and its subsidiaries, the holders of GM $1 2/3 par value common stock, if applicable, and the holders of GM Class H common stock in the GM/ Hughes separation transactions, and the presentations by representatives of Merrill Lynch and representatives of Bear Stearns to the GM board of directors relating to their respective fairness opinions. General Motors asked each of Merrill Lynch and Bear Stearns to consider whether, taking into account all relevant financial aspects of the

Transactions, taken as a whole, the consideration to be provided to General Motors and its subsidiaries, the holders of GM $1 2/3 par value common stock, if applicable, and the holders of GM Class H common stock in the GM/ Hughes separation transactions was 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 (rather than asking one financial advisor to consider the fairness issues only from the perspective of the holders of GM $1 2/3 par value common stock and the other financial advisor to consider the fairness issues only from the perspective of the holders of GM Class H common stock), because, among other things, General Motors believed that such an approach and standard was consistent with and would best satisfy the fiduciary duties which the GM board of directors has to the holders of each class of GM common stock. See Fairness Opinions of GM s Financial Advisors below.

In approving the Transactions, including determining the fairness of the Transactions, taken as a whole, to the holders of each class of GM common stock, the GM capital stock committee and the GM board of directors considered each of the foregoing factors, without formally assigning weights to any specific factor, and reached its conclusions considering all the factors together.

Based on the foregoing, among other considerations, the GM board of directors has determined that the Transactions are advisable and in the best interests of General Motors and its common stockholders and that the Transactions are fair to the holders of both classes of GM common stock. The GM board of directors has unanimously approved the Transactions and recommends that the GM common stockholders vote to approve each of the proposals described in this document by executing and returning the enclosed consent card as soon as possible.

If the proposals relating to the Transactions were to receive the requisite GM common stockholder approval, we currently believe that certain of the other applicable conditions to the completion of the Transactions, including the receipt of certain requisite regulatory approvals, would not be satisfied (if satisfied at all) until several months after the time of the receipt of the requisite GM common stockholder approval. Accordingly, it is possible that the Transactions would not be completed for a significant period of time after the time of the receipt of the requisite GM common stockholder approval. During any such time interval between the receipt of the requisite GM common stockholder approval and the satisfaction or waiver of all other conditions to the completion of the Transactions, 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 period, it is not a condition to the completion of the Transactions that the GM board of directors conclude that, at the time the Transactions are to be completed or at any earlier time during such period, the Transactions will be fair to both classes of GM common stockholders. The GM board of directors will not make any further determination with regard to the fairness of the Transactions to both classes of GM common stockholders during this period unless the GM board of directors considers taking any action that would change in any material respect the terms on which the Transactions are to be completed from the terms provided by the transaction agreements, such as agreeing to waive a condition to the completion of the Transactions or making any voluntary reduction to either the number of shares subject to GM debt-for-equity exchanges or the amount of the Hughes dividend distribution, in which case the GM board of directors in considering such matters would consider, among other factors, the fairness of the Transactions (as to be so revised) to the holders of both classes of GM common stock in accordance with the GM board policy statement regarding certain capital stock matters.

Fairness Opinions of GM s Financial Advisors

Descriptions of the fairness opinions of GM s financial advisors in connection with the Transactions, Merrill Lynch and Bear Stearns, are set forth below. These descriptions are qualified in their entirety by reference to the full text of the opinions included in Appendix C to this document.

The fairness opinions described below relate to the GM/ Hughes separation transactions, which consist of several transactions involving General Motors and Hughes that are generally designed to separate the Hughes business from General Motors in order to prepare Hughes to complete the proposed merger with EchoStar. There are two principal components to the GM/ Hughes separation transactions:

- the Hughes recapitalization, which primarily involves a dividend distribution of up to $4.2 billion from Hughes to GM and an associated reduction of GM s retained economic interest in Hughes in an amount that reflects the dividend; and

- the separation of the Hughes business from GM pursuant to the Hughes split-off, which primarily consists of the exchange of shares of HEC Holdings Class C common stock on a one-for-one basis for shares of GM Class H common stock and a similar exchange of HEC Holdings preference stock on a one-for-one basis for shares of GM Series H preference stock (if it is outstanding at the time of the Hughes split-off).

The GM/ Hughes separation transactions do not include the Hughes/ EchoStar merger. For a more detailed description of the GM/Hughes separation transactions, see The Transactions Description of the Transactions The GM/ Hughes Separation Transactions.

You should understand that, because the fairness opinions of Merrill Lynch and Bear Stearns were delivered prior to the final determination of the necessary structural modifications to the Transactions described at GM s Development of the Transactions Further Discussions with EchoStar; Restatement of Transaction Agreements, the following descriptions do not reflect the fact that HEC Holdings will become the parent company of Hughes in connection with the GM/ Hughes separation transactions and the corporate entity into which EchoStar will be merged in the Hughes/ EchoStar merger.

Merrill Lynch Fairness Opinion

On October 28, 2001, at a meeting of the GM board of directors held to consider the Transactions, Merrill Lynch delivered to the GM board of directors its oral opinion, which opinion was later confirmed by delivery of a written opinion, that, as of such date and based upon and subject to the assumptions, conditions, limitations and other matters set forth in that opinion, taking into account all relevant financial aspects of the Transactions taken as a whole, the consideration to be provided to General Motors and its subsidiaries, to the holders of the GM $1 2/3 par value common stock, if applicable, and to the holders of the GM Class H common stock in the GM/ Hughes separation transactions is fair, from a financial point of view, to the holders of the GM $1 2/3 par value common stock as a class and to the holders of the GM Class H common stock as a class, respectively.

The full text of the Merrill Lynch written opinion, which sets forth the assumptions made, matters considered, and qualifications and limitations on the review undertaken, is included in Appendix C to this document and is incorporated into this document by reference. The summary of the opinion set forth in this document is qualified in its entirety by reference to the full text of the opinion. You are urged to read the Merrill Lynch opinion in its entirety. No limitations were imposed by General Motors or the GM board of directors with respect to the investigations made or procedures followed by Merrill Lynch in rendering its opinion.

The Merrill Lynch opinion was provided to the GM board of directors for its use and benefit and is directed only to the fairness, from a financial point of view, to the holders of GM $1 2/3 par value common stock as a class and to the holders of GM Class H common stock as a class, respectively, taking into account all relevant financial aspects of the Transactions, taken as a whole, of the consideration to be provided to General Motors and its subsidiaries, to the holders of the GM $1 2/3 par value common stock, if applicable, and to the holders of the GM Class H common stock in the GM/ Hughes separation transactions. The opinion of Merrill Lynch does not constitute a recommendation to any GM common stockholder as to whether such stockholder should vote to approve any of the proposals described in this document. The terms of the GM/ Hughes separation transactions were developed by the management of General Motors and Hughes and were approved by the GM board of directors.

The summary set forth below does not purport to be a complete description of the analyses underlying the opinion of Merrill Lynch. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Merrill Lynch did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Merrill Lynch believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all analyses, would create an incomplete view of the process underlying its opinion.

In performing its analyses, Merrill Lynch made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of General Motors. Any estimates contained in the analyses performed by Merrill Lynch are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. In addition, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, such analyses and estimates are inherently subject to substantial uncertainty. The opinion of Merrill Lynch was one of several factors taken into consideration by the GM board of directors in making its determination to approve the GM/ Hughes separation transactions. Consequently, the Merrill Lynch analyses described below should not be viewed as determinative of the decision of the GM board of directors with respect to the fairness from a financial point of a view to the holders of GM $1 2/3 par value common stock as a class and to the holders of GM Class H common stock as a class, respectively, of the consideration to be provided to General Motors and its subsidiaries, to the holders of the GM $1 2/3 par value common stock as a class and to the holders of GM Class H common stock as a class.

In preparing its opinion, Merrill Lynch, among other things:

reviewed GM s restated certificate of incorporation and bylaws, each as of the date of the fairness opinion of Merrill Lynch;

reviewed GM s annual reports, Forms 10-K and related financial information for the three fiscal years ended December 31, 2000 and GM s Forms 10-Q and the related unaudited financial information for the quarterly periods ended March 31, 2001 and June 30, 2001;

reviewed Hughes annual reports, Forms 10-K and related financial information for the three fiscal years ended December 31, 2000 and Hughes Forms 10-Q and the related unaudited financial information for the quarterly periods ended March 31, 2001, June 30, 2001 and September 30, 2001;

reviewed PanAmSat s annual reports, Forms 10-K and related financial information for the three fiscal years ended December 31, 2000 and PanAmSat s Forms 10-Q and the related unaudited financial information for the quarterly periods ended March 31, 2001, June 30, 2001 and September 30, 2001;

reviewed EchoStar s annual reports, Forms 10-K and related financial information for the three fiscal years ended December 31, 2000 and EchoStar s Forms 10-Q and the related unaudited financial information for the quarterly periods ended March 31, 2001 and June 30, 2001;

reviewed certain information, including historical financial data and financial projections, relating to the business, earnings, cash flow, assets, liabilities and prospects of General Motors, Hughes and EchoStar furnished to Merrill Lynch by General Motors, Hughes and EchoStar, as the case may be;

conducted discussions with members of senior management of General Motors, Hughes and EchoStar concerning their respective businesses and prospects and their views regarding the strategic rationale for, and the financial effects on General Motors, Hughes and EchoStar, as the case may be, of, the Transactions;

reviewed certain information, including financial projections relating to the amount and timing of the revenue and cost savings synergies and related expenses expected to result from the Transactions, which Merrill Lynch refers to herein as the expected synergies of the Transactions, furnished to Merrill Lynch by General Motors, Hughes and EchoStar, as the case may be;

reviewed the pro forma financial results, financial condition and capitalization of each of General Motors and Hughes and of the pro forma combined company, in each case after giving effect to the Transactions;

conducted discussions with members of senior management of General Motors, Hughes and EchoStar concerning the expected synergies of the Transactions;

conducted discussions with members of senior management of Hughes concerning their views regarding the strategic rationale for, and the financial effects on Hughes of, the Transactions and various strategic alternatives available to Hughes;

compared the results of operations of Hughes and EchoStar with those of certain companies that Merrill Lynch deemed to be reasonably similar to Hughes and EchoStar, respectively;

reviewed the following, including any exhibits and attachments or schedules thereto:

the implementation agreement;

the Hughes/ EchoStar merger agreement;

the GM/ Hughes separation agreement;

the proposed amendments to Article Fourth of the GM restated certificate of incorporation;

the proposed amendments to the amended and restated certificate of incorporation of Hughes;

the contribution and transfer agreement by and between General Motors and United States Trust Company of New York;

the supplemental agreement and guaranty; and

the pledge agreement and certain related agreements thereto;

reviewed the commitment letters related to the financing by EchoStar and Hughes of the Hughes/ EchoStar merger; and

reviewed such other financial studies and analyses and performed such other investigations and took into account such other matters as Merrill Lynch deemed necessary, including Merrill Lynch s assessment of general economic, market and monetary conditions.

In preparing its opinion, Merrill Lynch relied on the accuracy and completeness of all information supplied or otherwise made available to it, discussed with or reviewed by or for it, or publicly available, and Merrill Lynch did not assume any responsibility for independently verifying such information or undertake an independent evaluation or appraisal of the assets or liabilities of General Motors, Hughes or EchoStar, and was not furnished with any such evaluation or appraisal. In addition, Merrill Lynch did not assume any obligation to conduct, nor did Merrill Lynch conduct, any physical inspection of the properties or facilities of General Motors, Hughes or EchoStar. With respect to the financial projections and the analyses of the expected synergies of the Transactions furnished to or discussed with Merrill Lynch by General Motors, Hughes or EchoStar, as the case may be, Merrill Lynch assumed that they were reasonably prepared and reflected the best currently available estimates and judgments of the managements of General Motors, Hughes or EchoStar as to the expected future financial performance of General Motors, Hughes, EchoStar and the pro forma combined company, and as to the expected synergies of the Transactions.

Furthermore, in preparing its opinion, Merrill Lynch assumed that in the course of obtaining the necessary consents or approvals, including contractual, governmental or otherwise, for the Transactions no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that would have a material adverse effect on the contemplated benefits of the Transactions. In addition, Merrill Lynch assumed that each of the Transactions will be consummated in a timely manner and in accordance with their terms as contemplated by the various agreements and other documents referred to in the Merrill Lynch opinion. Merrill Lynch was advised by General Motors, and it assumed, that:

- as a result of the amendment to Article Fourth of the GM restated certificate of incorporation, the provisions of Article Fourth, Division I, Section (c) of the GM restated certificate of incorporation should not apply to the Transactions; and

- General Motors would be responsible for no contingent liabilities of Hughes which are material in the aggregate as a result of the consummation of the Transactions.

Merrill Lynch also assumed that the Hughes recapitalization price used to effect the reduction of GM s retained economic interest in Hughes would be determined by the GM board of directors in accordance with the terms set forth in the GM/ Hughes separation agreement. Merrill Lynch further assumed that there will be no material adverse effect on General Motors, Hughes or the pro forma combined company resulting from the accounting treatment of the Transactions. The opinion of Merrill Lynch is necessarily based upon market, economic, financial and other conditions as they existed and could be evaluated as of the date of the Merrill Lynch opinion. During the course of its engagement, Merrill Lynch was asked by the GM board of directors to solicit indications of interest from various third parties regarding a transaction with Hughes and Merrill Lynch considered the results of such solicitation in rendering its opinion. Merrill Lynch expressed no opinion as to the prices at which the Hughes Class C common stock, the Hughes preference stock or the GM $1 2/3 par value common stock will trade subsequent to consummation of the Transactions. In addition, Merrill Lynch was not requested to opine as to, and its opinion does not in any manner address, GM s or Hughes underlying business decision to proceed with or effect the Transactions, the relative merits of the Transactions as compared to any alternative business strategies or transactions that might exist for GM or Hughes or the effects of any other transaction in which GM or Hughes might engage. Furthermore, Merrill Lynch was not requested to opine as to, and its opinion does not in any manner address, the PanAmSat stock sale.

In preparing its opinion, Merrill Lynch also assumed that the separation of Hughes from GM will be treated as a tax-free distribution under Section 355 and the related provisions of the Code and Merrill Lynch has further assumed that the Hughes/ EchoStar merger will qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code.

As part of its investment banking business, Merrill Lynch is engaged continually in the valuation of businesses and their securities in connection with mergers and acquisitions and strategic transactions and for other purposes. Merrill Lynch was retained by General Motors because Merrill Lynch is an internationally recognized investment banking firm, with substantial experience in complex strategic transactions, and because Merrill Lynch was familiar with General Motors, including its capital structure, and Hughes. Pursuant to an engagement letter dated November 17, 2001, General Motors agreed to pay Merrill Lynch fees of:

- $1,000,000 on the date of such engagement letter (which amount is credited towards the amount payable under the third bullet below);

- $500,000 payable upon delivery of its fairness opinion (which amount is credited towards the amount payable under the third bullet below); and

- between $10,000,000 and $24,000,000 after the completion of the Transactions, such amount to be determined based upon the difference in the value of the interests of the GM $1 2/3 par value common stockholders and GM Class H common stockholders in Hughes at the time of announcement and those interests around the time of the completion of the Transactions.

General Motors also agreed to reimburse Merrill Lynch for its reasonable out-of-pocket expenses incurred in connection with Merrill Lynch s activities under the engagement letter, including the reasonable fees and disbursements of its legal counsel and to indemnify Merrill Lynch and certain related persons and entities for certain liabilities, including liabilities under securities laws, related to or arising out of its engagement.

Merrill Lynch has, in the past, provided financial advisory and financing services to GM and its affiliates and may continue to do so, and Merrill Lynch has received, and may receive, fees for the rendering of such services. In addition, in the ordinary course of its business, Merrill Lynch may actively trade shares of the GM $1 2/3 par value common stock, the GM Class H common stock, and other securities of GM for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Set forth below is a summary of the material financial analyses performed by Merrill Lynch in connection with the preparation of the opinion of Merrill Lynch dated October 28, 2001. **The financial analyses summarized below include information presented in tabular format. In order to understand fully Merrill Lynch s financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Merrill Lynch s analyses.**

Hughes Analysis. Merrill Lynch performed a sum-of-the-parts valuation of each of Hughes principal businesses and significant investments in order to derive an implied per share equity value for Hughes. Merrill Lynch examined and independently valued DIRECTV, DIRECTV Latin America, PanAmSat, Hughes Network Systems, Spaceway, Telocity, Hughes public investments and Hughes corporate reserve allocation. The corporate reserve allocation represents an estimate by Hughes management of future cash expenses which are not otherwise directly allocated to any of the business units of Hughes.

DIRECTV. Merrill Lynch performed a discounted cash flow, or DCF, analysis of DIRECTV using projections provided by Hughes management.

The DCF for DIRECTV, which includes the cash flow associated with National Rural Telecommunications Cooperative subscribers, was calculated assuming discount rates ranging from 12.0% to 14.0% and was comprised of the sum of the present values of:

the projected cash flows for the third quarter of 2001 through the fiscal year ended December 31, 2005, and

the 2005 terminal value based upon a range of multiples of estimated 2005 earnings before interest, taxes, depreciation and amortization, which is referred to as EBITDA, from 9.0x to 11.0x.

	Low	**High**
	(in millions)	
DCF Value of DIRECTV	$14,530	$19,240

Using publicly available information, Merrill Lynch compared selected historical stock, financial and operating data and ratios for DIRECTV with corresponding data and ratios of similar publicly traded companies. DIRECTV is not a publicly traded company. However, Merrill Lynch inferred a public trading value for DIRECTV by:

calculating total enterprise value for Hughes based on public market values at October 25, 2001; and

subtracting therefrom the estimated sum-of-the-parts enterprise value for all non-DIRECTV related assets.

These companies were selected by Merrill Lynch based upon Merrill Lynch s views as to the comparability of the financial and operating characteristics of these companies to DIRECTV.

The companies included in the DIRECTV comparable company analysis were:

British Sky Broadcasting Group PLC;

EchoStar Communications Corporation; and

Pegasus Communications Corporation.

Merrill Lynch derived an estimated valuation range for DIRECTV by comparing estimated current enterprise value as a multiple of estimated 2001 subscribers and as a multiple of estimated 2002 EBITDA. The results of these analyses were as follows:

Comparable Company Analysis	Low	High
Estimated 2001 Subscriber Multiple	$1,316	$2,129
Estimated 2002 EBITDA Multiple	25.7x	34.4x

Using these analyses, and applying a range of $1,600 to $1,900 per estimated 2001 subscriber and an estimated 2002 EBITDA multiple range of 25.0x to 30.0x, Merrill Lynch estimated the following ranges of value for DIRECTV as of September 30, 2001:

Implied Value of DIRECTV	Low	High
	(in millions)	
Estimated 2001 Subscriber Multiple	$14,794	$17,625
Estimated 2002 EBITDA Multiple	$14,234	$17,125

Based on the DCF valuation and comparable company analysis Merrill Lynch assigned the following reference range of values to the DIRECTV segment:

	Low	High
	(in millions)	
Reference Range Value	$14,500	$18,500

DIRECTV Latin America. Merrill Lynch derived an estimated equity valuation range for Hughes interest in DIRECTV Latin America through an estimated current enterprise value as a multiple of current subscribers. The results of this analysis are as follows:

	Low	High
Current Subscriber Multiple	$800	$1,200

The net equity valuation of Hughes investment assumes 1.3 million current Latin American subscribers, $1,017 million of net debt attributable to DIRECTV Latin America and 78% ownership by Hughes. The results of these analyses were as follows:

Implied Value of Hughes Interest in DIRECTV Latin America	Low	High
	(in millions)	
Current Subscriber Multiple	$0	$390

Based upon the implied subscriber valuation, Merrill Lynch assigned the following current reference range of values to the DIRECTV Latin America segment:

	Low	High
	(in millions)	
Reference Range	$(100)	$300

PanAmSat. Merrill Lynch performed a DCF analysis of PanAmSat using projections provided by Hughes management.

The DCF value of the approximately 81% indirect interest of Hughes in PanAmSat, or about 120.8 million shares, was calculated assuming discount rates ranging from 10.0% to 12.0%, $2,162 million of net debt attributable to PanAmSat and was comprised of the sum of the present values of:

the projected cash flows for the third quarter of 2001 through the fiscal year ended December 31, 2005; and

the 2005 terminal value based upon a range of multiples of estimated 2005 EBITDA, from 8.5x to 10.5x.

	Low	High
	(in millions)	
DCF Value of Hughes Indirect Interest in PanAmSat	$2,048	$3,275

Using publicly available information, Merrill Lynch compared selected historical stock, financial and operating data and ratios for PanAmSat with corresponding data and ratios of similar publicly traded companies. These companies were selected by Merrill Lynch based upon Merrill Lynch s views as to the comparability of the financial and operating characteristics of these companies to PanAmSat.

The companies included in the PanAmSat comparable company analysis were:

APT Satellite Holdings LTD;

Asia Satellite Telecommunications Holdings Limited;

JSAT Corporation;

New Skies Satellites N.V.; and

Societe Europeenne des Satellites SA.

Merrill Lynch derived an estimated value of the approximately 81% indirect interest of Hughes in PanAmSat by comparing estimated current enterprise value as a multiple of estimated 2001 revenue and also as a multiple of estimated 2001 EBITDA. The results of these analyses were as follows:

Comparable Company Analysis	Low	High
Estimated 2001 Revenue Multiple	0.73x	8.32x
Estimated 2001 EBITDA Multiple	1.1x	11.9x

Using these analyses, and applying an estimated 2001 revenue multiple range of 6.0x to 8.0x and an estimated 2001 EBITDA multiple range of 8.5x to 10.5x, Merrill Lynch estimated the following ranges of value for the approximately 81% indirect interest of Hughes in PanAmSat, based on $2,215 million of total net debt at PanAmSat as of September 30, 2001:

Implied Value of Hughes Indirect Interest in PanAmSat	Low	High
	(in millions)	
Estimated 2001 Revenue Multiple	$2,221	$3,556
Estimated 2001 EBITDA Multiple	$2,025	$2,922

In addition, Merrill Lynch considered both the 52-week trading range of PanAmSat s common shares and the range of price targets published by Wall Street equity research analysts as of October 25, 2001. The resulting values of Hughes investment are based on Hughes approximately 81% indirect interest in PanAmSat:

	Low	High
	(in millions)	
52-Week Trading Range	$2,196	$5,232
Research Analyst Price Targets	$2,779	$4,832

Using these analyses, Merrill Lynch believed the current public market value of Hughes indirect stake in PanAmSat to be reasonably proximate to its theoretical intrinsic value. Based on about 120.8 million, approximately 81%, of PanAmSat shares owned by Hughes subsidiaries and the October 25, 2001 closing price of $23.03, the public market value of Hughes indirect stake in PanAmSat, as of October 25, 2001, is calculated to be $2,782 million.

Hughes Network Systems. Merrill Lynch performed a DCF analysis of Hughes Network Systems using projections provided by Hughes management.

The DCF for Hughes Network Systems was calculated assuming discount rates ranging from 12.0% to 14.0% and was comprised of the sum of the present values of:

the projected cash flows for the third quarter of 2001 through the fiscal year ended December 31, 2005; and

the 2005 terminal value based upon a range of multiples of estimated 2005 EBITDA from 4.0x to 5.0x.

	Low	**High**
	(in millions)	
DCF Value of Hughes Network Systems	$1,926	$2,814

Using this analysis, Merrill Lynch estimated the value of Hughes Network Systems to be between $1,500 million and $2,800 million as of September 30, 2001.

Spaceway. Merrill Lynch estimated the value of Hughes investment in Spaceway to be between 0.0x and 1.0x the estimated invested capital of $940 million, resulting in a range of value from $0 to $940 million.

Telocity. Merrill Lynch estimated the value of Hughes investment in Telocity to be between 0.0x and 0.5x the estimated acquisition cost of $180 million, resulting in a range of value from $0 to $90 million.

Public Investments. Merrill Lynch valued Hughes aggregate investments in the publicly traded common shares of the following companies at $595 million based on the their respective closing prices and applicable currency exchange rates as of October 25, 2001:

Crown Media Holdings;

TiVo Inc.;

GlobeComm Systems Inc.;

Hughes Software Systems Ltd.;

Hughes Tele.com (India) Limited;

Motient Corporation;

Nippon Avionics Co., Ltd.;

P.T. Pasifik Satelit Nusantra;

Quokka Sports, Inc.;

Sky Perfect Communications Inc.;

THOMSON multimedia SA;

Wink Communications, Inc.; and

XM Satellite Radio Holdings Inc.

Corporate Reserve Allocation. Merrill Lynch performed a DCF analysis of the net cash flow effect of the corporate reserve allocations of Hughes using projections provided by Hughes management.

The DCF for corporate contingency was calculated assuming discount rates ranging from 16.0% to 18.0% and was comprised of the sum of the present values of:

the projected cash flows for the third quarter of 2001 through the fiscal year ended December 31, 2005; and

the 2005 terminal value based upon a range of assumed perpetual growth rates for the net cash flow effect from 1.0% to 2.0%.

	Low	High
	(in millions)	
DCF Value of Corporate Contingency	$2,931	$3,493

Using the analysis, Merrill Lynch estimated the value of corporate reserve allocations to be between $3,000 million and $3,500 million, as of September 30, 2001.

Hughes on a Consolidated Basis. Using the analyses described above for each of Hughes principal businesses and significant investments, Merrill Lynch estimated the range of per share value of the consolidated Hughes based on 1,300.7 million basic outstanding shares of GM Class H common stock, options to acquire 21.8 million shares of GM Class H common stock with a weighted average exercise price of $10.75, options to acquire 12.1 million shares of GM Class H common stock with a weighted average exercise price of $17.00, 80.1 million shares of GM Class H common stock reserved for issuance upon conversion of the GM Series H preference stock, $1,565 million of net cash and $325 million estimated value of contingent liabilities as of September 30, 2001:

	Low	High
Implied Equity Value per Share	$12.66	$17.10

EchoStar Analysis. Merrill Lynch performed a sum-of-the-parts valuation in order to derive an implied per share equity value for EchoStar. Merrill Lynch examined and independently valued EchoStar s DISH Network, EchoStar s other businesses, which include EchoStar Technology Corporation and EchoStar Satellite Services, EchoStar s investments in privately held companies and its investments in publicly traded securities.

DISH Network. Merrill Lynch performed a DCF analysis of EchoStar s DISH Network using projections provided by EchoStar s management.

The DCF value for EchoStar s DISH Network was calculated assuming discount rates ranging from 12.0% to 14.0% and was comprised of the sum of the present values of:

the projected cash flows for the third quarter of 2001 through the fiscal year ended December 31, 2005; and

the 2005 terminal value based upon a range of multiples of estimated 2005 EBITDA from 9.0x to 11.0x.

	Low	High
	(in millions)	
DCF Value of DISH Network	$13,601	$19,125

Using publicly available information, Merrill Lynch compared selected historical stock, financial and operating data and ratios for EchoStar s DISH Network with corresponding data and ratios of similar publicly traded companies. These companies were selected by Merrill Lynch based upon Merrill Lynch s views as to the comparability of the financial and operating characteristics of these companies to EchoStar s DISH Network.

The companies included in the DISH Network comparable company analysis were:

British Sky Broadcasting Group PLC;

Hughes; and

Pegasus Communications Corporation.

Merrill Lynch derived an estimated valuation range for EchoStar s DISH Network by comparing estimated current enterprise value as a multiple of estimated 2001 subscribers and as a multiple of estimated 2002 EBITDA. The results of these analyses were as follows:

Comparable Company Analysis	**Low**	**High**
Estimated 2001 Subscriber Multiple	$1,316	$2,049
Estimated 2002 EBITDA Multiple	27.6x	34.4x

Using these analyses and based on Merrill Lynch s judgment as to the perceived prospects of EchoStar relative to comparable companies, Merrill Lynch applied a range of $2,000 to $2,400 per estimated 2001 subscriber and an estimated 2002 EBITDA multiple range of 25.0x to 30.0x, such that Merrill Lynch estimated the following ranges of value for EchoStar s DISH Network as of September 30, 2001:

Implied Value of DISH Network	**Low**	**High**
	(in millions)	
Estimated 2001 Subscriber Multiple	$14,000	$16,800
Estimated 2002 EBITDA Multiple	$23,775	$28,530

Based on the DCF valuation and comparable company analysis, Merrill Lynch assigned the following reference range of values to the DISH Network segment.

	Low	**High**
	(in millions)	
Reference Value Range	$13,500	$17,800

Using publicly available information, Merrill Lynch compared selected historical stock, financial and operating data and ratios for EchoStar Technology Corporation with corresponding data and ratios of similar publicly traded companies. These companies were selected by Merrill Lynch based upon Merrill Lynch s views as to the comparability of the financial and operating characteristics of these companies to EchoStar Technology Corporation.

The companies included in the EchoStar Technology Corporation comparable company analysis were:

Scientific-Atlanta, Inc.;

Pace Micro Technology PLC; and

THOMSON multimedia SA.

Merrill Lynch derived an estimated valuation range for EchoStar Technology Corporation by comparing estimated current enterprise value as a multiple of estimated 2002 EBITDA. The results of these analyses were as follows:

Comparable Company Analysis	Low	High
Estimated 2002 EBITDA Multiple	5.6x	16.3x

Using these analyses, and applying an estimated 2002 EBITDA multiple range of 5.0x to 6.0x, Merrill Lynch estimated the following ranges of value for EchoStar Technology Corporation as of September 30, 2001:

Implied Value of EchoStar Technology Corporation	Low	High
	(in millions)	
Estimated 2002 EBITDA Multiple	$240	$288

EchoStar Satellite Services. Using publicly available information, Merrill Lynch compared selected historical stock, financial and operating data and ratios for EchoStar Satellite Services with corresponding data and ratios of similar publicly traded companies. These companies were selected by Merrill Lynch based upon Merrill Lynch s views as to the comparability of the financial and operating characteristics of these companies to EchoStar Satellite Services.

The companies included in the EchoStar Satellite Services comparable company analysis were:

ViaSat, Inc.; and

Gilat Satellite Networks LTD.

Merrill Lynch derived an estimated valuation range for EchoStar Satellite Services by comparing estimated current enterprise value as a multiple of estimated 2002 EBITDA. The results of these analyses were as follows:

Comparable Company Analysis	Low	High
Estimated 2002 EBITDA Multiple	7.1x	9.8x

Using these analyses, and applying an estimated 2002 EBITDA multiple range of 7.5x to 8.5x, Merrill Lynch estimated the following ranges of value for EchoStar Satellite Services as of September 30, 2001:

Implied Value of EchoStar Satellite Services	Low	High
	(in millions)	
Estimated 2002 EBITDA Multiple	$255	$289

Based on the comparable company analysis, Merrill Lynch assigned the following reference range of values, in the aggregate, for EchoStar s other businesses:

	Low	High
	(in millions)	
Reference Value Range	$495	$577

Private Investments. Merrill Lynch estimated the value of EchoStar s investment in privately held companies to be between 0.0x and 0.5x the estimated invested capital of $166 million, resulting in a range of value of $0 to $83 million.

Public Investments. Merrill Lynch valued EchoStar s investment in the publicly traded common shares of OpenTV Corp. to be $20 million, based on the 2.25 million shares held and the October 25, 2001 closing price of $9.05 per share.

EchoStar on a Consolidated Basis. Using sum-of-the parts valuation analyses described above, Merrill Lynch estimated the range of per share value of the consolidated EchoStar common stock, based on 240.8 million shares of EchoStar Class A common stock, 238.4 million shares of EchoStar Class B common stock, options to acquire 22.1 million shares of EchoStar Class A common stock at a weighted average exercise price of $5.93, options to acquire 0.3 million shares of EchoStar Class A common stock at a weighted average exercise price of $22.72, $5,026 million of debt and $2,172 million of cash as of September 30, 2001:

	Low	High
Implied Equity Value per Share	$22.53	$31.43

Expected Synergies. Merrill Lynch performed a DCF analysis of the estimated synergies resulting from the proposed combination of Hughes and EchoStar using two sets of projections provided by Hughes management, referred to as the High case and the Low case. The expected synergies are projected to be a result of increased number of subscribers, reduced subscriber turnover, increased advertising revenue, reduced subscriber acquisition costs, reduced programming costs and other cost reductions and incremental revenues. These synergy estimates were netted against the implementation costs.

The DCF for the synergy estimates was calculated assuming a discount rate of 12.5% and was comprised of the sum of the present values of:

the projected cash flows for the years 2002 through the fiscal year ended December 31, 2005; and

the 2005 terminal value based upon a 10.0x multiple of estimated 2005 EBITDA.

	Low	High
	(in billions)	
DCF Value of Expected Synergies of the Transactions	$16.6	$23.4

Historical Exchange Ratio Analysis. Merrill Lynch reviewed the per share daily closing market price movements of GM Class H common stock and EchoStar Class A common stock for the one-year period ending on October 25, 2001, and calculated the historical exchange ratios during this period implied by dividing the daily per share closing prices of GM Class H common stock by those of EchoStar Class A common stock. Merrill Lynch calculated a range of implied exchange ratios of between 0.528x and 1.091x. Merrill Lynch also calculated the averages of those historical trading ratios for the one-week, one-month, three-month, six-month, and one-year periods ending October 25, 2001. The analysis resulted in the following average historical trading ratios for the periods indicated, rounded to the nearest thousandth, compared to an implied exchange ratio in the Hughes/ EchoStar merger of 0.73 shares of EchoStar Class A common stock in exchange for each share of GM Class H common stock, which is the inverse of the exchange ratio in the Hughes/ EchoStar merger of 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 and 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:

Period ending October 25, 2001	Implied Exchange Ratio
October 24, 2001	0.583x
Last 1 Week	0.591x
Last 1 Month	0.572x
Last 3 Months	0.638x
Last 6 Months	0.666x
Last 1 Year	0.732x

Implied Exchange Ratio Analysis. Based upon the midpoint of the range of implied per share equity values of Hughes and EchoStar that were estimated on a consolidated sum-of-the-parts basis using the methodologies described above, Merrill Lynch calculated an implied pre-Hughes recapitalization equity ownership split of 60.6% for Hughes and 39.4% for EchoStar. This compares to the proposed pre-Hughes recapitalization equity ownership split of 67.1% for Hughes and 32.9% for EchoStar, based on the agreed-to exchange ratio.

Relative Valuation of Direct Broadcast Satellite Assets. Merrill Lynch compared the appropriate public enterprise valuation multiples of EchoStar s core direct broadcast satellite assets, the DISH Network, versus Hughes core direct broadcast satellite assets, DIRECTV. EchoStar s core direct broadcast satellite assets were valued by taking EchoStar s publicly traded enterprise value as of October 25, 2001 and subtracting the estimated sum-of-the-parts value of the non-direct broadcast satellite assets. Hughes core direct broadcast satellite assets were valued using two separate methodologies:

by taking Hughes publicly traded enterprise value as of October 25, 2001 and subtracting the estimated sum-of-the-parts value of the non-direct broadcast satellite assets; and

by taking Hughes enterprise valuation using the implied transaction offer price per share and subtracting the estimated sum-of-the-parts value of the non-direct broadcast satellite assets.

Direct Broadcast Satellite Asset Value as a Multiple of:	EchoStar at Market	Hughes at Market	Hughes at Deal Value
Estimated 2001 Subscribers	$2,226	$1,894	$2,525
Estimated 2002 Subscribers	$1,807	$1,645	$2,193
Estimated 2001 Pre-SAC Direct Broadcast Satellite EBITDA	9.8x	10.1x	13.4x
Estimated 2002 Pre-SAC Direct Broadcast Satellite EBITDA	7.3x	8.0x	10.7x
Estimated 2002 Direct Broadcast Satellite EBITDA	16.1x	30.8x	41.1x

Premium to GM Class H Common Stockholders and GM $1 2/3 Par Value Common Stockholders. Merrill Lynch analyzed the valuation impact and implied premium to the GM Class H common stockholders and GM $1 2/3 par value common stockholders at various levels of value attributed to synergies assuming a pro forma trading value that gives effect to the proposed $4.2 billion reduction of GM s retained economic interest in Hughes and assumes the October 25, 2001 closing share price of $15.40 for the GM Class H common stock and an implied exchange ratio in the Hughes/ EchoStar merger of 0.73 shares of EchoStar Class A common stock in exchange for each share of GM Class H common stock. Merrill Lynch calculated the pro forma implied trading price per share of New EchoStar Class C common stock by dividing the sum of stand-alone market values plus capitalized synergy value, if any, by the total pro forma shares outstanding (based on the exchange ratio). The pro forma implied price per share of New EchoStar Class C common stock assuming no synergies was $16.67 per share, implying an 8.3% premium to holders of GM Class H common stock over the prevailing market price. Merrill Lynch assumed that the $4.2 billion reduction of GM s retained economic interest in Hughes was based on the same implied trading price of $16.67. The table below sets forth these and other premia based on various pro forma implied prices per share of New EchoStar Class C common stock.

Synergy Assumption	Implied Price	Implied Premium
No Synergies	$16.67	8.3%
$5.4 Billion of Assumed Synergy Value	$19.26	25.0%
$10.0 Billion of Assumed Synergy Value	$21.52	39.7%
$20.0 Billion of Assumed Synergy Value	$26.31	70.9%

Credit Rating Impact Considerations for General Motors. Merrill Lynch evaluated the potential impact to the financial position and credit rating of General Motors resulting from the proposed Transactions. The appropriate credit statistics of General Motors are compared before and after giving effect to the proposed $4.2 billion reduction of GM s retained economic interest in Hughes and the exchange of 100 million shares of GM Class H common stock or New EchoStar Class C common stock, as the case may be, in GM debt-for-equity exchanges and assuming the Transactions closed on June 30, 2001. General Motors was analyzed excluding the financial results of GMAC. For a more complete description of the GM/ Hughes separation transactions, see Description of the Transactions The GM/ Hughes Separation Transactions.

	GM Excluding GMAC	
	Last 12 Months as of June 2001	Pro Forma GM (Excluding Hughes)
EBITDA/ Gross Interest Expense	12.4x	16.4x
Total Debt/ EBITDA	1.5x	1.3x
Total Debt/ Book Capitalization	47.5%	38.7%
EBITDA-Capital Expenditures/Interest	(0.7x)	1.5x
Net Liquidity ($ billion)	$ (0.5)	$4.5

Earnings Impact Considerations for General Motors. Merrill Lynch examined the pro forma impact to General Motors earnings per share, or EPS, calculation for the GM $1 2/3 par value common stockholders after giving effect to the proposed $4.2 billion reduction of GM s retained economic interest in Hughes and exchange of 100 million shares of GM Class H common stock or New EchoStar Class C common stock, as the case may be, in GM debt-for-equity exchanges.

Projected EPS	Estimated 2001	Estimated 2002
GM(a)	$3.08	$1.77
Add Back Attributable GM Class H Common Stock Loss(a)	0.38	0.20
Plus: Saved Interest Expense(b)	0.20	0.20
Pro Forma EPS	$3.66	$2.16
Accretion ($)	$0.58	$0.39
Accretion (%)	18.7%	22.2%

(a) **Source:** First Call earnings estimates for GM and Hughes as of October 19, 2001. 32.6% of Hughes projected loss excluded from GM s earnings, after adjusting for the dividend paid to the holders of GM Series H preference stock.

(b) Assumes cash received in $4.2 billion reduction of GM s retained economic interest in Hughes and $1.9 billion accounts payable reduction from GM debt-for-equity exchanges are invested at 3.0% pre-tax return and, tax-effected at the marginal rate of 38.0% in 2001 and 2002, using Wall Street consensus shares of 562 million and 563 million for 2001 and 2002, respectively.

Bear Stearns Fairness Opinion

General Motors retained Bear Stearns as a financial advisor in connection with the proposed Transactions in accordance with the terms of an engagement letter between General Motors and Bear Stearns. General Motors selected Bear Stearns to act as one of its financial advisors and to render its opinion in connection with the GM/ Hughes separation transactions based on Bear Stearns qualifications, expertise and reputation in providing advice to companies in the media and communications industries as well as its prior investment banking relationship and familiarity with GM.

At the October 28, 2001 meeting of the GM board of directors, Bear Stearns delivered its oral opinion, which opinion was later confirmed by delivery of a written opinion, to the effect that, as of the date of the opinion and based upon and subject to the various conditions, assumptions, limitations, and other matters set forth in the opinion, taking into account all relevant financial aspects of the Transactions taken as a whole, the consideration to be provided to General Motors 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 the GM $1 2/3 par value common stock as a class and to the holders of GM Class H common stock as a class, respectively.

The full text of the Bear Stearns fairness opinion is included in Appendix C hereto. You are urged to read the Bear Stearns fairness opinion in its entirety for assumptions made, matters considered and limits of the review by Bear Stearns in arriving at its opinion. The Bear Stearns fairness opinion was directed to the GM board of directors and relates only to the fairness of the GM/ Hughes separation transactions, from a financial point of view, to the holders of GM $1 2/3 par value common stock as a class and to the holders of GM Class H common stock, as a class, respectively, taking into account all relevant factors and aspects of the Transactions taken as a whole, of the consideration to be provided to GM and its subsidiaries, to the holders of the GM $1 2/3 par value common stock and to the holders of GM Class H common stock, and does not address any other aspect of the proposed Transactions or any related transactions and does not constitute a recommendation to any stockholder as to whether such stockholder should vote to approve any of the proposals described in this document. The summary of the Bear Stearns fairness opinion set forth in this document is qualified in its entirety by reference to the full text of the opinion.

In connection with rendering its opinion at the October 28, 2001 GM board of directors meeting, Bear Stearns, among other things:

reviewed the Hughes/ EchoStar merger agreement; the GM/ Hughes separation agreement; the implementation agreement; the contribution and transfer agreement entered into by and between the United States Trust Company of New York and General Motors; the supplemental agreement and guaranty entered into by and among General Motors, Hughes, EchoStar and The Samburu Warrior

Revocable Trust; and the pledge agreement entered into by and between General Motors and The Samburu Warrior Revocable Trust (each as amended through the date of the Bear Stearns fairness opinions) and certain other agreements contemplated thereby;

reviewed the commitment letters related to the Hughes/ EchoStar merger financing;

reviewed GM s restated certificate of incorporation and GM s bylaws, each as of the date of the Bear Stearns fairness opinion, General Motors annual reports to stockholders and annual reports on Forms 10-K for each of the years ended December 31, 1998 through 2000, quarterly reports on Forms 10-Q for the periods ended March 31, 2001 and June 30, 2001 and GM s reports on Forms 8-K for the three years ended as of the date of the Bear Stearns fairness opinion;

reviewed Hughes annual reports to stockholders and annual reports on Forms 10-K for each of the years ended December 31, 1998 through 2000, quarterly reports on Forms 10-Q for the periods ended March 31, 2001 and June 30, 2001 and Hughes reports on Forms 8-K for the three years ended as of the date of the Bear Stearns fairness opinion;

reviewed PanAmSat s annual reports to stockholders and annual reports on Forms 10-K for each of the years ended December 31, 1998 through 2000, quarterly reports on Forms 10-Q for the periods ended March 31, 2001 and June 30, 2001 and PanAmSat s reports on Forms 8-K for the three years ended as of the date of the Bear Stearns fairness opinion;

reviewed EchoStar s annual reports to stockholders and annual reports on Forms 10-K for each of the years ended December 31, 1998 through 2000, quarterly reports on Forms 10-Q for the periods ended March 31, 2001, June 30, 2001 and September 30, 2001 and EchoStar s reports on Forms 8-K for the three years ended as of the date of the Bear Stearns fairness opinion;

reviewed certain operating and financial information, including projections for the five years ended 2005, provided to Bear Stearns by management of Hughes, EchoStar and their related affiliates relating to their respective businesses and business prospects;

discussed with management of GM, Hughes and EchoStar concerning the current business landscape related to Hughes and EchoStar s businesses and the competitive environment of the media and satellite communications sectors and the strategic benefits of pursuing the Transactions;

reviewed certain estimates of revenue enhancements, cost saving and other combination benefits expected to result from the Transactions, prepared and provided to Bear Stearns by Hughes;

performed sum-of-the parts valuation analysis of Hughes, EchoStar and New EchoStar based upon, among other things: historical prices, trading multiples and trading volumes of the shares of GM Class H common stock and EchoStar Class A common stock, financial data, stock market performance data and trading multiples of companies which Bear Stearns deemed generally comparable to Hughes significant businesses, that is DIRECTV, DIRECTV Latin America, PanAmSat and Hughes Network Systems entities, and to EchoStar. Discounted cash flow analysis based on financial projections with respect to Hughes significant businesses, that is DIRECTV, DIRECTV Latin America, PanAmSat and Hughes Network Systems and to EchoStar s businesses, in each case furnished to Bear Stearns by General Motors and Hughes and discounted cash flow analysis of synergy estimates for New EchoStar furnished to Bear Stearns by General Motors and Hughes;

reviewed the pro forma financial results, financial condition and capitalization of General Motors, Hughes and New EchoStar, after giving effect to the Transactions; and

conducted other studies, analyses, inquiries and investigations as Bear Stearns deemed appropriate.

In the course of its review, Bear Stearns relied upon and assumed, without independent verification, the accuracy and completeness of the financial and other information, including without limitation, the projections and synergy estimates provided to Bear Stearns by General Motors, Hughes and EchoStar. With respect to the projected financial results of the constituent businesses and the potential synergies that could be achieved upon completion of the Transactions, Bear Stearns assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the senior managements of General Motors, Hughes and EchoStar as to the expected future performance of General Motors, Hughes and New EchoStar. Bear Stearns did not assume any responsibility for independent verification of the information or of the projections and synergy estimates provided by General Motors, Hughes and EchoStar and further relied upon the assurances of the senior managements of General Motors, Hughes and EchoStar that such senior managements were not aware of any facts that would make the information, projections and synergy estimates provided to Bear Stearns incomplete or misleading. In arriving at its opinion, Bear Stearns did not perform or obtain any independent appraisal of the assets or liabilities, contingent or otherwise, of Hughes, EchoStar or New EchoStar nor was it furnished with any such appraisals.

Furthermore, Bear Stearns has assumed that the Hughes split-off will qualify as a tax-free distribution under Section 355 of the Code and that the Hughes/ EchoStar merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. General Motors also advised Bear Stearns and Bear Stearns assumed, that:

as a result of the GM charter amendment, the provisions of Article Fourth, Division I, Section (c) of the GM restated certificate of incorporation will not apply to the Transactions; and

that General Motors will be responsible for no contingent liabilities of Hughes which are material in the aggregate as a result of the completion of the Transactions.

Bear Stearns has also assumed that the GM/ Hughes separation transactions will be completed in a timely manner and in accordance with the term of the applicable agreements, as amended, without any limitations, restrictions, conditions, amendments or modifications, regulatory or otherwise, that collectively would have a material adverse effect on General Motors, Hughes or EchoStar. Bear Stearns has further assumed that there will be no material adverse effect on General Motors, Hughes or New EchoStar resulting from the accounting treatment of the Transactions.

Bear Stearns was asked by the GM board of directors to solicit indications of interest from various third parties regarding a transaction with Hughes, and Bear Stearns considered such results when rendering its fairness opinion.

The summary of certain of these analyses set forth below does not purport to be a complete description of the analyses underlying the fairness opinion of Bear Stearns. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to summary description. Bear Stearns believes that all of its analyses must be considered together, and that selecting any one valuation analysis could create an incomplete view of the processes underlying its opinion. Moreover, the estimates contained in such analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by such analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. Furthermore, no opinion is being expressed as to the prices at which shares of GM $1 2/3 par value common stock, GM Class H common stock or GM Series H preference stock may trade at any future time.

Bear Stearns financial opinions are necessarily based on economic, market and other conditions, and the information made available to Bear Stearns, as of the date of its fairness opinion.

The following is a brief summary of the material analyses performed by Bear Stearns in connection with its fairness opinion. Some of the summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses used by Bear Stearns, the tables must be read together with the text of each summary. The tables alone do not represent a complete description of the financial analyses.

Hughes Analysis. Bear Stearns performed a sum-of-the-parts valuation of each of Hughes principal businesses and significant investments in order to derive an implied per share equity value for Hughes. Bear Stearns examined and independently valued DIRECTV, DIRECTV Latin America, PanAmSat, Hughes Network Systems, Spaceway, Telocity, Hughes public investments and Hughes corporate reserve allocation.

The corporate reserve allocation represents an estimate by Hughes management of future cash expenses which are not otherwise directly allocated to any of the business units of Hughes.

DIRECTV. Bear Stearns performed a discounted cash flow, or DCF, analysis of DIRECTV using projections provided by Hughes management.

The DCF for DIRECTV, which includes the after-tax unlevered free cash flow associated with National Rural Telecommunications Cooperative subscribers, was calculated assuming discount rates ranging from 12.5% to 16.5% and was comprised of the sum of the present values of:

the projected after-tax unlevered free cash flows for the fourth quarter of 2001 through the fiscal year ended December 31, 2005; and

the December 31, 2005 terminal value based upon a range of multiples of estimated 2005 earnings before interest, taxes, depreciation and amortization, which is referred to as EBITDA, from 8.0x to 12.0x.

	Low	**High**
	(in millions)	
Reference Value Range(a)	$14,500	$18,500

(a) Reference Value Range, as used herein, represents Bear Stearns estimate of the range of value that the entity contributes to aggregate firm value.

Using publicly available information, Bear Stearns compared selected historical stock, financial and operating data and ratios for DIRECTV with corresponding data and ratios of EchoStar. DIRECTV is not a separate publicly traded company. However, Bear Stearns inferred a public trading value for DIRECTV by:

calculating total enterprise value for Hughes based on public market values at October 25, 2001; and

subtracting the estimated sum-of-the-parts enterprise value for all non-DIRECTV related assets.

EchoStar was selected by Bear Stearns based upon Bear Stearns views as to the comparability of the financial and operating characteristics of EchoStar to DIRECTV.

Bear Stearns calculated the direct broadcast satellite enterprise value as a multiple of current subscribers from October 25, 2000 through October 25, 2001 for both DIRECTV and EchoStar s DISH Network. Enterprise value, as used herein, is the market value of equity, plus debt, plus minority interests, minus cash and minus the value of any unconsolidated investments. Bear Stearns compared the projected growth, margins and other operating statistics for these two companies, as well as the current and historical direct broadcast satellite enterprise value to subscriber multiples. Over this time period, DIRECTV s enterprise value to subscriber multiple on average traded between a 20% and 25% discount to EchoStar s. EchoStar trades at a premium due to higher projected margins and growth in subscribers, revenue and EBITDA. EchoStar s per subscriber multiple of $2,378 as of October 25, 2001 compared to DIRECTV s DCF implied enterprise value to current subscriber multiples of $1,700 to $2,100, representing a discount consistent with the historical trading relationship noted above.

DIRECTV Latin America. Bear Stearns performed a DCF analysis of DIRECTV Latin America using projections provided by Hughes management. The DCF values represent the net equity value of Hughes 78% ownership stake in DIRECTV Latin America, assuming $1,017 million of net debt.

The DCF for DIRECTV Latin America was calculated assuming discount rates ranging from 20.0% to 30.0% and was comprised of the sum of the present values of:

the projected after-tax unlevered free cash flows for the fourth quarter of 2001 through the fiscal year ended December 31, 2005; and

the December 31, 2005 terminal value based upon a range of multiples of estimated 2005 EBITDA, from 3.5x to 5.5x.

	Low	High
	(in millions)	
Reference Value Range	$(100)	$300

Using publicly available information, Bear Stearns compared selected historical stock, financial and operating data and ratios for DIRECTV Latin America with corresponding data and ratios for Globo Cabo S.A., the only publicly traded pay television company in Latin America.

Bear Stearns calculated the enterprise value as a multiple of current subscribers for Globo Cabo as of October 25, 2001. Globo Cabo s $1,018 enterprise value per subscriber multiple is higher than the $600 to $900 enterprise value to subscriber multiple range implied by the DIRECTV Latin America DCF. This is due to the fact that DIRECTV Latin America has substantially higher capital requirements and is not projected to reach cash flow break-even until 2005 versus 2003 for Globo Cabo.

PanAmSat. Bear Stearns performed a DCF analysis of PanAmSat using projections provided by Hughes management.

The DCF value of the approximately 81% indirect interest of Hughes in PanAmSat, or about 120.8 million shares, was calculated assuming discount rates ranging from 7.0% to 11.0%, $2,162 million of net debt attributable to PanAmSat and was comprised of the sum of the present values of:

the projected after-tax unlevered free cash flows for the fourth quarter of 2001 through the fiscal year ended December 31, 2005; and

the December 31, 2005 terminal value based upon a range of multiples of estimated 2005 EBITDA from 7.0x to 9.0x.

	Low	High
	(in millions)	
Reference Value Range of Hughes Indirect Interest in PanAmSat (excluding value of intercompany note due to Hughes)(a)	$2,780	$2,780

(a) Based on PanAmSat closing price of $23.03 as of October 25, 2001.

The DCF value per share range of $18.00 to $23.00 compared to PanAmSat s closing price and 20-day average price as of October 25, 2001 of $23.03 and $21.47, respectively. Bear Stearns also considered the 52-week trading range of PanAmSat of $18.18 to $43.31 as of October 25, 2001. The DCF value per share range translated into a $2,175 million to $2,780 million value range for the approximately 81% indirect interest of Hughes in PanAmSat, excluding the intercompany note due to Hughes.

Using publicly available information, Bear Stearns compared selected historical stock, financial and operating data and ratios for PanAmSat with corresponding data and ratios of similar publicly traded companies. These companies were selected by Bear Stearns based upon Bear Stearns views as to the comparability of the financial and operating characteristics of these companies to PanAmSat, with particular emphasis on Societe Europeenne des Satellites S.A., which we sometimes refer to as SES Global. Bear Stearns viewed SES Global as most similar to PanAmSat due to similar size, scale, and global reach.

The companies included in the PanAmSat comparable company analysis were:

Comparable Company Analysis	Enterprise Value/ 2001 Revenue	Enterprise Value/ 2001 EBITDA
Asia Satellite Telecommunications Holdings Limited	3.40x	4.0x
New Skies Satellites N.V.	3.02x	5.5x
Societe Europeenne des Satellites S.A.	6.90x	8.4x

PanAmSat s DCF implied enterprise value to 2001 EBITDA multiple range of 8.8x to 10.2x compared to SES Global s enterprise value to 2001 EBITDA multiple of 8.4x as of October 25, 2001. PanAmSat s DCF implied EBITDA multiples are higher than SES Global s trading multiples due to higher projected revenue and EBITDA growth rates.

Hughes Network Systems. Bear Stearns performed a DCF analysis of Hughes Network Systems (excluding Spaceway) using projections provided by Hughes management.

The DCF for Hughes Network Systems was calculated assuming discount rates ranging from 18.0% to 22.0% and was comprised of the sum of the present values of:

- the projected after-tax unlevered free cash flows for the fourth quarter of 2001 through the fiscal year ended December 31, 2005; and

- the 2005 terminal value based upon a range of multiples of estimated 2005 revenue from 1.0x to 2.0x.

	Low	High
	(in millions)	
Reference Range Value	$1,500	$2,800

Spaceway. Bear Stearns estimated the value of Hughes investment in Spaceway to be between 0% and 100% of the estimated invested capital of $940 million, resulting in a range of value from $0 to $940 million.

Telocity. Bear Stearns estimated the value of Hughes investment in Telocity to be between 0% and 50% of the estimated acquisition cost of $180 million, resulting in a range of value from $0 to $90 million. Bear Stearns observed that the public market values of other digital subscriber line service providers have declined substantially since the date Hughes acquired Telocity.

Public Investments. Bear Stearns valued Hughes aggregate investments in the publicly traded common shares of the following companies at $595 million based on the their respective closing prices and applicable currency exchange rates as of October 25, 2001:

- Crown Media Holdings;
- TiVo Inc.;
- GlobeComm Systems Inc.;
- Hughes Software Systems Ltd.;
- Hughes Tele.com (India) Limited;
- Motient Corporation;
- Nippon Avionics Co., Ltd.;
- P.T. Pasifik Satelit Nusantra;
- Quokka Sports, Inc.;
- Sky Perfect Communications Inc.;
- THOMSON multimedia SA;
- Wink Communications, Inc.; and
- XM Satellite Radio Holdings Inc.

Corporate Contingency. Bear Stearns performed a DCF analysis of the net cash flow effect of the corporate reserve allocations of Hughes using projections provided by Hughes management.

The DCF for corporate contingency was calculated assuming discount rates ranging from 13.5% to 15.5% and was comprised of the sum of the present values of:

- the projected after-tax unlevered free cash flows for the fourth quarter of 2001 through the fiscal year ended December 31, 2005; and

- the December 31, 2005 terminal value based upon a range of assumed perpetual growth rates for the net cash flow effect from 2.5% to 3.5%.

	Low	High
	(in millions)	
Reference Range Value	$(3,000)	$(3,500)

Hughes on a Consolidated Basis. Using these analyses, Bear Stearns estimated the range of per share value of the consolidated Hughes based on 1,300.7 million outstanding shares of GM Class H common stock, options to acquire 21.8 million shares of GM Class H common stock with a weighted average exercise price of $10.75, options to acquire 12.1 million shares of GM Class H common stock with a weighted average exercise price of $17.00, 80.1 million shares of GM Class H common stock reserved for issuance upon conversion of the GM Series H preference stock, $1,565 million of net cash, which includes Hughes $1,725 million intercompany note receivable from PanAmSat, and $325 million estimated value of contingent liabilities as of September 30, 2001:

	Low	High
Implied Equity Value per Share	$12.66	$17.10

EchoStar Analysis. Bear Stearns performed a sum-of-the-parts valuation in order to derive an implied per share equity value for EchoStar. Bear Stearns examined and independently valued EchoStar s consolidated businesses including DISH Network, EchoStar Technology Corporation and EchoStar Satellite Services, which we sometimes refer to as EchoStar s consolidated businesses, EchoStar s investments in privately held companies and its investments in publicly traded securities.

Consolidated Businesses. Bear Stearns performed a DCF analysis of EchoStar s consolidated businesses using projections provided by EchoStar s management.

The DCF value for EchoStar s consolidated businesses was calculated assuming discount rates ranging from 12.5% to 16.5% and was comprised of the sum of the present values of:

the projected after-tax unlevered free cash flows for the fourth quarter of 2001 through fiscal year ended December 31, 2005; and

the December 31, 2005 terminal value based upon a range of multiples of estimated 2005 EBITDA from 8.0x to 12.0x.

	Low	High
	(in millions)	
Reference Range Value	$14,000	$18,400

Using publicly available information, Bear Stearns compared selected historical stock, financial and operating data and ratios for EchoStar s DISH Network with corresponding data and ratios of DIRECTV. DIRECTV was selected by Bear Stearns based upon Bear Stearns views as to the comparability of the financial and operating characteristics of DIRECTV to EchoStar s DISH Network.

Bear Stearns calculated the direct broadcast satellite enterprise value as a multiple of current subscribers from October 25, 2000 through October 25, 2001 for both DIRECTV and EchoStar. Bear Stearns compared the projected growth, margins and other operating statistics for these two companies, as well as the current and historical direct broadcast satellite enterprise value to subscriber multiples. Over this time period, DIRECTV s enterprise value to subscriber multiple on average traded between a 20% and 25% discount to EchoStar s. EchoStar trades at a premium due to higher projected margins and growth in subscribers, revenue and EBITDA. EchoStar s DCF implied enterprise value to current subscriber multiples for the DISH Network of $2,075 to $2,760 compared to DIRECTV s per subscriber multiple of $1,669 as of October 25, 2001, representing a discount consistent with the historical trading relationship noted above. In calculating enterprise value to subscriber multiples for the DISH Network, Bear Stearns subtracted an estimated $658 million for non-direct broadcast satellite consolidated assets based on Wall Street research consensus estimates.

Private Investments. Bear Stearns estimated the value of EchoStar s investment in privately held companies to be between 0% and 50% of the estimated invested capital of $166 million, resulting in a range of value of $0 to $83 million.

Public Investments. Bear Stearns valued EchoStar s investment in the publicly traded common shares of OpenTV Corp. to be $20 million, based on the 2.25 million shares held and the October 25, 2001 closing price of $9.05 per share.

EchoStar on a Consolidated Basis. Using these analyses, Bear Stearns estimated the range of per share value of the consolidated EchoStar common stock, based on 240.8 million shares of EchoStar Class A common stock, 238.4 million shares of EchoStar Class B common stock, 22.1 million options to acquire shares of EchoStar Class A common stock at a weighted average exercise price of $5.93, 0.3 million options to acquire shares of EchoStar Class A common stock at a weighted average exercise price of $22.72, $5,026 million of debt and $2,172 million of cash as of September 30, 2001:

	Low	High
Implied Equity Value per Share	$22.54	$31.48

Expected Synergies. Bear Stearns performed a DCF analysis of the estimated synergies resulting from the proposed combination of Hughes and EchoStar using the mid-point of two sets of projections provided by Hughes management, referred to as the high case and the low case. The expected synergies are projected to be a result of increased number of subscribers, reduced subscriber turnover, or churn, increased advertising revenue, reduced subscriber acquisition costs, reduced programming costs and other cost reductions and incremental revenues. These synergy estimates were netted against the implementation costs.

The DCF for the synergy estimates was calculated assuming a discount rate of 11% to 15% and was comprised of the sum of the present values of:

the projected cash flows for the years 2002 through the fiscal year ended December 31, 2005; and

the December 31, 2005 terminal value based upon a range of multiples of estimated terminal EBITDA from 8.0x to 12.0x.

	Low	High
	(in billions)	
DCF Value of Expected Synergies	$16.6	$23.4

Historical Exchange Ratio Analysis. Bear Stearns reviewed the per share daily closing market price movements of GM Class H common stock and EchoStar Class A common stock for the one-year period ending on October 25, 2001, and calculated the historical exchange ratios during this period implied by dividing the daily per share closing prices of GM Class H common stock by those of EchoStar Class A common stock. Bear Stearns calculated a range of implied exchange ratios of between 0.528x and 1.091x. Bear Stearns also calculated the averages of those historical trading ratios for the one-week, one-month, three-month, six-month, and one-year periods ending October 25, 2001. The analysis resulted in the following average historical trading ratios for the periods indicated, rounded to the nearest thousandth, compared to an implied exchange ratio in the Hughes/ EchoStar merger of 0.73 shares of EchoStar Class A common stock for each share of GM Class H common stock, which is the inverse of the exchange ratio in the Hughes/ EchoStar merger of 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 and 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:

Period ending October 25, 2001	Implied Exchange Ratio
October 25, 2001	0.583x
Last 1 Week	0.591x
Last 1 Month	0.572x
Last 3 Months	0.638x
Last 6 Months	0.666x
Last 1 Year	0.732x

Implied Exchange Ratio Analysis. Based upon the per share equity values of Hughes and EchoStar as of October 25, 2001, Bear Stearns calculated an implied pre-Hughes recapitalization equity ownership split of 62.1% for Hughes and 37.9% for EchoStar. This compares to the proposed pre-Hughes recapitalization equity ownership split of 67.1% for Hughes and 32.9% for EchoStar, based on the agreed-to exchange ratio. Using the revenue figures provided to Bear Stearns by General Motors, Hughes and EchoStar, Bear Stearns calculated the percentage of revenue contributed to the combined entity for the years 2001 to 2005 by both Hughes and EchoStar to be 67.8% to 69.2% and 32.2% to 30.8%, respectively. Using the EBITDA figures provided to Bear Stearns by General Motors, Hughes and EchoStar, Bear Stearns calculated the percentage of EBITDA contributed to the combined entity for the years 2001 to 2005 by both Hughes and EchoStar to be 51.1% to 67.7% and 48.9% to 32.3%, respectively.

Premium to GM Class H Common Stockholders and GM $1 2/3 Par Value Common Stockholders. Bear Stearns analyzed the valuation impact and implied premium to GM Class H common stockholders and GM $1 2/3 par value common stockholders at various levels of value attributed to synergies assuming a pro forma trading value that gives effect to the proposed $4.2 billion reduction of GM s retained economic interest in Hughes and assumes the October 25, 2001 closing share price of $15.40 for the GM Class H common stock and an implied exchange ratio in the Hughes/EchoStar merger of 0.73 shares of EchoStar Class A common stock in exchange for each share of GM Class H common stock. Bear Stearns calculated the pro forma implied trading price per New EchoStar Class C share by dividing the sum of stand-alone market value plus capitalized synergy value, if any, by pro forma shares outstanding (based on the exchange ratio). The implied pro forma price per share of New EchoStar Class C common stock assuming no synergies was $16.67 per share, implying an 8.3% premium to the GM Class H common stockholders over the prevailing market price. Bear Stearns assumed that the $4.2 billion reduction of GM s retained economic interest in Hughes was based on the same implied trading price of $16.67. The table below sets forth these and other premiums based on various implied pro forma prices per share of New EchoStar Class C common stock.

Synergy Assumption	Implied Price	Implied Premium
No Synergies	$16.67	8.3%
$5.4 Billion of Assumed Synergy Value	$19.26	25.0%
$10.0 Billion of Assumed Synergy Value	$21.52	39.7%
$20.0 Billion of Assumed Synergy Value	$26.31	70.9%

Credit Rating Impact Considerations for General Motors. Bear Stearns evaluated the potential impact to the financial position and credit rating of General Motors resulting from the proposed Transactions. The appropriate credit statistics of General Motors are compared before and after giving effect to the proposed $4.2 billion reduction of GM s retained economic interest in Hughes and the exchange of 100 million shares of GM Class H common stock or New EchoStar Class C common stock, as the case may be, in GM debt-for-equity exchanges and assuming the Transactions closed on June 30, 2001. General Motors was analyzed excluding the financial results of GMAC. For a more complete description of the GM/ Hughes separation transactions, see Description of the Transactions The GM/Hughes Separation Transactions.

	GM Excluding GMAC	
	Last 12 Months as of June 2001	Pro Forma GM (Excluding Hughes)
EBITDA/ Gross Interest Expense	12.4x	16.4x
Total Debt/ EBITDA	1.5x	1.3x
Total Debt/ Book Capitalization	47.5%	38.7%
EBITDA-Capital Expenditures/ Interest	(0.7x)	1.5x
Net Liquidity (in billions)	$ (0.5)	$ 4.5

Earnings Impact Considerations for General Motors. Bear Stearns examined the pro forma impact to General Motors earnings per share, or EPS, calculation for the GM $1 2/3 par value common stockholders after giving effect to the proposed $4.2 billion reduction of GM s retained economic interest in Hughes and exchange of 100 million shares of GM Class H common stock or New EchoStar Class C common stock, as the case may be, in GM debt-for-equity exchanges.

Projected EPS	2001 Estimated	2002 Estimated
GM(a)	$3.08	$1.77
Add Back Attributable GM Class H Common Stock Loss(a)	0.38	0.20
Plus: Saved Interest Expense(b)	0.20	0.20
Pro Forma EPS	$3.66	$2.16
Accretion($)	$0.58	$0.39
Accretion(%)	18.7%	22.2%

(a) **Source:** First Call earnings estimates for GM and Hughes as of October 19, 2001. 32.6% of Hughes loss excluded from GM s earnings, after adjusting for the dividend paid to the holders of GM Series H preference stock.

(b) Assumes cash received in $4.2 billion reduction of GM s retained economic interest in Hughes and $1.9 billion accounts payable reduction from GM debt-for-equity exchange are invested at 3.0% pre-tax return and, tax-effected at the marginal rate of 38.0% in 2001 and 2002, using Wall Street consensus shares of 562 million and 563 million for 2001 and 2002, respectively.

Pursuant to the engagement letter with respect to Bear Stearns, GM agreed to pay Bear Stearns fees of:

$1,000,000 on the date of such engagement letter (which amount is credited towards the amount payable under the third bullet below);

$500,000 payable upon delivery of its fairness opinion (which amount is credited towards the amount payable under the third bullet below); and

between $10,000,000 and $24,000,000 after the completion of the Transactions, such amount to be determined based upon the difference in the value of the interests of the GM $1 2/3 par value common stockholders and GM Class H common stockholders in Hughes at the time of announcement and those interests around the time of the completion of the Transactions.

GM has also agreed to reimburse Bear Stearns for its reasonable out-of-pocket expenses, including the reasonable fees and expenses of its counsel, and to indemnify Bear Stearns and certain related persons against certain liabilities in connection with its engagement, including certain liabilities under the federal securities laws.

Bear Stearns has in the past performed certain investment banking services for General Motors and affiliates of General Motors, for which services Bear Stearns has received compensation. As part of its investment banking business, Bear Stearns regularly is engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary

distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

In the ordinary course of its business, Bear Stearns may actively trade the equity and debt securities of General Motors, Hughes, EchoStar or their public affiliates for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

Fairness Opinions of Hughes Financial Advisors

Descriptions of the fairness opinions of Hughes financial advisors in connection with the Hughes/EchoStar merger, Credit Suisse First Boston and Goldman Sachs, are set forth below. These descriptions are qualified in their entirety by reference to the full text of the opinions included in Appendix C to this document.

The fairness opinions described below relate to the Hughes/ EchoStar merger, which 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, the parent company of Hughes at the time of the merger, and HEC Holdings will be the surviving corporation. For a more detailed description of the Hughes/ EchoStar merger, see The Transactions Description of the Transactions The Hughes/ EchoStar Merger.

You should understand that, because the fairness opinions of Credit Suisse First Boston and Goldman Sachs were delivered prior to the final determination of the necessary structural modifications to the Transactions described at GM s Development of the Transactions Further Discussions with EchoStar; Restatement of Transaction Agreements, the following descriptions do not reflect the fact that HEC Holdings will become the parent company of Hughes in connection with the GM/ Hughes separation transactions and the corporate entity into which EchoStar will be merged in the Hughes/ EchoStar merger.

Credit Suisse First Boston Fairness Opinion

Credit Suisse First Boston has acted as financial advisor for GM and Hughes in connection with the Hughes/ EchoStar merger. Hughes selected Credit Suisse First Boston based on Credit Suisse First Boston s experience, expertise, reputation and its familiarity with GM and Hughes and their respective businesses. Credit Suisse First Boston is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

In connection with Credit Suisse First Boston s engagement, GM and Hughes requested that Credit Suisse First Boston evaluate the fairness, from a financial point of view, to the holders of Hughes Class C common stock immediately prior to the Hughes/ EchoStar merger, including, in such capacity, GM and holders of GM $1 2/3 par value common stock and GM Class H common stock, as applicable, of the exchange ratios pursuant to the Hughes/ EchoStar merger. On October 28, 2001, at a meeting of the GM board of directors and the Hughes board of directors held to consider the Hughes/ EchoStar merger, Credit Suisse First Boston rendered to the GM board of directors and the Hughes board of directors an oral opinion, which opinion was later confirmed by delivery of a written opinion, to the effect that, as of the date of the opinion and based on and subject to the assumptions, limitations and qualifications described in the opinion, the exchange ratios pursuant to the Hughes/ EchoStar merger were 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.

The full text of Credit Suisse First Boston s written opinion, dated as of October 28, 2001, to the GM board of directors and the Hughes board of directors, which sets forth the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached hereto in Appendix C and is incorporated into this document by reference. Holders of Hughes Class C common stock immediately prior to the Hughes/ EchoStar merger, including, in such capacity, holders of GM $1 2/3 par value common stock and GM Class H common stock, are urged to, and should read this opinion carefully and in its entirety.

Credit Suisse First Boston s opinion is addressed and delivered to the GM board of directors and the Hughes board of directors in connection with their consideration of the Hughes/ EchoStar merger and does not constitute a recommendation with respect to how any stockholder of GM should vote or act on any matter relating to the Transactions or any other proposals described in this document. This summary of Credit Suisse First Boston s opinion in this document is qualified in its entirety by reference to the full text of the opinion.

In arriving at its opinion Credit Suisse First Boston reviewed:

certain publicly available business and financial information relating to Hughes and EchoStar;

execution versions of the Hughes/ EchoStar merger agreement, the GM/ Hughes separation agreement, the commitment letter relating to the Hughes/ EchoStar merger financing, the commitment letter relating to the PanAmSat stock sale financing, the implementation agreement, the PanAmSat stock purchase agreement, the supplemental agreement and guaranty entered into by and among GM, Hughes, EchoStar and The Samburu Warrior Revocable Trust, the pledge agreement entered into by and between GM and The Samburu Warrior Revocable Trust, the proposed amendments to the certificate of incorporation of Hughes relating to the classes of shares of Hughes common stock to be issued by Hughes in the GM/ Hughes separation transactions and the Hughes/ EchoStar merger and certain related documents;

certain financial forecasts prepared and provided to Credit Suisse First Boston by Hughes and EchoStar with respect to Hughes and EchoStar, respectively;

certain financial forecasts prepared and provided to Credit Suisse First Boston by the management of Hughes with respect to the pro forma combined entity resulting from the Hughes/ EchoStar merger, including estimates prepared and provided to Credit Suisse First Boston by the management of Hughes as to the cost savings and other potential synergies anticipated to result from the Hughes/ EchoStar merger, and Credit Suisse First Boston met with members of the management of Hughes and EchoStar to discuss the business and prospects of Hughes and EchoStar;

certain financial data of Hughes and EchoStar and certain stock market data relating to shares of GM Class H common stock and EchoStar Class A common stock, and Credit Suisse First Boston compared those data with similar data for publicly held companies in businesses similar to Hughes and EchoStar;

the financial terms of certain business combinations and other transactions which have been effected or announced; and

such other information, financial studies, analyses and investigations and financial, economic and market criteria which Credit Suisse First Boston deemed relevant.

In connection with its review, Credit Suisse First Boston did not assume any responsibility for independent verification of any of the information that was provided to or otherwise reviewed by it and relied on that information being complete and accurate in all material respects. With respect to the Hughes and EchoStar forecasts, Credit Suisse First Boston was advised and assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of Hughes and EchoStar s managements as to the future financial performance of Hughes and EchoStar, respectively. Credit Suisse First Boston also assumed that the pro forma forecasts had been reasonably prepared on bases reflecting the best currently available estimates and judgments of Hughes management as to the cost savings and other potential synergies anticipated to result from the Hughes/ EchoStar merger, including the amount, timing and achievability thereof. For purposes of its analyses, Credit Suisse First Boston was advised and assumed, and was advised that for purposes of preparing the pro forma forecasts, the management of Hughes assumed, that:

the GM/ Hughes separation transactions, the Hughes/ EchoStar merger financing and the Hughes/ EchoStar merger will be completed or effected in accordance with the terms of the principal transaction agreements, without waiver, amendment or modification of any material representation, warranty, covenant, condition or other agreement contained therein;

in the course of obtaining any necessary regulatory or third party approvals for such transactions, no delay, condition or restriction will be imposed that will have an adverse effect on the contemplated benefits of such transactions to Hughes and EchoStar;

any adjustment (pursuant to the GM/ Hughes separation agreement or implementation agreement) to the number of shares of GM Class H common stock that may be issued by GM pursuant to GM debt-for-equity exchanges will not have any adverse effect on the contemplated benefits of such transactions to the holders of Hughes Class C common stock; and

neither the completion of the GM/ Hughes separation transactions, the financing related to the PanAmSat stock sale, the Hughes/ EchoStar merger financing, the GM debt-for-equity exchanges or the Hughes/ EchoStar merger nor the existence or occurrence of any past or future events and circumstances will have an adverse effect on the contemplated tax treatment of any such transactions. For purposes of its opinion, Credit Suisse First Boston has, with the consent of the GM board of directors and the Hughes board of directors, also assumed that all of the principal transaction agreements conform to the forms reviewed by it in all respects material to its analyses, and that the definitive loan agreements with respect to the financing related to the PanAmSat stock sale and the Hughes/ EchoStar merger financing, when executed, will not contain any material terms other than those set forth in the commitment letter relating to the PanAmSat stock sale financing or the commitment letter relating to the Hughes/ EchoStar merger financing, as the case may be.

Credit Suisse First Boston was advised by the GM board of directors and the Hughes board of directors, and Credit Suisse First Boston assumed, that the Hughes/ EchoStar merger will be treated as a tax-free reorganization for federal income tax purposes. In addition, Credit Suisse First Boston was not requested to make, and did not make, an independent evaluation or appraisal of the assets and liabilities (contingent or otherwise) of Hughes or EchoStar, nor was Credit Suisse First Boston furnished with any such evaluation or appraisal. Credit Suisse First Boston s opinion is necessarily based upon information available to it and financial, economic, market and other conditions as they exist and can be evaluated on the date of its opinion. Credit Suisse First Boston did not express any opinion as to the actual value of the shares of Hughes Class C common stock or the prices at which such shares would trade at any time.

Hughes has agreed to pay Credit Suisse First Boston for its financial advisory services in connection with the Hughes/ EchoStar merger an aggregate fee of $25 million upon the completion of the Hughes/ EchoStar merger. Hughes has also agreed to reimburse Credit Suisse First Boston for all reasonable out-of-pocket expenses, including reasonable fees and expenses of legal counsel of Credit Suisse First Boston if approved in advance by Hughes, and any other advisor retained by Credit Suisse First Boston, and to indemnify Credit Suisse First Boston and related parties against liabilities, including liabilities under the federal securities laws arising out of this engagement. Also in connection with the Hughes/ EchoStar merger, EchoStar has agreed to pay Credit Suisse First Boston customary fees for certain financial services in connection with the Hughes/ EchoStar merger financing and for financial services in connection with Vivendi Universal s $1.5 billion equity investment in EchoStar, but unrelated to this opinion and to the engagement of Credit Suisse First Boston to render this opinion. Hughes has separately agreed to pay Credit Suisse First Boston for its financial advisory services in connection with a potential sale of PanAmSat. PanAmSat has also separately agreed to pay Credit Suisse First Boston for its financial services in connection with the refinancing of the $1.725 billion loan from Hughes to PanAmSat. In addition, Credit Suisse First Boston and its affiliates have in the past provided, and may in the future provide, investment banking and financial services to Hughes, GM, EchoStar and/or certain of their affiliates unrelated to the Hughes/ EchoStar merger, for which services Credit Suisse First Boston has received, and expects to receive, customary compensation. Credit Suisse First Boston did not advise GM in connection with the GM/ Hughes separation transactions, the financing related to the PanAmSat stock sale, the Hughes/ EchoStar merger financing, the GM debt-for-equity exchanges or the Hughes/ EchoStar merger, other than by providing this opinion to the GM board of directors, in consideration of which GM indemnified Credit Suisse First Boston and certain related persons for losses arising in connection with or as a result of its opinion and related matters. Furthermore, in the ordinary course of business, Credit Suisse First Boston and its affiliates may actively trade the debt and equity securities of Hughes, GM, EchoStar, PanAmSat and/or certain of their affiliates for their own accounts and for the accounts of customers, and, accordingly, may at any time hold a long or short position in those securities.

In preparing its opinion to the GM board of directors and the Hughes board of directors, Credit Suisse First Boston performed a variety of financial and comparative analyses, including those described below. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to summary description. In arriving at its opinion, Credit Suisse First Boston made qualitative judgments as to the significance and relevance of each analysis and factor that it considered. Accordingly, Credit Suisse First Boston believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, Credit Suisse First Boston considered industry performance, regulatory, general business, economic, market and financial conditions and other matters, many of which are beyond the control of GM and Hughes. No company, transaction or business used in Credit Suisse First Boston s analyses as a comparison is identical to Hughes or EchoStar, or any business segment thereof, or the Hughes/ EchoStar merger, and an evaluation of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions being analyzed. The estimates contained in Credit Suisse First Boston s analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, the analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, Credit Suisse First Boston s analyses and estimates are inherently subject to substantial uncertainty.

Credit Suisse First Boston s opinion and financial analyses were only one of many factors considered by the GM board of directors and the Hughes board of directors in their evaluation of the Hughes/ EchoStar merger and should not be viewed as determinative of the views of the GM board of directors and the Hughes board of directors or their respective managements with respect to the Hughes/ EchoStar merger or the exchange ratios pursuant to the Hughes/ EchoStar merger agreement. The summary set forth below at Joint Presentation of Hughes Financial Advisors does not purport to be a complete description of the analyses performed by Credit Suisse First Boston.

Goldman Sachs Fairness Opinion

On October 28, 2001, Goldman Sachs delivered its oral opinion, later confirmed in writing, to the GM board of directors and the Hughes board of directors that, based upon and subject to the matters described in the opinion and based upon such other matters as Goldman Sachs considered relevant, as of the date of that opinion and based on market conditions on that date, the exchange ratios set forth in the Hughes/ EchoStar merger agreement were 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, the holders of GM $1 2/3 par value common stock and GM Class H common stock, as applicable.

The full text of the written opinion of Goldman Sachs, dated October 28, 2001, which sets forth assumptions made, matters considered and limitations on the review undertaken in connection with the opinion, is attached to this document in Appendix C and is incorporated herein by reference. Goldman Sachs provided its opinion for the information and assistance of the GM board of directors and the Hughes board of directors in connection with their consideration of the Hughes/ EchoStar merger and certain related transactions. The Goldman Sachs opinion does not in any respect address GM s or Hughes underlying business decision to effect the Hughes/ EchoStar merger, the GM/ Hughes separation transactions or the GM debt-for-equity exchanges, or constitute a recommendation as to how any holders of the GM $1 2/3 par

value common stock and GM Class H common stock should vote with respect to any of the proposals relating to the Transactions or any other proposal described in this document. The Goldman Sachs opinion is necessarily based upon information available to Goldman Sachs and financial, economic, market and other conditions as they exist and can be evaluated as of the date of its opinion. We urge you to read the Goldman Sachs opinion in its entirety.

In connection with its opinion, Goldman Sachs reviewed, among other things:

the Hughes/ EchoStar merger agreement;

the implementation agreement;

the GM/ Hughes separation agreement;

the supplemental agreement and guaranty among GM, Hughes, EchoStar and The Samburu Warrior Revocable Trust;

the pledge agreement between GM and The Samburu Warrior Revocable Trust;

the commitment letter relating to the Hughes/ EchoStar merger financing;

the commitment letter relating to the PanAmSat stock sale financing;

the PanAmSat stock purchase agreement;

the annual reports to stockholders of GM for each of the five years ended December 31, 2000;

the annual reports to stockholders of PanAmSat on Form 10-K for each of the three years ended December 31, 2000;

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