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FEDERAL COMMUNICATIONS COMMISSION  
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April 26, 2002

FOR PUBLIC INSPECTION

ORIGINAL

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12th Street, SW  
Washington, DC 20054

EX PARTE OR LATE FILED

Re: **Ex Parte** - Consolidated Application of EchoStar Communications Corporation, Hughes Electronics Corporation, and General Motors Corporation for Authority to Transfer of Control (CS Docket No. 01-348)

Ms. Dortch:

Hughes Electronics Corporation ("Hughes") and General Motors Corporation ("GM") hereby submit documents in response to the Commission's February 4, 2002 Initial Information and Document Request (the "Request"). The documents are being provided pursuant to the Request, as clarified in our February 21, 2002 procedural meeting, in the manner set forth in our letter dated February 28, 2002 and in the joint letter from EchoStar Communications Corporation ("EchoStar"), Hughes and GM dated March 5, 2002.

This production includes 2 boxes of documents that are confidential and 1 box of public documents. Two copies of the public documents are provided herewith. One copy of the confidential documents is being submitted with the version of this cover letter marked "Confidential Filing: Not for Public Inspection" and is being filed under seal with the FCC Secretary's Office and should not be placed in the public record in this proceeding. All the documents produced to the Commission are Bates stamped. Enclosed in each of the boxes is (i) an index of the Bates numbers of the documents contained therein and (ii) a copy of this letter for reference. Two copies of the confidential documents are also being delivered to Marcia Glauberman and Linda Senecal. The confidential documents submitted by GM and Hughes are marked "CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN CS DOCKET NO. 01-348" and "Copying Prohibited" in accordance with the Protective Order adopted in this proceeding on January 7, 2002. Because all of the documents submitted are confidential, we are not submitting redacted copies of the documents. Attached as Exhibit A is a

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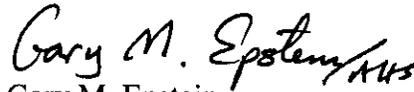
William F. Caton  
April 26, 2002  
Page 2

list of the confidential documents by Bates number and person. Further, we are not producing privileged documents (*e.g.*, subject to attorney-client privilege).

Our February 28, 2002 letter to the Commission set forth the sources from which Hughes and GM had collected documents. Based on our discussions with the Commission, we identified a subset of those individuals and reviewed their documents. With this production, we have provided all the responsive documents that have been identified from the documents that had been collected from those individuals.

Hughes and GM have exercised good faith in the review of documents to determine responsiveness to the Commission's request. Should there be any questions regarding this matter, please contact the undersigned.

Respectfully submitted,



Gary M. Epstein  
Alex Hoehn-Saric  
*Counsel for General Motors Corporation  
and Hughes Electronics Corporation*

Enclosures

cc: Marcia Glauberman  
Linda Senecal

**Exhibit A**

Hughes Electronics Corporation

Response to FCC Initial Request for Information dated February 4, 2002

Log of Confidential Documents Provided to FCC on April 26, 2002

Production Number	Document Source	Business Unit Source	Request No.
FCC1A 000000052 - FCC1A 000000063	FERGUSON, T	DIRECTV	XV.A
FCC1A 000000064 - FCC1A 000000064	FERGUSON, T	DIRECTV	XV.A
FCC1A 000000065 - FCC1A 000000084	FERGUSON, T	DIRECTV	XV.A
FCC1A 000000085 - FCC1A 00000100	FERGUSON, T	DIRECTV	XV.A
FCC1A 00000101 - FCC1A 00000112	FERGUSON, T	DIRECTV	XV.A
FCC2A 000001279 - FCC2A 000001289	COOK, M	HNS	XV.A
FCC2A 000001290 - FCC2A 000001294	GULLA, P	HNS	XIII.D
FCC2A 000001295 - FCC2A 000001304	GULLA, P	HNS	XIII.D
FCC2A 000001305 - FCC2A 000001308	GULLA, P	HNS	XIII.D
FCC2A 000001309 - FCC2A 000001310	BAUMEL, S	HNS	XIII.D
FCC2A 000001311 - FCC2A 000001314	BAUMEL, S	HNS	XIII.D
FCC2A 000001315 - FCC2A 000001316	SLEKYS, A	HNS	XIII.D
FCC4A 000000118 - FCC4A 000000213	DOWNING, M	BROADBAND	XV.C
FCC4A 000000214 - FCC4A 000000309	DOWNING, M	BROADBAND	XV.C
FCC4A 000000310 - FCC4A 000000349	DOWNING, M	BROADBAND	XV.C
FCC4A 000000350 - FCC4A 000000390	DOWNING, M	BROADBAND	XV.C
FCC1B 000003775 - FCC1B 000003777	FERGUSON, T	DIRECTV	XV.A
FCC1B 000003778 - FCC1B 000003894	FERGUSON, T	DIRECTV	XV.A
FCC1B 000003895 - FCC1B 000003906	FERGUSON, T	DIRECTV	XV.A
FCC2B 000008467 - FCC2B 000008467	SALAMOFF, S	HNS	XV.A
FCC2B 000008468 - FCC2B 000008471	BOWEN, H	HNS	XIII.D
FCC2B 000008472 - FCC2B 000008473	BOWEN, H	HNS	XIII.D
FCC2B 000008474 - FCC2B 000008484	BOWEN, H	HNS	XV.A
FCC2B 000008485 - FCC2B 000008487	BOWEN, H	HNS	XV.A
FCC2B 000008488 - FCC2B 000008510	GULLA, P	HNS	XIII.D
FCC2B 000008511 - FCC2B 000008512	GULLA, P	HNS	XIII.D
FCC2B 000008513 - FCC2B 000008541	GULLA, P	HNS	XIII.D
FCC2B 000008542 - FCC2B 000008543	GULLA, P	HNS	XIII.D
FCC2B 000008544 - FCC2B 000008555	GULLA, P	HNS	XV.A
FCC2B 000008556 - FCC2B 000008556	HOVERSTEN, E	HNS	XV.B
FCC2B 000008557 - FCC2B 000008567	COOK, M	HNS	XV.A



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## Public Documents

T. Ferguson	FCC1A 000000052-000000112
M. Cook	FCC2A 000001279-000001289
P. Gulla	FCC2A 000001290-000001308
S. Baumel	FCC2A 000001309-000001314
A. Sleky	FCC2A 000001315-000001316
M. Downing	FCC4A 000000118-000000390

**Hughes Electronics Corporation Response to  
FCC Initial Request for Information dated February 4, 2002**

**Production #s: FCC2A000001315 – FCC2A000001316**

**Source: Arunas Slekys  
Hughes Network Systems**

**FCC Request Responsive to: XIII.D.**

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Forbes.com

## Satellite Internet Access Up In The Air

By Betsy Schiffman

EarthLink execs all have little satellites orbiting around their lustful eyes. And they aren't the only ones. Just about every major Internet service provider (ISP), including AOL Time Warner and Juno, either have plans to or already offer broadband Internet access via satellite-- regardless of whether anyone wants it. )--People do want broadband as internet usage rises and content becomes the main thrust vs. traditional usage (i.e. email, surfing). The fair statement is: people want broadband but don't care where it's coming from as long as it's affordable, reliable, and accessible. Thus, the case for cable vs. DSL vs. satellite and options to choose.

This week EarthLink jumped on the bandwagon and said it will offer two-way satellite Internet access nearly nationwide by the end of May. The services, powered by Hughes Electronics' DirecPC, will deliver downstream speeds of 400 Kbps and upstream speeds of 128 Kbps. That's about two to seven times faster than a dialup 56K modem. Besides the speed, the lure of satellite access over digital subscriber line is that customers can sign up for the service and avoid the messy, and often painful, DSL installation process. ) --the other lure of satellite technology is accessibility w/no geographic limitations and multicasting (no other technology has this capability). Not to mention, reliability/quality is good -- no latency issues with typical web site access and many other comm applications.

But satellite access isn't cheap. Besides the upfront \$649 equipment costs and \$250 installation fee, EarthLink satellite subscribers will pay a monthly fee of \$69.95--a hefty price for a service that isn't remarkably fast. DSL providers offer comparable speeds with an upfront cost of \$200 to \$250 for a modem, and around \$100 or less for installation; monthly fees are at least \$20 lower than satellite subscriber fees. )--cost is not a singular and objective means of comparison alone -- one size does not fit all -- each technology has its pros/cons and place in the landscape.

"It would be nice if it were cheaper so more people could get the service. But the reality is that it costs a lot of money to put satellites in the air and keep them going," says Tom Andrus, EarthLink's vice president of emerging technologies.

EarthLink isn't the only ISP to roll out a satellite service. In June 1999, AOL invested \$1.5 billion in Hughes Electronics. The idea behind the investment was that AOL could offer broadband satellite access. )--what about their interest in the TV/internet package? In October 2000, the company officially launched its satellite service, AOL Plus.

AOL's service is one-way, which means that users only get downstream satellite access at speeds of 400 Kbps. To upload data, customers still have to resort to a narrowband 28.8K or 56K dialup connection. AOL Plus costs \$19.95, on top of the \$21.95 for a standard AOL membership. In addition, customers have to buy the equipment (including a satellite dish to receive the signal and a modem) for about \$149.

Besides the cost, satellite technology is less than stellar.

"There are technical issues in terms of reliability and scalability," says Jupiter Research analyst Joe Laszlo. "The real market for satellite access is going to be people that don't have a choice-- people that live in rural areas where cable or DSL upgrades would be too costly." (There are studies showing people moving from cable to satellite in increasing numbers -- we should provide stats from recent article in the news. This technology is all about freedom of choice today, even in metro areas...)

Nobody is going to want to pay a premium for a mediocre (HOW IS MEDIOCRE DEFINED? NOT OBJECTIVE STATEMENT) service just because it's beamed from outer space. There are already comparable terrestrial services that are cheaper. Satellite services would be in hot demand if they offered a fix to a problem. THEY DO FIX A PROBLEM . While cable companies are riddled with customer-service issues and DSL providers can't seem to get installation right, the technology works fine. And costs less.

Jupiter Research predicts that by 2005, there will be a total of 29 million households online but only 1.4 million households using satellite access. (IS \$30B by 2010 peanuts -- where is frame of reference to cost associated with 1.4 million household statement?) In the scheme of things, the satellite market is peanuts. Supposing the satellite customer base is split between three different providers, the business will be so small that there won't be much room for profits.

So, what's the point? Why are EarthLink and AOL moving forward with satellite services when there's no sure market? In part, it's just a matter of covering all bases. EarthLink is second fiddle in a space where AOL reigns. It's in EarthLink's benefit to offer access to all technologies, be it DSL, cable, or satellite services, regardless of the immediate take-home.

AOL's reasons for entering the satellite business are slightly more complex. Before merging with Time Warner, AOL essentially had no way to enter the broadband arena, and it was beginning to look like cable Internet providers such as **Excite@Home** were positioned to cream them. After the Time Warner merger, AOL gained access to Time Warner's cable access provider, Road Runner, and its broadband woes were put to rest.

"AOL was afraid of getting locked out of broadband," says CIBC World Markets analyst John Corcoran. "It was simultaneously pursuing relationships that would let it offer DSL and cable services, and then it hedged its bet on Hughes so it had access to satellite infrastructure as well."

It may have seemed like a good bet at the time, but now it looks like a waste of money. )--THIS REFLECTS NEGATIVELY ON ISPs, HNS, and the satellite industry at large.

**Hughes Electronics Corporation Response to  
FCC Initial Request for Information dated February 4, 2002**

**Production #s:           FCC2A000001309 – FCC2A000001314**

**Source:                   Sam Baumel  
                              Hughes Network Systems**

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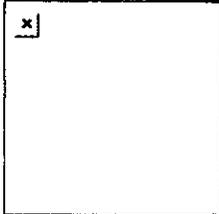
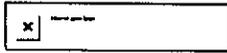
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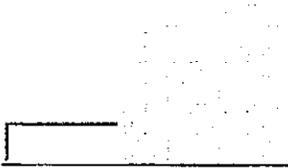
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## WebTV, EchoStar Debut Internet Satellite Service

By the InternetNews.com staff

[January 7, 1999] At the Consumer Electronic Show in Las Vegas Thursday, WebTV Networks Inc. and EchoStar Communications Corp. unveiled the Microsoft WebTV Network Plus, a satellite-based high-speed Internet service.

The system will use Microsoft's WebTV set-top box and EchoStar's DISH Network satellite service.

Slated for release this spring, the combination service and product integrates the DISH Network's digital satellite television programming with Internet service from WebTV Networks.

EchoStar said its EchoStar Model 7100 satellite receiver is the first satellite receiver that offers a built-in multigigabyte hard drive, which is able to record and play back simultaneous full-quality digital video. The receiver's disk drive provides various enhanced digital TV features, such as a TV Pause, which freezes a TV show for as long as 30 minutes, automatic recording of several hours of high-quality digital video and downloadable video games.

The companies will also offer an optional digital video recording service by the end of the year. The EchoStar Model 7100 will retail for \$499.

WebTV Plus service for satellite is a broadband-enhanced version of the WebTV Plus service offering Internet access, up to six e-mail accounts and child-protection features. The EchoStar Model 7100 supports multimedia e-mail features in the WebTV Network service, allowing

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users to plug in a camcorder and send pictures and audio clips through e-mail.

In addition, the WebTV Plus service for satellite will offer various games such as Id Software Inc.'s "Doom," which can be updated with new gameplay features each month. The WebTV Plus service for satellite will cost \$24.95 per month.

"The EchoStar Model 7100 satellite receiver is a milestone in the history of television," said Steve Perlman, president and co-founder of WebTV Networks.

"The satellite's broadband delivery capability, combined with a massive disk drive, frees viewers from a fixed TV broadcast schedule, allowing them to watch what they want, when they want.

"This capability is seamlessly integrated with the WebTV Plus service, expanding the viewing experience with high-speed Internet access and interactive television. This product is the world's first glimpse of 21st century television," Perlman said.

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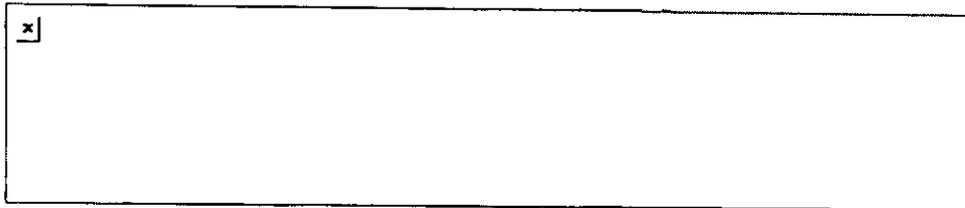
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FOR RELEASE WEDNESDAY, JULY 19, 2000

## **AT&T Wireless To Offer Residential Broadband Service in Four New Cities**

**Company Begins Expansion to Serve 15 Million Homes by End of 2002**

**Announces Outsourcing Agreement Lucent Technologies**

REDMOND, WA – Residential customers in Anchorage, Houston, Los Angeles and San Diego will soon be able to receive high-speed Internet access and local telephone service using patented fixed wireless technology from AT&T Wireless (NYSE: AWE).

The expansion of AT&T Digital Broadband into these new markets follows a highly successful introduction in the Dallas-Fort Worth area where more than 2,000 customers already receive advanced communications services.

San Diego will be the first of the three new markets to come on line around September 2000. The company expects to make the service available to some 15 million homes in 40 markets by the end of 2002.

"The Internet is driving everything, and consumers have been asking for high speed connectivity coupled with high quality voice service," said Michael Keith, president and chief executive officer of the AT&T Fixed Wireless division. "And, we can easily and cost-effectively meet these needs. With more than 275 million people on line, one billion web pages and 75 million host computers, consumer demand for high-speed online capabilities will continue to grow over the coming years."

### **High Speed Internet, Quality Voice Services to the Home**

AT&T Digital Broadband offers residential customers lightning fast Internet connections for up to five computers simultaneously and four high quality voice lines with various calling features. Data speeds for accessing the Internet can be as high as 512 kbps, 12 times faster than traditional dial-up modems. The company plans to upgrade data speeds to 1 Mbps by the end of 2000. Customers can use existing phones in the home for voice service.

Initially, AT&T Digital Broadband will be available to single-family residences. Small business will be able to receive the service later this year. AT&T Wireless's fixed

wireless is based on patented OFDM (Orthogonal Frequency Division Multiplexing) technology developed by AT&T Wireless.

Keith pointed out that AT&T Wireless is delivering on its promise to bring consumers advanced technology and value-added services, all at an economical price. "We are also giving people a choice for a local phone provider and a local Internet provider rolled into one," he said.

To support the roll out of service in the new markets, AT&T Wireless also announced an outsourcing agreement with Lucent Technologies valued at approximately \$250 million over two years. Lucent will manufacture and install broadband network infrastructure equipment for AT&T Wireless as it enters these, and other markets in the future.

The company said it is currently in the process of negotiating other outsourcing agreements for manufacturing base stations and customer premise equipment, cell site deployment, and installation and maintenance.

### **How AT&T Digital Broadband Works**

Voice and data signals are transmitted between nearby "base stations" and a small antenna installed on the exterior of a customer's home. Similar to cell phone technology, line-of-sight between a "base station" and customer's home is not required. A wire connection is made from the antenna to a digital control unit in the home. The control unit is then connected to an existing inside phone wiring jack and an AC power supply outlet.

Customers taking advantage of the "always on" high-speed wireless data services of AT&T Digital Broadband can have AT&T technicians install commercially available network interface cards in their PCs. Homes connected to the service also have the capability of enabling a Local Area Network (LAN) that can link up to five computers installed with compatible network interface cards. Each computer can use the high-speed data service to connect to the Intranet.

Additionally, customers selecting the high-speed data service can make voice calls even when they are surfing the Internet. This feature provides the flexibility sometimes required when they need to speak with a customer service agent as they shop online.

### **Expanding Advanced Wireless Broadband Internationally**

AT&T Wireless recently announced plans to develop, license and sell AT&T's Digital Broadband technology with Motorola. Under those plans, AT&T Wireless will provide Motorola with a temporary license to supply equipment to local service providers outside the United States. An international local service provider will be announced sometime in the second half of 2000. AT&T Wireless's strategy is to expand its technology quickly beyond North America and the Motorola agreement is a first step in that process.

***About AT&T Wireless***

AT&T Wireless (NYSE: AWE), operates one of the largest digital wireless networks in North America. With more than 12.5 million subscribers, AT&T Wireless is committed to being the premier provider of high-quality wireless communications services, whether mobile or fixed, voice or data, to businesses or consumers, in the U.S. and internationally.

**Forward looking statements**

Certain statements contained in this press release are forward looking statements that involve a number of risks and uncertainties. These forward looking statements include, without limitation, statements about future products, decisions of other participants, and other similar factors, over which AT&T Wireless has no control and which are inherently very difficult to predict. In addition, there are other factors that could cause actual results to differ materially, including competitive pressures, and the risk factors identified in the Company's prospectus dated March 28, 2000 and those that are listed from time to time in the Company's public reports. The reader should remember that these forward-looking statements are only predictions and are not statements of historical fact.

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**For more information, reporters may contact:**

Ritch Blasi - AT&T  
908-221-3790 (office)  
[rblasi@att.com](mailto:rblasi@att.com)

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**Hughes Electronics Corporation Response to  
FCC Initial Request for Information dated February 4, 2002**

**Production #s: FCC2A0000001290 – FCC2A0000001308**

**Source: Peter Gulla  
Hughes Network System**

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[StarBand Addresses Model 360 Upgrade](#)

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[Consumers Show Limited Knowledge of Broadband](#)

[SkySizzles: Bloomberg Television Sweepstakes](#)



### **StarBand Addresses Model 360 Upgrade**

Customers Concerned About Further Service

Recently, StarBand customers were notified about an upgrade for their Internet service, from Model 180 to Model 360.

The letter may have been somewhat strongly-worded for customers, StarBand admits. In the letter, StarBand informed its Model 180 users that it "will be discontinuing service supporting the StarBand Model 180 satellite modem in the near future in order to move customers and (its) network to (the) latest satellite modem technology, (and) upgrading to the StarBand Model 360 satellite modem is required to avoid service interruption."

Sandy Colony, vice president of corporate communications for StarBand, said, "We acknowledge that a recent email to our customers could have been misinterpreted and has caused some consternation for some of our users. To clarify the record, we are planning to discontinue technical support for the earlier version of our product, the StarBand Model 180, in the future. Thus, we are actively encouraging all

of our customers to upgrade to our latest in satellite modem technology when they receive our notification.

"We are not mandating an extension of existing contracts. If a customer chooses not to upgrade, we will do our best to accommodate, him/her on the short term so that their service will not be interrupted. However, we will be discontinuing service on the network providing connectivity to the StarBand Model 180 customers."

Other concerns from customers who contacted SkyRETAILER include the restructuring of the down/up-load speeds and the Ethernet port cannot be connected to a hardware router/firewall without performance penalties.

"As we communicated to our customers, we are giving ample time before any potential service disruption, honoring existing contracts and upgrading all customers at no cost to them. A win-win for consumers who get the latest in high-speed Internet satellite modem technology and StarBand who will be supporting its customer base on a more cost efficient network," Colony said.



### **Garmin Utilizes PumaTech Software**

#### GPS Devices to Become More Intelligent

In an agreement made with PumaTech (a provider of enterprise-level software products and services that deliver relevant information), Garmin will bundle personal information management (PIM) software enabled by PumaTech's Intellisync Software Development Kit (Intellisync SDK) with products like its NavTalk GPS-enabled smart phone.

PumaTech's Intellisync SDK will enable synchronization of calendar, e-mail, contacts, notes and to-do items between Garmin's devices and Microsoft Outlook and Lotus Organizer PC-based software. In addition, Garmin licensed PumaTech's Intellisync Lite software to support future GPS-enabled devices.

"There is a market demand for integrated, feature-packed devices that deliver information, communication and navigation capabilities in a user-friendly format," said Dr. Min Kao, Garmin's co-CEO and co-chairman. "Our licensing agreements with PumaTech will allow us to take significant steps toward meeting that demand."

PumaTech's Intellisync Lite software will provide out-of-the-box synchronization for Garmin's future GPS-enabled devices. Time-saving benefits of synchronization include moving scheduled and rescheduled events directly into the user's calendar, identifying potential scheduling conflicts and maintaining a single address book.

### **JVC Ships New TV/DVD Combo**

Multiple Features Including Flat Screen

JVC announced that its "Real Flat Stereo DVD Combo Television" (AV-20FD22) is shipping to select retailers nationwide.

The AV-20FD22 combines a 20-inch flat screen television with a DVD player. Included with the combo TV is an INVAR Shadow Mask that reduces ambient light reflections and eliminates corner-to-corner distortions. Rear and front AV input allows for convenient connection of other equipment such as camcorders and video game consoles.

Additionally, many of the functions found on DVD players such as random play, repeat and programmable playing are incorporated into the new JVC TV/DVD combo. Plus, a channel guard ensures that parents can regulate what children watch while the super command OSD (On-Screen Display) provides trilingual menus in English, Spanish and French.

For more information, visit <http://www.jvc.com>.

### **Consumers Show Limited Knowledge of Broadband**

CEA Conducts Research on Overall Industry

The Consumer Electronics Association (CEA) conducted research that shows consumer demand for high-speed Internet access is on the rise,

but a limited understanding of the benefits of the technology and concerns with pricing have hampered its over-all growth.

High-speed Internet access is currently installed in approximately 9 million U.S. households, according to CEA. However, nearly half of all Internet users have access to high-speed service in their area - a potential base of nearly 27 million households, or three times the current level.

The results of the CEA survey suggest that consumers are buying only as much bandwidth as they need to accommodate their current Internet browsing habits. However, as non-traditional Internet uses continue to increase in the home - digital entertainment, telework and e-commerce - CEA forecasts a corresponding growth in broadband subscriptions.

Gary Shapiro, president and CEO of CEA, said, "Two-thirds of Internet users have never actually tried out a high-speed connection, and without having tried it, these users are unaware of the benefits that high-speed access can offer, including a faster and more enjoyable Web surfing experience, prevention of skips and lags in Internet broadcasts, faster downloads of files and information and the groundwork for convergence of TV and the Internet."

For more information on the CEA, visit <http://www.ce.org>.

### **SkySizzles: Bloomberg Television Sweepstakes**

DISH Subs Must Upgrade to America's Top 150

A word to the wise, if a DISH Network subscriber upgrades their programming package to the America's Top 150 package during the month of July, they'll be automatically entered to win a trip for two to New York City - they'll also receive \$500 in spending money.

In order to enter, customers can either call 800-333-DISH (3474) and request to upgrade, or customers can mail-in a postcard with the following information: name, address, daytime phone number and age. All mail-in entries must be postmarked by July 31 and received by Aug. 7.

Mail to:

Bloomberg's "New York Power Trip" Sweepstakes  
P.O. Box 10384  
Van Nuys, CA 91410-0384

For more information about DISH Network's programming packages, visit <http://www.dishnetwork.com>. For more information about Bloomberg, visit <http://www.bloomberg.com>.



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**SALOMON SMITH BARNEY****Multi-Company Note****Satellite Technology & Services****Satellite Television (DBS) 2Q01 Earnings Preview**

July 10, 2001

**SUMMARY**

- We expect unexceptional results from the DBS companies in 2Q01. Against a backdrop of slowing growth, we believe that the DISH Network will outpace both DIRECTV and Pegasus in new subscriber acquisitions and forecast net new adds of 347K for DISH, 176K for DIRECTV and 35K for Pegasus.
- We forecast improved EBITDA results from all three DBS companies. However, we expect to see continued deterioration in per-subscriber returns from DISH and DIRECTV. Pegasus should show some improvement in this regard, but we expect it to come at the cost of significantly lower sub growth.
- We will be looking for changes in guidance for the back-half of the year from DISH and DIRECTV; in particular, plans for lower subscriber acquisition costs (SAC) and further downward revision in total growth forecasts. We also expect an increased focus on managing churn, which we believe is becoming the industry's most important issue.

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**United States****SUMMARY VALUATION AND RECOMMENDATION DATA**

Company (Ticker)	Price	FYE	Rating	Target	LTGR	Earnings Per Share		
						Current Yr	Next Yr	
Echostar Communications Corp. (DISH)	\$29.31	Dec	Curr	3H	\$27.00	NA	(\$0.52)E	\$0.59E
			Prev	3H	\$27.00	NA	(\$0.52)E	\$0.59E
Hughes Electronics (GMH#)	\$21.50	Dec	Curr	2H	\$24.00	NA	\$0.47E	\$0.88E
			Prev	2H	\$24.00	NA	\$0.45E	\$0.90E
Pegasus Communications Corp. (PGTV)	\$17.70	Dec	Curr	2H	\$35.00	NA	(\$4.35)E	(\$0.48)E
			Prev	2H	\$35.00	NA	(\$4.35)E	(\$0.65)E
PanAmSat Corp. (SPOT)	\$37.25	Dec	Curr	2H	\$43.00	NA	\$0.24E	\$0.44E
			Prev	2H	\$43.00	NA	\$0.24E	\$0.44E

**Industry Comments**

Overall DBS subscriber growth will continue to decelerate in 2Q01. We are forecasting total new DBS subscribers of 524K in 2Q01, down 42% from 897K in 2Q00. We believe that at 85% penetration, multichannel television is reaching mature levels of saturation and growth is becoming a zero-sum game with DBS pulling subscribers from cable and visa-versa. We also believe that the DBS companies are facing increased competition from digital cable, particularly DIRECTV with its largely urban/suburban subscriber base. We expect these forces will cause DBS subscriber to decelerate in 2Q01 and the remainder of the year.

The DISH Network is gaining market share on DIRECTV. We forecast the DISH Network will add 347K net new subscribers in 2Q01, two-fold our forecast of 176K for DIRECTV, after outstripping DIRECTV 460K to 340K in 1Q01. We attribute DISH's success principally to lower churn from less competition for its subscriber base from digital cable systems. We also suspect DIRECTV management's preoccupation with merger talks, on going negotiations with its largest retail distributing partners, and Pegasus' decision to shift its focus to cash flow growth over subscriber growth are also factors.

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**Expect better bottom-lines, but little improvement in per-sub metrics.** We expect all three DBS companies to report positive EBITDA comparisons in 2Q01. However, improved EBITDA does not necessarily imply higher per-subscriber returns as much of this improvement is the result of increase capitalization of customer equipment subsidies. We expect that only Pegasus will show any improvement in returns on a per-subscriber basis. Although in light of its expected significant drop-off in subscriber growth and only an expected minimal initial reduction in SAC this quarter, it has yet to prove that its new business model will work, although we believe it is highly promising. We expect DISH and DIRECTV to report negative net adds and higher monthly churn, and sequentially higher SAC, evidence of further deterioration in new subscriber returns.

**The DBS business model has considerable economic leverage over the long-term.** As the DBS companies shift their focus on EBITDA growth rather than subscriber growth, we expect a greater emphasis on per-subscriber cash flow growth. Ultimately, we believe the DBS companies should be able to leverage their distribution platforms and generate strong cash flow growth by layering on new services. However, limiting churn will ultimately be the key to higher per-subscriber returns. All three companies are in the process of rolling out services such as interactivity, personal video recorders (PVRs), and broadband services that have the potential to limit churn while increasing ARPU. We believe these services should generate relatively high rates of return once broadly deployed.

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**EchoStar Communication Corp. (DISH: 3H)**

We expect the DISH Network to continue to gain market share on DIRECTV and to deliver strong financial results. We are forecasting net subscriber additions of 347K, total revenue of \$951 million, and EBITDA of \$76 million, versus 445K net adds, \$646 million in revenue, and a loss of (\$32) million a year ago. DISH announced in mid-June that it had reached six million total subscribers, which gives us a high level of confidence that it will achieve our EOP forecast of 6.067 million subscribers. We expect an increased emphasis on selling leased equipment packages will drive strong positive EBITDA results. We forecast \$8 million in non-cash compensation, \$53 million in D&A, and \$47 million in interest expense and preferred dividends to result in a net loss of (\$33) million, or (\$0.07) per share, versus (\$133) million, or (\$0.28) a year ago. EchoStar has not yet announced a 2Q01 reporting date.

**The DISH Network Results**

- ▶ **Subscriber Growth** -- We forecast DISH to report 347K net new subscriber additions for 2Q01, for a total of 6.067 million EOP subscribers, a 22% decline from 445K in 2Q00. We attribute much of this decline to increased churn, and expect that gross adds are closer to flat at roughly 625K.
- ▶ **Monthly Churn** -- We forecast monthly churn of 1.55% versus an estimated 1.45% in 2Q00. We believe all three of the DBS providers are facing rising churn rates due to increased competition from digital cable and high turnover of lower quality subscribers acquired in the past two years.
- ▶ **Subscriber Acquisition Costs (SAC)** -- We expect total SAC to be \$548, a 32% increase over \$415 in 2Q00. We look for reported SAC (excluding amounts capitalized) to be \$452, or nearly an 11% increase over \$408 in 2Q00, implying capitalized SAC of \$96 (17.5% of total); versus \$7 (2% of total), reflective of a rapid transition to the leased equipment sales model.
- ▶ **Average Revenue per User (ARPU)** -- We forecast monthly ARPU to be \$48.94, an 8% increase from \$45.22 in 2Q00. Increased ARPU stems from a year-over-year increase in DISH basic subscriber rates.
- ▶ **Revenue and EBITDA** -- We forecast total revenue of \$868 million for 2Q01, a 56% increase from \$558 million in 2Q00, driven by strong subscriber growth and increased monthly ARPU. We forecast total EBITDA of \$42 million, versus a loss of nearly (\$80) million in 2Q00, driven by primarily by increase capitalization of SAC.

**DISH 2Q01E VERSUS 2Q00A; STATS TO WATCH**

FY DEC	2Q01E "N"	2Q00A	% CHG.
<b>SUBSCRIBER METRICS</b>			
Gross Additions	625,548	625,397	0.0%
Disconnects	(278,323)	(180,397)	54.3%
Net Additions	347,225	445,000	(22.0%)
EOP Subscribers	6,067,225	4,310,000	40.8%
<b>MONTHLY CHURN</b>			
	1.55%	1.45%	6.9%
Expensed SAC Per Gross Subscriber	\$451.75	\$407.80	10.8%
Capitalized SAC	\$96.02	\$7.20	1234.5%
Total SAC Per Gross Subscriber	\$547.78	\$415.00	32.0%
Total ARPU (monthly)	\$48.94	\$45.22	8.2%
<b>FINANCIAL RESULTS</b>			
DISH Revenue	\$867.8	\$557.5	55.7%
DISH EBITDA	\$42.0	(\$79.7)	(152.7%)

Source: Company reports and SalomonSmithBarney estimates.

**Recent EchoStar Developments**

- ▶ **DISH Completes \$1 Billion rule 144A Offering** -- On June 1<sup>st</sup> 2001 EchoStar sold \$1 billion in Convertible Subordinate Notes due in 2008 and bearing an annual interest rate of 5 ¾%, that are convertible into Class A Common Stock at \$43.29 per share. Separately, on June 15<sup>th</sup> 2001 EchoStar announced the redemption of approximately 193K shares of its 6 ¾% Series C Preferred Stock at a price of \$51.92 per share. Each share of the Series C was convertible into approximately sixteen shares of Class A Common Stock.
- ▶ **DISH Introduces Promotional Programs for DishPVR 501** -- In mid-April the DISH Network began promoting the DishPVR 501, an advanced DBS receiver with an internal hard drive that can record over 35 hours of programming. DISH first made the DishPVR 501 available to existing subscribers in January 2001 at a cost of \$399, with no subsequent increase in monthly ARPU, and to new subscribers at a cost of \$200 and a minimum commitment for one-year of programming at \$39.98 per month. Beginning May 1, 2001 DISH began offering the DishPVR 501 free to new subscribers with \$49.99 set-up fee and a minimum commitment for one-year of premium programming at \$59.98 per month.

**Hughes Electronics Corp. (GMH: 2H)**

We have fine-tuned our GMH model and are now forecasting 2Q01 total revenue of \$2.008 billion, up 9% from \$1.836 billion in 2Q00, and EBITDA of \$94 million, off nearly 50% from \$180 million in 2Q00. This translates to EBITDA per share of \$0.07 versus \$0.14 in 2Q00. Overall result can be characterized as dominated by DTH's strong top-line growth and transition to EBITDA positive results, offset by negative comparisons in all other segments and an incremental (\$48) million in DIRECTV Broadband losses. We expect D&A of \$327 million and net interest/other expenses of \$47 million for pre-tax losses of (\$280) million in 2Q01, versus (\$142) million in 2Q00. We forecast a tax credit of \$112 million and minority interest expenses of \$29 million to result in net losses of (\$139) million, versus (\$69) million in 2Q00. Hughes is expected to report 2Q01 results July 16<sup>th</sup> 2001.

**DIRECTV Results**

We believe that DIRECTV's growth is being negatively impacted by a number of factors including competition from digital cable, merger distractions, distribution channel negotiations and higher organic churn. However, management's recent announcement that DIRECTV had reached 10 million subscribers gives us a high degree of confidence that it will achieve our EOP forecast of 10.039 million. We expect DIRECTV's financial results to underpin strong overall DTH 2Q01 comparisons, offsetting weakness in other segments.

- **Subscriber Growth** -- We are forecasting DIRECTV to report 176K net new subscriber additions for 2Q01, a 61% decline from 452K in 2Q00 (excluding Primestar conversions). We attribute this decline to lower gross adds and higher churn due to the aforementioned factors.
- **Monthly Churn** -- We forecast monthly churn to be 1.74% versus an estimated 1.50% a year ago. We believe managing churn is rapidly becoming DIRECTV number one issue and note that DIRECTV's 61% decline in expected net adds is underpinned by DIRECTV relatively high rate of churn and large subscriber base.
- **Subscriber Acquisition Costs (SAC)** -- We expect DIRECTV's total 2Q01 SAC to be \$575, which represents a 5.5% increase over \$545 in 1Q01 and a 17% increase over \$490 in 2Q00. We expect yet higher SAC to be driven principally by extension of DIRECTV free installation subsidy into 2Q01.
- **Average Revenue per User (ARPU)** -- We forecast DIRECTV's monthly ARPU to be \$58.90, or basically flat with a reported monthly ARPU of \$58.50 in 2Q00, with marginally negative sequential comparison due to seasonally slow PPV revenue.
- **Revenues and EBITDA** -- We forecast DIRECTV will generate 2Q01 revenue of \$1.359 billion, a 20% increase from \$1.129 billion reported in 2Q00. EBITDA for the quarter is expected to be \$75 million, a 190% increase from \$26 million in 2Q00 as a result of lower gross adds due to the termination of Primestar conversions.

**DIRECTV 2Q01E VERSUS 2Q00A**

FY DEC	2Q01E	2Q00A	% Chg.
<b>SUBSCRIBER METRICS</b>			
Net New Ads	176,415	452,000	(61.0%)
ARPU	\$58.90	\$58.50	
SAC	\$575.00	\$490.00	17.3%
		\$545.00	5.5%
Churn	1.74%	1.50%	
EOP Subs	10,039,415	8,246,000	21.7%
Total Revenue	\$1,358.8	\$1,129.3	20.3%
EBITDA	\$75.3	\$26.0	189.6%

Source: Company reports and SalomonSmithBarney estimates.

**Segment Forecasts**

- **DTH (DIRECTV, DIRECTV Latin America)** -- We forecast 2Q01 DTH segment revenue of \$1.538 billion, a 23% increase from \$1.251 billion in 2Q00, and EBITDA of \$41 million, versus a loss of (\$14) million. We expect DIRECTV will generate \$1.359 billion in revenue and \$75 million in EBITDA. We expect DIRECTV Latin America to report 26K net adds, a 75% decline from 101k in 2Q00. We expect DIRECTV Latin America will generate \$179 million in revenue and EBITDA losses of (\$34) million.
- **Hughes Network Systems (HNS)** -- We forecast 2Q01 HNS revenue of \$339 million, a 9% decline from \$372 million in 2Q00. We expect EBITDA losses of (\$38) million, versus breakeven in 2Q00. We look for top-line results to be negatively impacted by lower consumer equipment sales versus the final stages of Primestar conversions a year ago, offset somewhat by higher Carrier revenues. However the increase in EBITDA losses is principally due to DirecWAY losses and higher investment in Spaceway.
- **PanAmSat (SPOT; 2H)** -- We forecast 2Q01 revenue of \$207 million, a 36% decline from \$322 million in 2Q00. We expect 2Q01 EBITDA of \$144 million (69.3% of sales), down 35% from \$221 million (68.7% of sales) a year ago, with margin improvement from lower NET 36 investment and the absence of sales-type operating lease revenues. We suspect PanAmSat is facing a difficult FSS pricing environment. Loral (LOR; 3S) is believe to be selling capacity at low price levels in order to generate cash to stay afloat.
- **DIRECTV Broadband (Telocity)** -- We expect Hughes to report its recently acquired DSL business as a separate line item and forecast 2Q01 revenue just under \$12 million and EBITDA losses of (\$48 million). We forecast 24K net adds, EOP subscribers of 95K, ARPU of \$46, and total SAC of \$480 (including amounts capitalized).

**GMH SEGMENT RESULTS 2Q01E VERSUS 2Q00A**

FY DEC	2Q01E	2Q00A	% Chg.
<b>REVENUE</b>			
DTH (DIRECTV, DIRECTV LA)	\$1,537.8	\$1,251.3	22.9%
HNS Revenue	339.1	371.8	(8.8%)
PanAmSat	207.2	322.2	(35.7%)
DIRECTV Broadband Revenues	11.5	-	NM
Eliminations	(87.4)	(109.3)	(20.0%)
<b>TOTAL REVENUE</b>	<b>\$2,008.2</b>	<b>\$1,836.0</b>	<b>9.4%</b>
<b>EBITDA</b>			
DTH (DIRECTV, DIRECTV LA)	\$41.1	(\$14.0)	NM
HNS EBITDA	(38.3)	0.8	NM
PanAmSat	143.6	221.4	(35.2%)
DIRECTV Broadband EBITDA	(48.3)	-	NM
Eliminations	(4.4)	(28.6)	(84.7%)
<b>TOTAL EBITDA</b>	<b>\$93.8</b>	<b>\$179.6</b>	<b>(47.8%)</b>

Source: Company reports and SalomonSmithBarney estimates.

**Recent Hughes Developments**

- **GMH Unveils DirecWAY** -- On June 20<sup>th</sup> 2001, Hughes Network Systems unveiled DirecWay, its next generation 2-way broadband satellite services offering. Of significant importance is the fact that Hughes announced DirecWAY will target the consumer market principally through a wholesale distribution model, enabling the company to avoid paying heavy upfront subscriber acquisition costs.
- **GMH CEO Mike Smith Retires** -- On May 25<sup>th</sup> 2001, Hughes announced the retirement of CEO Mike Smith. Given Mr. Smith's had publicly opposed the potential combination of GMH with Rupert Murdoch's Sky Global entity we view the sudden retirement as increasing the probability that this merger will be consummated.

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### **PanAmSat Corp. (SPOT; 2H)**

We forecast 2Q01 PanAmSat revenue of \$207 million, a 36% decline from \$322 million in 2Q00. We believe that PanAmSat is experiencing significant FSS pricing pressure as Loral (LOR; 3S) is believed to be selling capacity forward at low price levels in order to generate enough cash to stay afloat. We expect 2Q01 EBITDA of \$144 million (69.3% of sales), down 35% from \$221 million (68.7% of sales) a year ago, with modestly higher margins resulting from lower NET/36 investment and the absence of low-margin sales-type operating lease revenue. We expect Net/36 will generate its first reportable revenues in 2Q01, although we believe this number will be nominal. We are forecasting \$106 million in D&A, net interest expense of \$37 million, and taxes of 400K for net income of \$500K, or \$0.00 per share, versus \$59.2 million, or \$0.39 per share in 2Q00. PanAmSat is expected to report 2Q01 results Thursday July 12<sup>th</sup> 2001.

### **Recent PanAmSat Developments**

- ▶ **Hughes Electronics CEO Jack Shaw Named SPOT Chairman** -- Following the retirement of former GMH CEO, Mike Smith, PanAmSat named Jack Shaw as Chairman of the board. This position clearly takes on more importance during a time where the future paths of both PanAmSat and GMH (81% owner of SPOT) are uncertain given the current merger speculation of GMH.
- ▶ **Successful Satellite Launch** -- On May 15<sup>th</sup> 2001 PanAmSat announced that it successfully launched the PAS 10 satellite from the Baikonur Cosmodrome in Kazakhstan. The satellite brings PanAmSat's satellite tally to 21, the largest private satellite fleet in the world. Pas-10 will operate from the orbital located at 68.5 degrees east longitude and has 24 C and Ku band transponders.

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**Pegasus Communication Corp. (PGTV: 2H)**

We expect Pegasus to report somewhat mixed results as management transitions to its new business model, which emphasizes cash flow generation at the cost of subscriber growth, offset in part by moderation of broadcasting results due to a slower economy. We forecast net new subscriber additions of 35K, for EOP total subscribers of 1.475 million. We believe Pegasus will generate 2Q01 total revenue of \$224 million, a 56% increase from \$144 million in 2Q00. EBITDA for the quarter is expected to be \$16 million, a 193% increase from \$5.6 million in 2Q00. We look for D&A of \$67 million, interest expense of \$26 million, for pre-tax income losses of (\$73) million. We expect an income tax credit of \$23 million and nearly \$11 million in preferred dividends for a net loss of (\$64) million, or (\$1.16) per share, versus losses of (\$62) million, or (\$1.48) in 2Q00. Pegasus will report 2Q01 results August 9<sup>th</sup> 2001

**Pegasus DBS Results**

- ▶ **Subscriber Growth** -- We forecast Pegasus to report 2Q01 net subscriber additions of 35K, over a 90% decrease from 400K in 2Q00. However, last year's comparison is distorted by the inclusion of roughly 345K conversions, principally old Primestar customers. As a result, internally generated adds, which we expect to be 25K versus 55K in 2Q00, is a better proxy for organic growth. Look for an update on broadband rollout.
- ▶ **Monthly Churn** -- We forecast monthly churn to be 1.50% versus an estimated 0.98% in 2Q00. We suspect our forecast may be a bit high, given Pegasus historical monthly churn of 1.25% to 1.45%; however, in light of 1Q01's abnormally high monthly churn of an estimated 1.74%, we are hesitant to be any more aggressive for our outlook for 2Q01.
- ▶ **Subscriber Acquisition Costs (SAC)** -- We expect Pegasus' total 2Q01 SAC to be \$475, which represents a 7.5% decline from \$514 in 1Q01, but a 19% increase over \$400 in 2Q00. We believe that, of the three DBS companies, only Pegasus will report a sequentially lower SAC comparison. We expect Pegasus SAC to trend downward over the next several quarters, reflective of increased focus on cash flow generation.
- ▶ **Average Revenue per User (ARPU)** -- We forecast Pegasus' monthly ARPU to be \$49, a 14% increase over reported monthly ARPU of \$43.11 in 2Q00. Increases in ARPU are being driven by the inclusion of DIRECTV's premium channels in Pegasus monthly subscription fees as a result of the two parties seamless marketing agreement.

**PEGASUS COMMUNICATIONS: 2Q01E VERSUS 2Q00A**

FY DEC	2Q01E	2Q00A	% CHG.
<b>SUBSCRIBER METRICS</b>			
Gross Additions	100,182	429,050	(76.7%)
Disconnects	(65,579)	(29,463)	122.6%
Net Additions	34,604	399,587	(91.3%)
Net Additions - Internal	24,604	54,510	(54.9%)
EOP Subscribers	1,474,604	1,201,941	22.7%
Total SAC Per Gross Subscriber	\$475.45	\$400.00 2Q00A	18.9%
		\$514.00 1Q01A	(7.5%)
Total ARPU (monthly)	\$49.00	\$43.11	13.7%
MONTHLY CHURN	1.50%	0.98%	
<b>FINANCIAL METRICS (\$ mil.)</b>			
Total Subscriber Revenue	\$214.2	\$134.4	59.4%
DBS Operating Expenses	153.0	94.9	61.1%
Net Contribution	61.2	39.5	55.2%
Contribution Margin	28.6%	29.4%	
Total Expensed SAC	40.7	31.2	30.7%
EBITDA	20.5	8.3	146.7%
EBITDA Margin	9.6%	6.2%	

Source: Company reports and SalomonSmithBarney estimates.

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**Recent Pegasus Developments****PGTV ANNOUNCES QUARTERLY DIVIDEND ON SERIES C PREFERRED STOCK**

On July 2<sup>nd</sup>, 2001, Pegasus announced that it will be paying a dividend on July 31, 2001 to stockholders of record of its 6.50% Series C Convertible Preferred Stock (the "Series C Preferred Stock") on July 15, 2001. The aggregate dividend payment will be \$4,875,000 and will be paid in shares of the Company's Class A Common Stock.

**PGTV LAUNCHES NEW HIGH SPEED SATELLITE INTERNET SERVICE**

On May 3<sup>rd</sup> 2001, Pegasus announced the launch of Pegasus Express, a two-way high-speed satellite Internet service. The company reported the new product, which sells for \$499 and a \$69.95 monthly service charge, had approximately 1,000 subscribers as of early May. Starband, Pegasus Express' primary competitor offers a similar product for \$399 and a monthly service fee of \$69.99.

**AFFILIATE SHARE BUYBACK ANNOUNCED**

Pegasus' affiliate, Pegasus PCS Partners L.P., announced plans to purchase in the open market up to \$25 million of Pegasus Communications' Class A common stock.

**QUARTERLY ESTIMATES PER SHARE DATA**

Ticker	Period	Current Year*		Next Year		Next Year + 1	
		Current	Previous	Current	Previous	Current	Previous
DISH	1Q	(\$0.35)A	(\$0.35)A	NA	NA	NA	NA
	2Q	(\$0.07)E	(\$0.07)E	NA	NA	NA	NA
	3Q	(\$0.05)E	(\$0.05)E	NA	NA	NA	NA
	4Q	(\$0.05)E	(\$0.05)E	NA	NA	NA	NA
	Year	(\$0.52)E	(\$0.52)E	\$0.59E	\$0.59E	\$1.71E	\$1.71E
GMH#	1Q	\$0.09A	\$0.09A	NA	NA	NA	NA
	2Q	\$0.07E	\$0.07E	NA	NA	NA	NA
	3Q	\$0.11E	\$0.10E	NA	NA	NA	NA
	4Q	\$0.20E	\$0.19E	NA	NA	NA	NA
	Year	\$0.47E	\$0.45E	\$0.88E	\$0.90E	\$1.22E	\$1.25E
PGTV	1Q	(\$1.61)A	(\$1.61)A	NA	NA	NA	NA
	2Q	(\$1.16)E	(\$1.16)E	NA	NA	NA	NA
	3Q	(\$0.91)E	(\$0.91)E	NA	NA	NA	NA
	4Q	(\$0.67)E	(\$0.67)E	NA	NA	NA	NA
	Year	(\$4.35)E	(\$4.35)E	(\$0.48)E	(\$0.65)E	\$1.25E	\$1.34E
SPOT	1Q	\$0.03A	\$0.03A	NA	NA	NA	NA
	2Q	\$0.00E	\$0.00E	NA	NA	NA	NA
	3Q	\$0.09E	\$0.09E	NA	NA	NA	NA
	4Q	\$0.11E	\$0.11E	NA	NA	NA	NA
	Year	\$0.24E	\$0.24E	\$0.44E	\$0.44E	\$1.27E	\$1.27E

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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**EchoStar to Take Control of StarBand; McLean Company Gets \$50 Million**  
**Yuki Noguchi, Washington Post Staff Writer**  
**The Washington Post**  
**Thursday, July 12, 2001**

StarBand Communications Inc. secured a much-needed cash infusion of \$ 50 million from its distributor and existing investor, EchoStar Communications Corp. -- a deal that gives StarBand a chance to expand its business but relinquishes control of the company to EchoStar.

EchoStar's investment gives it 32 percent ownership in McLean-based StarBand, up from 19 percent. In addition, EchoStar, based in Littleton, Colo., will fund the construction and launch of a new satellite to carry StarBand's traffic. Construction is expected to start by the end of the year and will increase EchoStar's stake in the company to 60 percent.

EchoStar invested \$ 50 million in StarBand's first round of funding and sells its own Dish Network satellite television service bundled with StarBand's Internet offerings.

The deal gives StarBand, which last fall was among the first in the satellite industry to offer two-way, high-speed Internet connections to compete with cable and telephone companies, a stronger distribution deal with EchoStar and money to continue trying to woo new customers, said David C. Trachtenberg, president and chief marketing officer for the company.

"In this environment today, there is a weeding-out process," and EchoStar's commitment of both cash and technology transfer is a "vote of confidence," said Zur Feldman, co-chairman and chief executive of StarBand.

The company gave up a lot of equity for the cash investment, said Jeff Wlodarczak, an analyst at CIBC World Markets in New York.

"Unfortunately for StarBand, the [capital] spigot shut, and I don't know that they had a choice," he said. In return, however, the company also gets a deep-pocketed investor that is making serious headway in the satellite television market, he said.

Nevertheless, the financial malaise among telecommunications providers has taken its toll on StarBand, and analysts say high equipment costs have prevented satellite Internet service from becoming a widely accepted alternative to cable and the phone companies' high-speed service -- known as digital subscriber line, or DSL, which uses conventional phone lines. The device StarBand customers use to connect to its network costs about \$ 500.

In March, the company pulled its plans to raise \$ 287.5 million by selling shares to the public. The company, which is refocusing to sell its service through distributors rather than its own retail channels, has also laid off about 30 percent of its staff since the beginning of the year. The company declined to disclose how many people it employs.

In a separate announcement, StarBand's Germantown-based rival, Hughes Network Systems, yesterday launched a \$ 20 million, 43,000-square-foot network operations center that will help the company monitor and maintain its satellite and ground network.

HNS, which employs about 4,000 people in the Washington area, has about 75,000 residential Internet customers, only a small number of whom get the company's two-way, high-speed services, which were launched this spring. The rest use a dial-up service in which customers receive high-speed satellite transmission but send data through a lower-speed, dial-up telephone connection.

Washtech.com News Briefs  
Staff  
Washtech.com  
Thursday, July 12, 2001

HNS Opens Operations Center

Germantown's Hughes Network Systems (HNS) says its new network management center is now open. The \$20 million, 43,000-square-foot facility consolidates satellite communications management, monitoring and control operations from eight locations.

**GM Hughes Invests \$20M In Operations Center  
Dow Jones News Service  
Thursday, July 12, 2001**

GERMANTOWN, Md. -(Dow Jones)- Hughes Network Systems opened the Network Management & Operations Center, a \$20 million, 43,000 square-foot facility that will manage, monitor and control its global satellite communications operations.

In a press release Thursday, Hughes Network said the investment in the facility, which consolidates eight locations, will streamline global operations.

Hughes Network Systems is a unit of Hughes Electronics Corp., which is a unit of General Motors Corp. (GM).

**Hughes opens \$20 million nerve center  
Martin Kady II, Staff Reporter  
Washington Business Journal  
Thursday, July 12, 2001  
<http://washington.bcentral.com/washington/stories/2001/07/09/daily32.html>**

Inside a gleaming new 43,000-square-foot building, in a space-age control room with massive computer screens and humming terminals, lies the future of the multibillion dollar empire that is Hughes Electronics.

Here, at the far-flung Germantown headquarters of Hughes Network Systems, a new \$20 million operations center has been launched to consolidate eight operations into the nerve center for a \$1.4 billion satellite-based broadband network. Hughes Network Systems is a unit of Hughes Electronics, which is a subsidiary of General Motors.

Hughes' network operations center, which opened July 11, will be the brain for the satellite firm's biggest push in years -- a broadband satellite service known as DirecWay. California-based Hughes Electronics already has been a huge success with its DirecTV service, which now has 10 million users. The Germantown facility will act as the launching point for DirecWay.

But Hughes Network Systems still is in the formative stages with DirecWay. Analysts and company executives have set high hopes that the firm can do for Internet connections what DirecTV did for television reception. Hughes Network Systems (<http://www.hns.com>), best known for making and operating satellite hardware, employs 4,000 people nationwide, with about 2,800 in Greater Washington.

"The whole satellite industry is in the doldrums right now, with bankruptcies from companies like Iridium and Orbcomm," says Marco Caceres, a space analyst for the Fairfax-based Teal Group. "...but one advantage [Hughes] has is a captive audience with DirecTV. That gives them a significant edge."

### **Two-way connection advantage**

So far, the firm's foray into Internet service has been sporadic. The broadband service known as DirecPC has met with mixed reviews and has reached only 116,000 customers. But Hughes is investing \$1.4 billion in a satellite system called Spaceway that is dedicated to broadband Internet services and should launch by year-end.

The advantage of the new DirecWay (<http://www.direcway.com>) service is that it will be a two-way connection -- users will be able to receive data and send it over the same wireless receiver. Under DirecPC, the reception was only one way, and outgoing data went out over traditional phone lines. DirecTV customers will be able to use their existing receiver dishes to receive Internet signals for the new service.

### **Murdoch: The wild card**

As workers busily get the \$20 million operations center up and running, the company has set ambitious goals for service.

"We expect to raise the level of awareness of the DirecWay brand, and reach seven figures in membership," says Steve Salamoff, assistant vice president for business services at Hughes Network Systems. "This [network operations center] will be our war room."

Another wild card in the future of Hughes Network Systems is Rupert Murdoch. The media king, who is chairman of NewsCorp, is bidding to gain control of Hughes Electronics so that he can add DirecTV to his empire.

Analysts say it's not clear whether Murdoch will want to retain Hughes Network Systems, largely because it's a hardware and services company and not a media company.

"They really need a broadband product that works," says one investment banker who is involved in the Murdoch deal. "The big question is whether someone is willing to pay \$600 or \$700 for equipment and installation."

**Hughes Electronics Corporation Response to  
FCC Initial Request for Information dated February 4, 2002**

**Production #s: FCC2A0000001279 – FCC2A0000001289**

**Source: Mike Cook  
Hughes Network System**

**FCC Request Responsive to: XV.A.**

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**U.S. DEPARTMENT OF JUSTICE**

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## HUGHES ELECTRONICS CORP

**Filing Type:** 8-K  
**Description:** Current Report  
**Filing Date:** Nov 1, 2000  
**Period End:** Nov 1, 2000

**Primary Exchange:** N/A  
**Ticker:** N/A

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*Data provided by EDGAR Online, Inc. (<http://www.FreeEDGAR.com>)*

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## Table of Contents

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*To jump to a section, double-click on the section name.*

### 8-K OTHERDOC

Item 9 .....	2
Table 1 .....	3

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

November 1, 2000

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

Hughes Electronics Corporation

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

0-26035

(Commission File Number)

52-1106564

(I.R.S. Employer Identification Number)

200 North Sepulveda Boulevard  
El Segundo, California 90245

(Address of principal executive offices)

(310) 662-9688

(Registrant's telephone number, including area code)

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Item 9. Forward Looking Information Relating to Hughes

Hughes Electronics Corporation hereby furnishes the following forward looking information relating to the operating and financial performance of Hughes and certain of its business units/subsidiaries and trends relating to such performance. This forward looking information represents our management's best estimates of the designated indicators of the financial performance of our business as of the date hereof. The furnishing of this information by Hughes is not intended to, and does not, constitute a determination by GM or Hughes that the information is in fact material or create a measure for materiality.

Hughes Consolidated Financial Guidance

(B is billions, M is millions and K is thousands)

Year Ending:	2000	2001
Revenue	about \$7.3B	20 to 30% growth over 2000
EBITDA(1)	more than \$500M	20 to 40% growth over 2000
Cash Requirements*	about \$1B	\$2.5 to 3.0B

\* Excludes proceeds from sale of satellite manufacturing and financing

Hughes Consolidated - Trends

Expected average annual growth rates over next 5 years:

Revenue: 20 to 25%  
 EBITDA(1): Over 50%

DIRECTV U.S. Financial Guidance

Year Ending:	2000	2001
Revenue	\$4.7 to 4.8B	20 to 30% growth over 2000
EBITDA(1)	\$100 to 150M	\$300 to 400M
Net New High-Power Subscriber Additions	1.85 to 2.05M	1.5 to 2.0M
Cumulative Subscribers	9.55 to 9.75M	11.05 to 11.75M

DIRECTV U.S. - Trends

Average Monthly Revenue Per Unit (ARPU)

- 2000 expected to be approximately \$59
- Modest increase over next 1 to 2 years
- Assumptions driven by roll-out of new advanced products (e.g. Wink, TiVo, AOL TV and Ultimate TV), local channels and periodic price increases
- Subscriber Acquisition Costs (per subscriber) (SAC)
  - Basic Box
    - o Second half 2000 average expected to be approximately \$525
    - o Relatively flat over next 1 to 2 years
  - Advanced Boxes
    - o Over the next 1 to 2 years, a 5 to 10% increase over second half 2000 basic box SAC of about \$525
    - o Forecast dependent on penetration mix of new boxes
    - o Forecast represents weighted average over entire subscriber base
- SAC will ultimately be driven by the competitive environment

HUGHES ELECTRONICS CORP - 8-K - Current Report

Date Filed: 11/1/2000

## Churn

- 1.5 to 1.7% per month over next 1 to 2 years

## DIRECTV Latin America Financial Guidance

Year Ending:	2000	2001
Revenue	\$525 to 550M	\$800M to \$900M
EBITDA(1) Losses	\$(160) to (180)M	\$(90) to (130)M
Net Subscriber Additions	450 to 550K	500 to 600K

## DIRECTV Latin America - Trends

## Programming ARPU

- 2000 estimate of approximately \$35

- Modest increase over next 1 to 2 years.

- Largely dependent on countries' economies, price increases and competitive environment

## SAC

- 2000 expected to be \$200 to \$250

- Excludes capitalized installation cost of around \$50 per subscriber

- Flat to slight increase over 2000 for next 1 to 2 years

## Churn

- Expected to average approximately 2.5% per month in 2000

- Improving over next 1 to 2 years

## Hughes Network Systems (HNS) Financial Guidance

Year Ending:	2000	2001
HNS Revenue	about 1.4B	10 to 20% growth over 2000
HNS EBITDA/EBITDA(1) Losses	Break-even	\$(125) to (175)M

## Included in HNS EBITDA(1):

SPACEWAY EBITDA(1) Losses	\$(10) to (20)M	\$(40) to (50)M
DirecPC EBITDA(1) Losses	\$(60) to (85)M	\$(175) to (225)M
DirecPC Net Subscriber Additions	about 50K*	200 to 300K

\* Represents expected cumulative U.S. DirecPC consumer subscribers at year-end

## PanAmSat Financial Guidance

## PanAmSat Consolidated

Year Ending:	2000	2001
Revenue	about \$1.0B	about \$1.0B
Sales and Sales-type leases as % of Total Revenues	22 to 25%	10 to 15%
EBITDA(1) Margin	Mid to High 60% range	Mid to High 60% range

## Core Transponder Leasing Business

Year Ending:	2000	2001
Revenue	about \$1.0B	\$950M to \$1.0B
Sales and Sales-type leases as % of Total Revenues	22 to 25%	10 to 15%
EBITDA(1) Margin	Low 70% range	Low 70% range
Net 36 Revenue	---	\$25 to 35M
EBITDA(1) Losses	\$(25) to (35)M	\$(30) to (40)M

(1) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is the sum of operating profit (loss) and depreciation and amortization. EBITDA margin is calculated by dividing EBITDA by total revenues.

#### Cautionary Statement

This Current Report on Form 8-K contains forward-looking information as to which there are numerous risks and uncertainties that could cause actual results to differ materially from the forward-looking information made herein. The following important factors, in addition to the risk factors, contingencies and legal matters discussed in the Form 10-K's, Form 10-Q's and Form 8-K's filed by General Motors, our corporate parent, Hughes and PanAmSat, could cause our actual financial results to differ materially from those projected, forecasted or estimated by us in the forward-looking information.

#### We Will be Adversely Affected if We Fail to Maintain Leading

#### Technological Capabilities.

The rapid technological changes and innovation that characterize the entertainment, information and communications services industry could cause the services and products offered by us to become obsolete. If the new technologies on which we are currently focusing our research and development investments fail to achieve acceptance in the marketplace, we would suffer a material adverse effect on our future competitive position and results of operations. For example, our competitors could be the first to obtain proprietary technologies that are perceived by the market as being superior. In addition, after substantial research and development expenditures, one or more of the technologies under development by us or any of our strategic partners could become obsolete prior to its introduction.

Our operating results will depend to a significant extent on our ability to continue to introduce new products and services on a timely basis and to reduce costs of our existing products and services. We cannot assure you that we 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 acceptances.

Technological innovation is important to our 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 we will be able to attract and retain these employees. If we were unable to attract and maintain technically skilled employees, our competitive position could be adversely affected.

#### We Could Have Inadequate Access to Capital for Growth.

We may not be able to raise adequate capital to complete some or all of our business strategies or to react rapidly to changes in technology, products, services or the competitive landscape. We believe that key success factors in the entertainment, information and communications services 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 multi channel entertainment industry, DIRECTV may have to incur increased subscriber acquisition costs by making competitive offers in the future to maintain its market leadership.

We expect the global entertainment, information and communications services market to continue to grow due to the high demand for communications infrastructure and the opportunities created by industry deregulation. Many of

HUGHES ELECTRONICS CORP - 8-K - Current Report

Date Filed: 11/1/2000

our competitors are committing substantial capital and, in many instances, are forming alliances to acquire or maintain market leadership. Our strategy is 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. We cannot assure you that we will be able to satisfy our capital requirements in the future.

Our Future Growth Depends Upon our Ability to Implement our Business

Strategy.

Our business strategy is focused on becoming a premier provider of integrated entertainment, information and communications services. As part of this strategy, we have implemented several new initiatives and entered into a strategic alliance with America Online, Inc. We cannot assure you that the implementation of these initiatives will not be delayed, or that they will ever be fully implemented, or, if implemented, will allow us to successfully capitalize on the emerging communications services markets we are targeting. We cannot assure you that we will be successful in implementing these new initiatives, or any other new initiatives, or that we will realize the anticipated benefits of our alliance with AOL.

We Are Vulnerable to Satellite Failure.

DIRECTV, PanAmSat and our other businesses own or utilize satellites in their businesses. Orbiting satellites are subject to the risk of failing prematurely due to, among other things, mechanical failure, a collision with objects in space or an inability to maintain proper orbit. Satellites are subject to the risk of launch delay and failure, destruction and damage while on the ground or during launch and failure to become fully operational once launched. Delays in the production or launch of a satellite or the complete or partial loss of a satellite, in-orbit or during launch, could have a material adverse impact on the operation of our businesses. With respect to both in-orbit and launch problems, insurance carried by PanAmSat and us does not compensate for business interruption or loss of future revenues or customers. We have, in the past, experienced technical anomalies on some of our satellites. We cannot assure you that we will not experience further satellite anomalies in the future. Service interruptions caused by these anomalies, depending on their severity, could result in claims by affected customers for termination of their transponder agreements, cancellation of other service contracts or the loss of other customers.

We May Be Unable to Effectively Manage the Growth of Our DIRECTV

Businesses.

Our ability to continue the planned expansion of our DIRECTV businesses and to increase our customer base while maintaining our price structure, reducing our churn rate and managing costs will depend upon, among other things, our ability to manage our growth effectively. To accomplish this, we must continue to develop our internal and external sales force, installation capability and customer service representatives, maintain our relationships with third party vendors and implement procedures to mitigate subscriber credit risk. We will also need to continue to grow, train and manage our employee base. If we are unable to manage its growth effectively, we could experience an increase in subscriber churn, and as a result, our business could be adversely affected. In addition, subscriber acquisition costs may increase if DIRECTV offers additional incentives in order to respond to competition, to expand our businesses or for other reasons. If subscriber acquisition costs increase significantly, it could have a material adverse effect on our business.

Our Main Satellite Supplier is No Longer an Affiliate of Ours.

Historically, we have been able to fulfill most of our satellite needs from Hughes Space and Communications, which was previously one of our wholly-owned subsidiaries. Since the sale of Hughes Space and Communications to Boeing, we no longer manufacture satellites. Although DIRECTV and PanAmSat currently have contracts with Hughes Space and Communications, now Boeing Satellite Systems, designed to satisfy our satellite needs over the near term, we will need to obtain new contracts with Boeing Satellite Systems or with alternative suppliers for our future satellite needs. In addition, although we believe that our current contracts with Boeing Satellite Systems are on substantially arms' length terms, we cannot assure you that we will be able to obtain contracts for the manufacture of new satellites from Boeing Satellite Systems or from alternative suppliers on similar terms.

We Could Be Adversely Affected by Our Customers' Inability to Obtain Financing.

Our customers are dependent from time to time upon third party equity or debt financing in order to pay for products and services purchased from us. Collection of amounts due to us from these customers may be adversely affected by their inability to obtain this third party financing. If these customers are unable to obtain, or are delayed in obtaining, third party financing, and are therefore unable to pay amounts due to us in the future, we may incur substantial losses related to costs it has incurred in excess of amounts collected to date from those customers. This could also have a negative effect on our future cash flows.

We Are Subject to Domestic and Foreign Regulations that Could Adversely Affect the Nature and Extent of the Services We Offer.

Our businesses are subject to various regulations. DIRECTV is subject to substantial regulation by the U.S. Federal Communications Commission. FCC rules and regulations are subject to change in response to industry developments, new technology and political considerations. In addition, the satellite industry is highly regulated both in the United States and internationally. We are subject to the regulatory authority of the U.S. Government and the national communications authorities of the countries in which we operate. These agencies regulate the construction, launch and operation of our satellites and the orbital slots planned for these satellites. We are currently subject to an investigation regarding certain of our export compliance activities. We and/or our customers or companies with which we do business must have authority from each country in which we provide services or provides its customers' use of its satellites. Although we believe that we and our customers or companies with which we do business presently hold the requisite licenses and approvals for the countries in which we/they currently provide services, regulations in each country are different and, as a result, there may be instances of noncompliance of which we are not aware.

Our businesses could be adversely affected by the adoption of new laws, policies and regulations. We cannot assure you that we will succeed in obtaining all requisite regulatory approvals for our operations without the imposition of restrictions on, or adverse consequences to, our businesses. We also cannot assure you that material adverse changes in regulations affecting the industries in which we operate our businesses will not occur in the future.

We Are Subject to Other Risks Related to Our International Operations.

About 21% of our revenues in 1999, excluding revenues from our former subsidiary, Hughes Space and Communications, were generated outside the United States. We are currently evaluating expansion opportunities in select international markets. These international operations subject us to many risks inherent in international business activities, including:

- o limitations and disruptions resulting from the imposition of government controls;
- o difficulty meeting export license requirements;
- o obtaining and/or maintaining licenses which are necessary to conduct our business;
- o economic or political instability;
- o trade restrictions;
- o changes in tariffs;
- o currency fluctuations;
- o greater difficulty in safeguarding intellectual property; and
- o difficulties in managing overseas subsidiaries and international operations.

These risks could have a material adverse effect on our business.

Grand Jury Investigation/State Department Review Could Result in

Sanctions

There is a pending grand jury investigation into whether we should be accused of criminal violations of the export control laws arising out of the participation of two of our employees on a committee formed to review the findings of Chinese engineers regarding the failure of a Long March rocket in China in 1996. We are also subject to the authority of the U.S. State Department to impose sanctions for non-criminal violations of the Arms Export Control Act. The possible criminal and/or civil sanctions could include fines as well as debarment from various export privileges and participation in government contracts. On October 6, 2000, we completed the sale of our satellite manufacturing business to The Boeing Company. In that transaction, we retained limited liability for certain possible fines and penalties and the financial consequences of debarment related to the business now owned by Boeing, should either the Department of Justice or State Department impose such sanctions against the satellite manufacturing business. We do not expect the grand jury investigation or State Department review to result in a material adverse effect upon our business. However, there can be no assurance as to those conclusions.

Compromise of Satellite Programming Signals Could Adversely Affect Our

Business.

The delivery of direct broadcast television programming requires the use of encryption technology to assure that only authorized subscribers can receive the programming. It is illegal to create, sell or otherwise distribute or use mechanisms or devices to circumvent that encryption. Theft of cable and satellite programming does occur and attempts have been made to circumvent our signal encryption. We have implemented measures intended to reduce signal theft of our programming. If we were unable to respond to any widespread compromise of our encryption technology, our business could be materially adversely affected.

Disputes with Raytheon Regarding Former Defense Operations Could Result in

a Material Payment from Us to Raytheon.

In connection with the 1997 spin-off of the defense electronics business of our predecessor as part of our restructuring transactions and the subsequent

merger of that business with Raytheon, the terms of the merger and related agreements between us and Raytheon provided processes for resolving disputes that might arise in connection with post-closing financial adjustments that were also called for by the terms of the merger agreement. These financial adjustments might require a cash payment from Raytheon to us or vice versa. A dispute currently exists regarding the post-closing adjustments that we and Raytheon have proposed to one another and related issues regarding the adequacy of disclosures made by us to Raytheon in the period prior to consummation of the merger. We are proceeding with the dispute resolution process with Raytheon. It is possible that the ultimate resolution of the post-closing financial adjustment and of related disclosure issues may result in us making a payment to Raytheon that would be material to us. However, the amount of any payment that either party might be required to make to the other cannot be determined at this time. We intend to vigorously pursue resolution of the disputes through the arbitration process, opposing the adjustments proposed by Raytheon and seeking the payment from Raytheon that it has proposed.

#### Forecasts and Other Estimates Could be Unreliable

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This Current Report on Form 8-K includes certain forward looking information provided by the Company with respect to our anticipated future performance. Such forward looking information reflects various assumptions by us concerning anticipated results and are subject to the risks described herein, significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. Accordingly, there can be no assurance that such forward looking information will be realized. The forward looking information and actual results will likely vary, and those variations may be material.

#### Forward-Looking Statements

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The following are additional important factors which may cause actual results to differ materially from those expressed in forward looking information provided by the managements of GM and Hughes:

Changes in economic conditions, currency exchange rates, or political stability in the major markets where the corporation procures material, components, and supplies for the production of its principal products or where its products and services are produced, distributed, or sold (i.e., North America, Europe, Latin America, and Asia-Pacific).

Shortages of fuel or interruptions in transportation systems, labor strikes, work stoppages, or other interruptions to or difficulties in the employment of labor in the major markets where the corporation purchases material, components, and supplies for the production of its products or where its products and services are produced, distributed, or sold.

Significant changes in the competitive environment in the major markets where the corporation purchases material, components, and supplies for the production of its products or where its products and services are produced, distributed or sold.

Changes in the laws, regulations, policies, or other activities of governments, agencies, and similar organizations where such actions may affect the production, licensing, distribution, or sale of the corporation's products and services, the cost thereof, or applicable tax rates.

The ability of the corporation to achieve reductions in cost and employment levels, to realize production efficiencies, and to implement capital expenditures, all at the levels and times planned by management.

Additional risk factors include: economic conditions, product demand and market acceptance, government action, local political or economic developments in or affecting countries where Hughes has operations, ability to obtain export licenses, competition, ability to achieve cost reductions, technological risk,

*HUGHES ELECTRONICS CORP - 8-K - Current Report*

*Date Filed: 11/1/2000*

limitations on access to distribution channels, the success and timeliness of satellite launches, in-orbit performance of satellites, ability of customers to obtain financing, and Hughes' ability to access capital to maintain its financial flexibility. Additionally, Hughes and its 81% owned subsidiary, PanAmSat Corporation, have experienced satellite anomalies in the past and may experience satellite anomalies in the future that could lead to the loss or reduced capacity of such satellites that could materially affect Hughes' operations.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HUGHES ELECTRONICS CORPORATION

Dated: November 1, 2000

By:

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Roxanne S. Austin  
Chief Financial Officer