

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3
TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

HE HOLDINGS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 95-1778500 3812
(STATE OR OTHER (I.R.S. EMPLOYER (PRIMARY STANDARD
JURISDICTION IDENTIFICATION NO.) INDUSTRIAL
OF INCORPORATION OR CLASSIFICATION CODE
ORGANIZATION) NUMBER)
7200 HUGHES TERRACE, LOS ANGELES, CALIFORNIA 90045-0066; (310) 568-7200
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the requisite consents are obtained pursuant to the solicitation by General Motors Corporation referred to in the Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

LOGO

+++++
+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. +
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+SECURITIES LAWS OF ANY SUCH STATE. +
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PRELIMINARY SOLICITATION STATEMENT/PROSPECTUS

SOLICITATION OF WRITTEN CONSENT OF
GENERAL MOTORS CORPORATION
COMMON STOCKHOLDERS

SUBJECT TO COMPLETION

THE HUGHES TRANSACTIONS

LOGO

WE ARE ASKING OUR COMMON STOCKHOLDERS TO APPROVE
THE FOLLOWING "HUGHES TRANSACTIONS" RELATING TO THE THREE PRINCIPAL BUSINESSES
OF OUR HUGHES ELECTRONICS SUBSIDIARY.

DEFENSE ELECTRONICS

WE PROPOSE TO SPIN OFF OUR DEFENSE ELECTRONICS BUSINESS, APPROXIMATELY
45.9% TO OUR CLASS H COMMON STOCKHOLDERS AND 54.1% TO OUR \$1 2/3 COMMON
STOCKHOLDERS (ESTIMATED BASED ON RECENT STOCK PRICES). IMMEDIATELY AFTER THE
SPIN-OFF, THIS BUSINESS WILL MERGE WITH RAYTHEON COMPANY.

AUTOMOTIVE ELECTRONICS

WE PROPOSE TO TRANSFER OUR AUTOMOTIVE
ELECTRONICS BUSINESS FROM HUGHES ELECTRONICS TO
GENERAL MOTORS. AS A RESULT, THE APPROXIMATELY
25.6% TRACKING STOCK INTEREST IN THIS BUSINESS
CURRENTLY HELD BY OUR CLASS H COMMON STOCKHOLDERS
WILL IN EFFECT BE ALLOCATED TO OUR \$1 2/3 COMMON
STOCKHOLDERS.

TELECOMMUNICATIONS AND SPACE

WE PROPOSE TO RECAPITALIZE OUR CLASS H COMMON
STOCK INTO A NEW TRACKING STOCK INTEREST OF
APPROXIMATELY 25.6% IN OUR TELECOMMUNICATIONS AND
SPACE BUSINESS. THIS BUSINESS WILL ALSO BE
PROVIDED WITH A SUBSTANTIAL AMOUNT OF NEW CAPITAL
FUNDING.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES
COMMISSION HAS APPROVED OR DISAPPROVED THE HUGHES TRANSACTIONS OR THE NEW CLASS
H COMMON STOCK OR THE CLASS A COMMON STOCK TO BE ISSUED PURSUANT TO THIS
SOLICITATION STATEMENT/PROSPECTUS. THE SECURITIES AND EXCHANGE COMMISSION HAS
NOT PASSED UPON THE FAIRNESS OR MERITS OF THE HUGHES TRANSACTIONS OR UPON THE
ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS SOLICITATION
STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS SOLICITATION STATEMENT/PROSPECTUS IS _____, 1997.

UNTIL 25 DAYS AFTER THE DATE OF MAILING OF THIS SOLICITATION STATEMENT/PROSPECTUS, ALL DEALERS EFFECTING TRANSACTIONS IN CLASS A COMMON STOCK OR NEW GM CLASS H COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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INTRODUCTION

We have highlighted selected information in this Introduction. However, it may not contain all of the information that is important to you. We urge you to read the entire document (including the Appendices) and the documents incorporated by reference. The Glossary provides definitions for certain capitalized terms.

We have calculated several important values for illustrative purposes in this document based on the October 15, 1997 closing price of Raytheon Common Stock of \$56.94 per share (the "Recent Raytheon Stock Price"). These calculated values include the percentage of Class A Common Stock that will be distributed to holders of each class of GM common stock, the indicated value of the Class A Common Stock to be distributed, the amount of debt that Hughes Defense will be permitted to have when it is spun off and the amount of new capital to be made available to Hughes Telecom. These calculations are illustrative only and will change based on changes in the market price of Raytheon Common Stock between now and the closing.

We also refer throughout this document to the tracking stock interest of the GM Class H Common Stockholders in the earnings of our Hughes Electronics subsidiary as being approximately 25%. This percentage amount, which we call the "Class H Fraction," changes depending on the number of shares of GM Class H Common Stock outstanding at any time. For most calculations in this document which use the Class H Fraction, we have used the Class H Fraction as of September 30, 1997 (approximately 25.6%).

INTRODUCTION TO THE HUGHES TRANSACTIONS

THE HUGHES TRANSACTIONS

We are proposing three related transactions to enhance the value of the businesses operated by our Hughes Electronics subsidiary. We need your consent in order to accomplish these "Hughes Transactions."

(1) HUGHES DEFENSE

We propose to spin off the defense electronics business of Hughes Electronics to our common stockholders. We call this business "Hughes Defense." Immediately after the spin-off, Hughes Defense will merge with Raytheon Company. Based on the Recent Raytheon Stock Price, these transactions have an indicated value of approximately \$9.8 billion.

The merged company will be the nation's third largest defense company and the largest provider of defense electronics in the world. The merger should enable it to compete more effectively in the U.S. defense industry, where significant consolidation has been occurring. We call the merged company "New Raytheon."

GM common stockholders will receive all of the Class A Common Stock of Hughes Defense, representing approximately 30% of the common stock of New Raytheon after the merger. This stock has an indicated value of approximately \$5.8 billion based on the Recent Raytheon Stock Price. Approximately 54.1% of the Class A Common Stock would be distributed to GM Class H Common Stockholders and approximately 45.9% would be distributed to GM $\frac{1}{3}$ Common Stockholders based on the Recent Raytheon Stock Price.

Hughes Defense will be permitted to have approximately \$3.9 billion of debt when it is spun off. Substantially all of the proceeds of this debt will be made available as new capital for Hughes Telecom. The obligation to repay this debt, however, will remain with New Raytheon (in which GM's common stockholders will have an approximately 30% equity interest).

The indicated transaction value of approximately \$9.8 billion consists of the sum of (1) the value of the Class A Common Stock to be distributed to GM's common stockholders and (2) the amount of debt that Hughes Defense is permitted to have at the time of the spin-off. We believe that this amount represents a substantial premium to the enterprise value of Hughes Defense under its current ownership structure.

(2) DELCO ELECTRONICS

We propose to transfer Delco Electronics, our automotive electronics business, from Hughes

Electronics to General Motors. The tracking stock interest in Delco's earnings that is currently held by GM Class H Common Stockholders will in effect be allocated to holders of GM \$1 2/3 Common Stock.

By transferring Delco to General Motors, we will be able to fully integrate it with our Delphi Automotive Systems business. That should enable these businesses to participate more effectively in a component industry trend toward integrated automotive systems.

To compensate GM Class H Common Stockholders for the transfer of Delco and other effects of the Hughes Transactions, we have allocated an amount of Class A Common Stock to them which is more than the approximately 25.6% that reflects their current tracking stock interest in Hughes Defense. The allocation of Class A Common Stock to the GM Class H Common Stockholders is approximately 54.1% based on the Recent Raytheon Stock Price.

(3) HUGHES TELECOM

We propose to make about \$3.9 billion of new capital funding available to the telecommunications and space business of Hughes Electronics, which we call "Hughes Telecom," and to recapitalize the GM Class H Common Stock into a new tracking stock interest in that business.

Hughes Telecom will receive about \$3.9 billion in cash from new debt borrowed by Hughes Defense before it is spun off to our common stockholders. This capital funding will enhance Hughes Telecom's ability to take advantage of growth opportunities in the expanding global telecommunications market. Hughes Telecom expects that its immediate use of approximately \$3.0 billion of the capital funding will be to repay indebtedness, including approximately \$1.7 billion owed to General Motors in connection with Hughes Telecom's acquisition of PanAmSat Corporation in May 1997. We also believe that Hughes Telecom will benefit from having its senior management focused on a single principal area of business.

Each share of GM Class H Common Stock will become a share of New GM Class H Common Stock. As a result, the current approximately 25.6% tracking stock interest of GM Class H Common Stockholders in Hughes Electronics will become an equivalent tracking stock interest in the business of Hughes Telecom, which will be operated after the Hughes Transactions by a GM subsidiary we call "New Hughes Electronics."

RAYTHEON STOCK PRICE

Changes in the market price of Raytheon common stock will affect several calculations relevant to the transactions.

First, we have used the Recent Raytheon Stock Price (\$56.94 per share on October 15, 1997) for illustrative calculations of the amount of the Class A Common Stock to be distributed to the holders of each class of GM common stock and the value of those distributions.

Second, under our agreement with Raytheon, changes in Raytheon's stock price within a "collar" range will affect the amount of debt that Hughes Defense is permitted to have when it is spun off, and thus the amount available as capital for Hughes Telecom.

The actual amount of permitted debt and the allocation of Class A Common Stock between the two classes of GM common stockholders will depend on the average stock price of Raytheon during a specified period prior to the closing of the Hughes Transactions. The Recent Raytheon Stock Price is not necessarily indicative of this average price or the market value of Raytheon common stock at the time of or after the closing of the transactions.

The collar range for Raytheon's stock price is between \$44.42 and \$54.29 per share. If the price of Raytheon Common Stock is within the collar (which it was in January 1997 when the agreement was entered into with Raytheon), the amount of debt that Hughes Defense is permitted to have will be adjusted so that the total transaction value will be \$9.5 billion. Raytheon stock prices above \$54.29 per share would result in transaction values higher than \$9.5 billion, while Raytheon stock prices below \$44.42 per share would result in transaction values less than \$9.5 billion.

Based on the Recent Raytheon Stock Price, the Class A Common Stock distributed in the spin-off would be worth approximately \$5.8 billion and Hughes Defense would be allowed to have \$3.9 billion of debt. Accordingly, the transaction would have a current indicated value to General Motors and its common stockholders of approximately \$9.8 billion.

The following table shows a range of illustrative Raytheon Common Stock prices and how they affect the total value of the transaction:

RAYTHEON COMMON STOCK PRICE	VALUE OF CLASS A COMMON STOCK	HUGHES DEFENSE DEBT	TOTAL INDICATED VALUE
-----	-----	-----	-----
(\$ BILLIONS, EXCEPT STOCK PRICE)			
\$65	\$6.7	\$3.9	\$10.6
60	6.2	3.9	10.1
55	5.6	3.9	9.5
50	5.1	4.4	9.5
45	4.6	4.9	9.5
40	4.1	4.9	9.0

GM's common stockholders will directly receive the value of the Class A Common Stock, which will be distributed to them in the spin-off of Hughes Defense. In addition, our stockholders will benefit from the new debt borrowed by Hughes Defense before the spin off because the proceeds (up to \$4.0 billion) will be made available to Hughes Telecom to fund growth opportunities in the telecommunications and space business. All of our common stockholders will have a continuing interest in that business. If Hughes Defense borrows more than \$4.0 billion of new debt, the additional proceeds will be made available to General Motors, in which case an appropriate adjustment will be made in the amount of Class A Common Stock to be distributed to each class of GM common stockholders.

NEW RAYTHEON COMMON STOCK

In the spin-off, GM's common stockholders will receive Class A Common Stock of Hughes Defense. In the merger of Hughes Defense and Raytheon, this stock will remain outstanding as Class A Common Stock of New Raytheon (except that fractional shares will be sold for cash) and Raytheon's common stockholders will receive Class B Common Stock of New Raytheon.

The Class A Common Stock will represent approximately 30% of the outstanding equity value of New Raytheon. The Class B Common Stock will represent the remaining approximately 70% of the outstanding equity value. With respect to the election of directors of New Raytheon, the Class A Common Stockholders will possess 80.1% of the voting power. The Class B Common Stockholders will possess the remaining 19.9% of the voting power in the election of directors. Each class will vote separately as to all other matters. Except as to voting rights, the Class A Common Stock and Class B Common Stock will be identical.

This dual class capital structure of New Raytheon was necessary in order for General Motors to obtain an IRS letter ruling to the effect that the spin-off of Hughes Defense will be tax-free to General Motors and its common stockholders for U.S. federal income tax purposes.

THE DISTRIBUTION RATIO

We will distribute a total of 102,630,503 shares of Class A Common Stock to our common stockholders. Based on the Recent Raytheon Stock Price, we estimate that approximately 54.1% of these shares will be distributed to GM Class H Common Stockholders and approximately 45.9% will be distributed to GM \$1 2/3 Common Stockholders. We refer to the relationship between these amounts as the "Distribution Ratio."

The Distribution Ratio is a formula that depends on certain variables that cannot be known precisely until the closing of the Hughes Transactions. The most significant of these variables is the average closing market price of Raytheon Common Stock during a specified period shortly before the closing. See "Special Factors--The Distribution Ratio" in Chapter 3.

In setting the Distribution Ratio, the GM Board determined that GM Class H Common Stockholders should receive a portion of the Class A Common Stock equal to the Class H Fraction to reflect their current tracking stock interest in Hughes Defense plus an additional amount of Class A Common Stock to compensate them for relinquishing their current tracking stock interest in Delco and for the other net effects of the Hughes Transactions.

The GM Board determined that the additional amount of Class A Common Stock to be issued to Class H Common Stockholders should have a value equal to \$6.5 billion multiplied by the percentage amount of the GM Class H Common Stockholders' tracking stock interest in Hughes Electronics (i.e., the "Class H Fraction") immediately before the

closing. Based on the approximately 25.6% tracking stock interest of GM Class H Common Stockholders as of September 30, 1997, this additional Class A Common Stock should have a value of \$1.665 billion, subject to being increased by approximately 25.6% of the amount of any proceeds of Hughes Defense debt made available to General Motors as described above.

The number of additional shares of Class A Common Stock needed in order to deliver \$1.665 billion of additional value to the GM Class H Common Stockholders will be determined by valuing each share at the average closing market price of Raytheon Common Stock during a specified period before this closing. Based on the Recent Raytheon Stock Price, this would result in the distribution of 29,248,128 additional shares of Class A Common Shares to the GM Class H Common Stockholders.

This would result in a distribution of a total of approximately 54.1% of the Class A Common Stock to GM Class H Common Stockholders. The balance of 45.9% would be distributed to GM \$1 2/3 Common Stockholders.

The following table illustrates the effect the Hughes Transactions would have on the ownership interests of a holder of one share of each class of GM common stock, if the relevant market price of Raytheon Common Stock were equal to the Recent Raytheon Stock Price.

EXAMPLE OF OWNERSHIP BEFORE THE HUGHES TRANSACTIONS -----	EXAMPLE OF OWNERSHIP AFTER THE HUGHES TRANSACTIONS -----
One share of GM \$1 2/3 Common Stock	One share of GM \$1 2/3 Common Stock AND 0.06658 shares of Class A Common Stock with an indicated market value of \$3.79.

One share of GM Class H Common Stock	One share of New GM Class H Common Stock AND 0.54209 shares of Class A Common Stock with an indicated market value of \$30.87.

For a table showing the illustration of the Class A Common Stock between the two classes of GM common stock based on a range of Raytheon Common Stock prices, see "Special Factors--The Distribution Ratio" in Chapter 3.

DELCO TRANSFER

Delco will be transferred from Hughes Electronics to General Motors so that it can be more fully integrated with Delphi. As a result of this transfer, Delco's financial performance will not be tracked by the New GM Class H Common Stock. In effect, the tracking stock interest in Delco's earnings that is currently held by GM Class H Common Stockholders will be allocated to holders of GM \$1 2/3 Common Stock.

We believe that the integration of Delco's automotive electronics capability with Delphi's systems and components expertise will create a premier global automotive systems supplier. The combination will allow us to compete more effectively in markets worldwide by developing new electronically enhanced vehicle systems. We expect these systems to have improved functionality, lower cost and higher quality. Delco will also gain access to Delphi's customer base. In addition, the integration should allow these businesses to achieve structural cost savings.

The GM Board took the transfer of Delco into account when it determined the Net Transaction Effect which reflects the additional amount of Class A Common Stock that GM Class H Common Stockholders should receive in addition to the approximately 25.6% of such stock that reflects their current tracking stock interest in Hughes Defense. In so doing, the GM Board considered the benefits of the integration of Delco and Delphi. Thus, we believe that the Delco valuation considerations used in determining the Distribution Ratio reflect a substantial premium to the enterprise value of Delco under the current Hughes Electronics and GM ownership structure.

NEW GM CLASS H COMMON STOCK

Like the current GM Class H Common Stockholders, the holders of New GM Class H

Common Stock will be stockholders of General Motors, not of Hughes Electronics. The New GM Class H Common Stock will represent a 25.6% tracking stock interest in New Hughes Electronics (based on the Class H Fraction as of September 30, 1997), which will have one principal business: Hughes Telecom. This will be a more focused investment than the existing GM Class H Common Stock, which currently represents an approximately 25.6% tracking stock interest in the three principal businesses of Hughes Electronics: Hughes Defense, Delco and Hughes Telecom.

The current policy of the GM Board is to pay a quarterly dividend of \$0.25 per share on the existing GM Class H Common Stock. Because New Hughes Electronics contemplates retaining future earnings for the development of its business, General Motors does not anticipate that it will initially pay any cash dividends on the New GM Class H Common Stock.

The GM Certificate of Incorporation will be amended to delete provisions relating to the existing GM Class H Common Stock and to add new provisions setting forth the terms of the New GM Class H Common Stock. The terms of the New GM Class H Common Stock are described in "Chapter 6: Capital Stock."

In connection with its determination of the terms of the New GM Class H Common Stock, the GM Board reviewed its policies and practices with respect to its dual-class common stock capital structure and adopted a policy statement regarding certain capital stock matters. This policy statement is effective upon the closing of the Hughes Transactions and covers certain transactions involving General Motors and New Hughes Electronics and the relationship between dividends (if any) to be paid by New Hughes Electronics to General Motors and by General Motors to the New GM Class H Common Stockholders. This policy statement is set forth under "Considerations Relating to GM's Dual-Class Common Stock Capital Structure" in Chapter 6.

NO RECAPITALIZATION INTO GM \$1 2/3 COMMON STOCK

The Hughes Transactions will not result in a recapitalization of GM Class H Common Stock into GM \$1 2/3 Common Stock at a 120% exchange ratio as currently provided for under certain circumstances in the GM Certificate of Incorporation. As part of the Hughes Transactions, the GM Certificate of Incorporation will be amended to eliminate any possible application of the recapitalization provision to the Hughes Transactions. Even absent this amendment, there is substantial uncertainty as to whether the recapitalization provision would apply. By voting in favor of the Hughes Transactions, you will in effect be waiving any application of the provision to the Hughes Transactions.

TAX MATTERS

For U.S. federal income tax purposes, the Hughes Transactions and the Raytheon Merger will be tax-free to you as GM's common stockholders (other than with respect to cash you will receive instead of fractional shares of Class A Common Stock) and to General Motors. We have received an IRS letter ruling confirming that the spin-off of Hughes Defense and the separation of Hughes Telecom from Hughes Defense (which is required in order to prepare Hughes Defense for the spin-off) will be tax-free. New tax rules applicable to certain corporate spin-offs signed into law by President Clinton on August 5, 1997 will not apply to the Hughes Transactions under the transition provisions enacted as part of this legislation.

All GM common stockholders will be required to attach information to their U.S. federal income tax return for the year in which the spin-off of Hughes Defense occurs in order to show that the spin-off of Hughes Defense is tax-free. General Motors will provide this information to you after the Hughes Transactions and Raytheon Merger have been completed.

BOARD RECOMMENDATION

The GM Board has carefully reviewed the Hughes Transactions with the active participation of its Capital Stock Committee, which consists entirely of independent directors. We have received opinions from two independent investment banking firms, Merrill Lynch and Salomon Brothers, as to the fairness, from a financial point of view, to each class of GM common stockholders of the consideration to

be provided to General Motors and its subsidiaries and to each class of our common stockholders in the Hughes Transactions. We have also received an opinion from a third investment banking firm, Goldman Sachs, as to the fairness of the aggregate consideration in the Raytheon Merger to Hughes Defense, Hughes Electronics, General Motors, GM \$1 2/3 Common Stockholders and GM Class H Common Stockholders taken as a whole.

The full text of the investment bank opinions, which in each case set forth the assumptions made, matters considered and limitations on the review undertaken in connection with the opinions, are included in Appendix B to this document. WE URGE YOU TO READ THESE OPINIONS CAREFULLY.

BASED ON THE FOREGOING, THE GM BOARD HAS DETERMINED THAT THE HUGHES TRANSACTIONS ARE IN THE BEST INTERESTS OF GENERAL MOTORS AND ITS COMMON STOCKHOLDERS AND ARE FAIR TO THE HOLDERS OF BOTH CLASSES OF GM COMMON STOCK. THE GM BOARD HAS UNANIMOUSLY APPROVED THE HUGHES TRANSACTIONS AND RECOMMENDS THAT GM COMMON STOCKHOLDERS APPROVE THE HUGHES TRANSACTIONS BY EXECUTING AND RETURNING THE ENCLOSED CONSENT.

RISK FACTORS

There are significant challenges and risks involved in each of the business strategies addressed by the Hughes Transactions. These risks include uncertainties about achieving the expected synergies and benefits from the merger of Hughes Defense and Raytheon and from the integration of Delco and Delphi. There are also risks associated with separating the three businesses of Hughes Electronics. These and other risks are addressed in "Chapter 2: Risk Factors."

STOCKHOLDER LITIGATION

Nine lawsuits were filed in Delaware Chancery Court after we announced the Hughes Transactions in January 1997. Each suit purports to be a class action brought on behalf of specified holders of GM Class H Common Stock against the defendants, who are General Motors and its directors. The lawsuits allege that the defendants have breached and are continuing to breach their contractual and fiduciary duties to specified holders of GM Class H Common Stock by proposing and pursuing the Hughes Transactions, which plaintiffs contend would unfairly benefit General Motors to the detriment of such holders.

The lawsuits seek injunctions against the Hughes Transactions (or any other disposition of Hughes Defense in the absence of a recapitalization of the GM Class H Common Stock into GM \$1 2/3 Common Stock at a 120% exchange ratio) and compensatory damages.

TIMING AND APPROVALS

We are working towards completing the Hughes Transactions as soon as possible. We expect to complete the Hughes Transactions before the end of 1997.

We will not complete the Hughes Transactions unless we obtain the approval of the holders of:

- . a majority of the outstanding shares of GM \$1 2/3 Common Stock, voting as a separate class; and
- . a majority of the outstanding shares of GM Class H Common Stock, voting as a separate class.

Only GM's common stockholders who held shares on October 15, 1997 are entitled to vote on the Hughes Transactions.

You are not being asked to approve the Raytheon Merger, which has already been approved by Hughes Electronics as the sole stockholder of Hughes Defense. However, if GM's common stockholders do not approve the Hughes Transactions, the Raytheon Merger will not occur. Completion of the Hughes Transactions is also conditioned upon the approval of the Raytheon Merger by Raytheon's common stockholders and satisfaction or waiver of the other conditions to the closing of the Raytheon Merger as described under "Description of the Raytheon Merger--Raytheon Merger Agreement--Conditions" in Chapter 3.

CONSENT MECHANICS

Please complete, date, sign and return the enclosed consent as soon as possible. Your consent is important regardless of the number of shares that you own.

YOU SHOULD NOT SEND YOUR STOCK CERTIFICATES WITH THE CONSENT CARD ENCLOSED WITH THIS DOCUMENT. YOU WILL RECEIVE FURTHER CORRESPONDENCE AFTER THE TRANSACTIONS HAVE BEEN COMPLETED.

You can revoke your consent at any time prior to the approval of the Hughes Transactions. This will occur as soon as consents representing the requisite stockholder approvals described above are delivered to General Motors, so long as this is at least 20 business days from the date this document is mailed to stockholders.

Revocations can be made by filing with the Secretary of General Motors either a written notice stating that you would like to revoke your consent or another written consent bearing a later date. Revocations should be sent to the Secretary of General Motors at the following address:

General Motors Corporation
General Motors Building
3044 West Grand Boulevard
Detroit, Michigan 48202-3091
Attention: Secretary

THE ISSUERS

The New GM Class H Common Stock will be issued by General Motors. GM's principal executive offices are located at 100 Renaissance Center, Detroit, Michigan 48243-7301 (Telephone Number (313) 556-5000).

As of the Record Date, directors and executive officers of General Motors (and their affiliates) together held less than 1% of the outstanding shares of GM \$1 2/3 Common Stock and less than 1% of the outstanding shares of GM Class H Common Stock. To our knowledge, all of such persons currently intend to vote in favor of the Hughes Transactions.

The Class A Common Stock to be distributed in the spin-off will be issued by a subsidiary of Hughes Electronics which is named HE Holdings, Inc. We refer to HE Holdings, Inc. as "Hughes Defense" because it will own and operate the defense electronics business of Hughes Electronics at the time it is spun off to GM's common stockholders and merged with Raytheon.

The principal executive offices of Hughes Defense are currently located at 7200 Hughes Terrace, Los Angeles, California 90045-0066 (Telephone Number (310) 568-7200). Upon the consummation of the Raytheon Merger, the principal executive offices of New Raytheon will be located at 141 Spring Street, Lexington, Massachusetts 02173 (Telephone Number (617) 862-6600).

ADDITIONAL INFORMATION

For additional information about the Hughes Transactions, including information about how to complete and return your consent, please contact:

Morrow & Co., Inc.

909 Third Avenue, 20th Floor
New York, New York 10022

Banks and Brokers Call Toll Free:
1-800-662-5200

All others Call Toll Free:
1-800-566-9058

SUMMARY FINANCIAL INFORMATION

POSSIBLE EFFECTS OF THE HUGHES TRANSACTIONS ON YOUR GM COMMON STOCK

We are providing the following summary financial information to help you analyze the financial aspects of the Hughes Transactions. The numbers in the column entitled "Historical" are the actual per share numbers for the periods stated.

The numbers in the columns entitled "Assuming Hughes Transactions Occur" show how these transactions would have affected your GM shares if they were completed on June 30, 1997 as for the book value per share information and as of January 1 of each respective period as for the earnings per share. They also reflect the number of shares each class of GM common stockholders would have received. And, you should note that these numbers show the effect of the May 1997 merger of the satellite services operations of Hughes Telecom and PanAmSat.

	HISTORICAL	ASSUMING HUGHES	
	GM \$1 2/3	GM \$1 2/3	+ NEW RAYTHEON

GM \$1 2/3 COMMON STOCK			
BOOK VALUE PER SHARE			
as of 6/30/97.....	\$29.99	\$27.93	\$ 1.91
as of 12/31/96.....	\$27.95	--	--
EARNINGS PER SHARE			
(from continuing operations for GM)			
for the six month period ending			
6/30/97.....	\$ 4.98	\$ 4.63	\$ 0.09
for the year ending 12/31/96.....	\$ 6.07	\$ 5.90	\$ 0.17

	HISTORICAL	ASSUMING HUGHES	
	GM CLASS H	GM CLASS H	+ NEW RAYTHEON

GM CLASS H COMMON STOCK			
BOOK VALUE PER SHARE			
as of 6/30/97.....	\$14.99	\$13.97	\$16.03
as of 12/31/96.....	\$13.97	--	--
EARNINGS PER SHARE			
for the six month period ending			
6/30/97.....	\$ 1.94	\$ 0.16	\$ 0.72
for the year ending 12/31/96.....	\$ 2.88	\$ 0.31	\$ 1.45

The "Assuming Hughes Transactions Occur" columns in the table above shows pro forma information for each of GM's two classes of common stock on a per share equivalent basis. We calculated the New Raytheon pro forma equivalent amounts for each class of GM common stock on the basis of (1) the number of shares of Class A Common Stock to be distributed to that class pursuant to the Distribution Ratio (estimated based on the Recent Raytheon Stock Price and the respective number of shares of GM common stock issued on June 30, 1997) and (2) the Class A Common Stock pro forma information as set forth in the table of New Raytheon Common Stock Pro Forma Per Share Data below. We also calculated book value per share based on the liquidation rights of each class under the GM Certificate of Incorporation as proposed to be amended. For such purpose, we have assumed that the per share liquidation unit of the New GM Class H Common Stock is 0.50, which is the same as for the GM Class H Common Stock. See "Chapter 6: Capital Stock."

For a more detailed explanation on how we calculated the numbers in these charts, see the financial data that follows.

CHAPTER 1: INTRODUCTION

GENERAL

You should read the summary financial information in conjunction with the consolidated financial statements (including the notes thereto) and Management's Discussion and Analysis in the GM 1996 Form 10-K, including information about Hughes Electronics in Exhibit 99 to that document. See "Where You Can Find More Information" in Chapter 7.

Information about General Motors and Hughes Electronics for each of the calendar years set forth below is derived from their respective consolidated financial statements for those years, which have been audited by Deloitte & Touche LLP, independent public accountants. The information about the three principal businesses of Hughes Electronics is derived from their respective combined financial statements. Their audited combined financial statements are included in the Appendices to this document, but their combined financial statements for other dates and periods have not been audited. Also, the financial information about General Motors with its financing and insurance operations on an equity basis is unaudited.

Information about General Motors, Hughes Electronics and the three principal businesses of Hughes Electronics for each of the six-month periods shown in the tables is derived from their respective unaudited financial statements for those periods. In the opinion of management, those statements reflect all adjustments (consisting only of normal recurring items) that are necessary to fairly present the financial information for those periods. However, the results for interim periods are not necessarily indicative of results which may be expected for any other interim or full year period.

Some of this information is presented on a pro forma basis to give effect to the Hughes Transactions and to other specified transactions. Pro forma information is not necessarily indicative of future financial position or operating results.

HUGHES ELECTRONICS

Hughes Electronics currently has three primary business segments: Aerospace and Defense Systems, Automotive Electronics and Telecommunications and Space. In 1996, these segments represented, respectively, 40%, 33% and 26% of Hughes Electronics' revenues and 44%, 41% and 16% of Hughes Electronics' operating profit (excluding purchase accounting adjustments related to GM's acquisition of Hughes Aircraft in 1985). Operations reported as Corporate and Other represented approximately 1% of revenues and reported an operating loss of \$14.2 million.

The Hughes Transactions involve all three primary business segments of Hughes Electronics, as well as the operations reported as Corporate and Other. The Hughes Reorganization includes a number of preliminary transactions necessary to separate the three primary business segments of Hughes Electronics, and the operations reported as Corporate and Other, into Hughes Defense, Delco and Hughes Telecom. See "Description of the Hughes Transactions--General--Hughes Reorganization" and "Separation and Transition Arrangements" in Chapter 3. After giving effect to the Hughes Reorganization, (1) Hughes Defense generally will consist of businesses currently reported in the Aerospace and Defense Systems segment of Hughes Electronics, (2) Delco generally will consist of businesses currently reported in the Automotive Electronics segment of Hughes Electronics and (3) Hughes Telecom generally will consist of businesses currently reported in the Telecommunications and Space segment and Corporate and Other.

The separate financial statements of Hughes Defense, Delco and Hughes Telecom contained in this document have been prepared in accordance with generally accepted accounting principles and reflect the businesses to be included in each after giving effect to the Hughes Reorganization. Hughes Electronics corporate assets and liabilities have been included in the separate financial statements to the extent identifiable to individual business units. The separate financial statements also include allocations of corporate expenses

CHAPTER 1: INTRODUCTION

from Hughes Electronics. Such allocations are based either on actual usage or on allocation methodologies which comply with U.S. government cost accounting standards.

PURCHASE ACCOUNTING ADJUSTMENTS

The acquisition of Hughes Aircraft by General Motors in 1985 was accounted for by General Motors as a purchase for financial accounting purposes. As a result, General Motors recorded goodwill and other intangible assets of approximately \$4.2 billion. This amount is being amortized over periods of up to 40 years, resulting in an annual earnings charge that is currently approximately \$122 million. We refer to these annual charges as purchase accounting adjustments. As currently provided in the GM Certificate of Incorporation, the earnings attributable to GM Class H Common Stock for purposes of determining the amount available for the payment of dividends on GM Class H Common Stock specifically exclude such adjustments. A significant portion of these adjustments, which are currently charged against the earnings available for the payment of dividends on GM \$1 2/3 Common Stock, will be eliminated as a result of the Hughes Transactions. The GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, will also provide that, in calculating the amount available for payment of dividends on New GM Class H Common Stock (which amount will also be used to calculate earnings per share of New GM Class H Common Stock), the remaining purchasing accounting adjustments applicable to the telecommunications and space business of Hughes Electronics will not be charged against the earnings of New Hughes Electronics.

The Hughes Electronics Summary Consolidated Financial Data (Including Purchase Accounting Adjustments) presented below include the application of such purchase accounting adjustments, which are further described in Notes 1 and 7 to Hughes Electronics' Consolidated Financial Statements in Exhibit 99 to the GM 1996 Form 10-K. More specifically, amortization and disposal of intangible assets associated with GM's purchase of Hughes Aircraft amounted to \$122.3 million in 1996, \$159.5 million in 1995 and \$123.8 million in 1994, and \$61.2 million for both of the six month periods ended June 30, 1997 and June 30, 1996. Such amounts were excluded from the earnings available for the payment of dividends on GM Class H Common Stock and were charged against the earnings available for the payment of dividends on GM \$1 2/3 Common Stock. Unamortized purchase accounting adjustments associated with GM's purchase of Hughes Aircraft were \$2,723.5 million, \$2,845.8 million and \$3,005.3 million at December 31, 1996, 1995 and 1994, respectively, and \$2,662.3 million and \$2,784.6 million at June 30, 1997 and 1996, respectively. In order to assist you in understanding and analyzing Hughes Electronics' financial results, the Hughes Electronics Unaudited Summary Consolidated Financial Data (Excluding Purchase Accounting Adjustments) do not give effect to such purchase accounting adjustments.

In addition, the separate financial statements of Hughes Defense and Hughes Telecom reflect the application of the foregoing purchase accounting adjustments applicable to each of Hughes Defense and Hughes Telecom. The separate financial statements of Hughes Telecom exclude such purchase accounting adjustments from the pro forma calculation of earnings available for the payment of dividends on New GM Class H Common Stock, consistent with the provisions of the GM Certificate of Incorporation as proposed to be amended in the Hughes Transactions.

CHAPTER 1: INTRODUCTION

CERTAIN HISTORICAL AND PRO FORMA PER SHARE INFORMATION

GM COMMON STOCK HISTORICAL PER SHARE DATA

This table shows historical per share information for each of the two classes of GM common stock. We calculated book value per share based on the liquidation rights of each class, which are described under "GM Class H Common Stock" in Chapter 6.

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 1997		AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1996	
	GM \$1 2/3	GM CLASS H	GM \$1 2/3	GM CLASS H
Book value per share.....	\$29.99	\$14.99	\$27.95	\$13.97
Cash dividends per share.....	1.00	0.50	1.60	0.96
Earnings per share from continuing operations attributable to common stocks.....	4.98	1.94	6.07	2.88

GM COMMON STOCK PRO FORMA PER SHARE DATA

This table shows pro forma information for each class of GM common stock giving effect to the Hughes Transactions and the May 1997 merger of the satellite services operations of Hughes Telecom and PanAmSat, which we refer to as the "PanAmSat Merger."

The earnings per share of New Class H Common Stock in the table reflect only that portion of New Hughes Electronics' earnings for the respective periods that would have been available for the payment of dividends on the New GM Class H Common Stock under the GM Certificate of Incorporation as proposed to be amended. See "New GM Class H Common Stock--GM Certificate of Incorporation Provisions Regarding Dividends" in Chapter 6. We calculated the pro forma book value per share at June 30, 1997 based on the liquidation rights of each class of stock under the GM Certificate of Incorporation as proposed to be amended. For such purpose, we have assumed that the per share liquidation unit of the New GM Class H Common Stock is 0.50, which is the same as for the GM Class H Common Stock. See "Chapter 6: Capital Stock." We did not calculate the pro forma book value per share at December 31, 1996.

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 1997		AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1996	
	GM \$1 2/3	NEW GM CLASS H	GM \$1 2/3	NEW GM CLASS H
Book value per share.....	\$27.93	\$13.97	--	--
Cash dividends per share.....	1.00	--	\$1.60	\$ --
Earnings per share from continuing operations attributable to common stocks.....	4.63	0.16	5.90	0.31

RAYTHEON COMMON STOCK HISTORICAL PER SHARE DATA

This table shows historical per share information for Raytheon Common Stock. We have derived this information from the "Raytheon Selected Combined Historical and Pro Forma Financial Data" in Chapter 4.

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 29, 1997	AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1996
Book value per share.....	\$20.64	\$19.46
Cash dividends per share.....	0.40	0.80
Earnings per share.....	1.66	3.21

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CHAPTER 1: INTRODUCTION
NEW RAYTHEON COMMON STOCK PRO FORMA PER SHARE DATA

This table shows pro forma per share information for each of the two proposed classes of New Raytheon common stock. We have derived the information in this table from the "New Raytheon Unaudited Pro Forma Combined Condensed Financial Statements" in Chapter 5.

This table gives effect to (1) the Hughes Transactions, (2) the merger of Raytheon with Hughes Defense and (3) Raytheon's July 1997 acquisition of the defense business of Texas Instruments, which we refer to as the "Texas Instruments Defense Acquisition." We calculated the pro forma book value per share at June 29, 1997 by dividing the pro forma book value of the net assets of New Raytheon by the number of shares of New Raytheon Common Stock expected to be outstanding upon consummation of the Hughes Defense Spin-Off and the Raytheon Merger. We did not calculate the pro forma book value per share at December 31, 1996.

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 29, 1997		AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1996	
	CLASS A	CLASS B	CLASS A	CLASS B
Book value per share.....	\$29.33	\$29.33	--	--
Earnings per share.....	1.32	1.32	\$ 2.65	\$ 2.65

GENERAL MOTORS SELECTED
CONSOLIDATED HISTORICAL FINANCIAL DATA

The table below sets forth historical financial information about (1) General Motors on a consolidated basis and (2) General Motors with its financing and insurance operations presented on an equity basis.

General Motors financial statements have not been presented on a pro forma basis to give effect to the Hughes Transactions. This is because the ongoing effect of the Hughes Transactions on GM's overall financial condition and results of operations will not be material. However, the Hughes Transactions will initially increase GM's consolidated net liquidity by an amount equal to any proceeds of new Hughes Defense debt, reduced by costs incurred in connection with the Hughes Transactions, which are currently estimated to be approximately \$100 million.

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,			AS OF AND FOR THE YEARS ENDED DECEMBER 31,			
	1997	1996	1996	1995	1994	1993	1992 (A)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)							
OPERATING RESULTS:							
Total net sales and revenues.....	\$ 87,387	\$ 84,022	\$164,069	\$160,272	\$148,499	\$132,991	\$127,378
Costs and expenses.....	81,308	79,586	158,120	151,923	141,401	130,562	130,440
Plant closings expense (adjustments) and provisions for other restructurings.....	80	--	(727)	--	--	950	1,237
Total costs and expenses.....	81,388	79,586	157,393	151,923	141,401	131,512	131,677
Income (loss) from continuing operations before cumulative effect of accounting changes.....	3,894	2,896	4,953	6,033	4,866	1,777	(3,222)
Net income (loss).....	\$ 3,894	\$ 2,906	\$ 4,963	\$ 6,881	\$ 4,901	\$ 2,466	\$(23,498)
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKS:							
GM \$1 2/3 Common Stock per share from continuing operations before cumulative effect of accounting changes..	\$ 4.98	\$ 3.58	\$ 6.07	\$ 7.14	\$ 5.74	\$ 1.68	\$ (5.33)
Net earnings (loss) per share attributable to GM \$1 2/3 Common Stock.	\$ 4.98	\$ 3.57	\$ 6.06	\$ 7.21	\$ 5.15	\$ 2.13	\$ (38.28)
Income per share from discontinued operations attributable to GM Class E Common Stock...	\$ --	\$ 0.04	\$ 0.04	\$ 1.96	\$ 1.71	\$ 1.51	\$ 1.33
Net earnings (loss) per share attributable to GM Class H Common Stock.....	\$ 1.94	\$ 1.55	\$ 2.88	\$ 2.77	\$ 2.62	\$ 2.30	\$ (2.29)
BALANCE SHEET DATA:							
Cash and marketable securities.....	\$ 21,017	\$ 18,364	\$ 22,262	\$ 16,018	\$ 15,331	\$ 17,369	\$ 14,533
Total assets.....	231,905	212,897	222,142	213,663	191,145	182,388	184,287
Notes and loans payable.....	89,918	80,756	85,300	81,222	72,545	69,747	81,767
Stockholders' equity...	24,031	20,860	23,418	23,346	12,824	5,598	6,226
Cumulative amount available for payment of dividends							
GM \$1 2/3 Common Stock.	\$ 22,986	\$ 20,758	\$ 22,081	\$ 12,475	\$ 9,014	\$ 4,870	\$ 3,488
GM Class E Common Stock.....	--	--	--	10,672	3,752	3,244	2,546
GM Class H Common Stock.....	3,465	3,096	3,245	2,909	2,169	1,887	1,583
Total.....	\$ 26,451	\$ 23,854	\$ 25,326	\$ 26,056	\$ 14,935	\$ 10,001	\$ 7,617

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,			AS OF AND FOR THE YEARS ENDED DECEMBER 31,			
	1997	1996	1996	1995	1994	1993	1992 (A)
CASH DIVIDENDS PER SHARE:							
GM \$1 2/3 Common Stock.	\$ 1.00	\$ 0.80	\$ 1.60	\$ 1.10	\$ 0.80	\$ 0.80	\$ 1.40
GM Class E Common Stock.....	--	\$ 0.30	\$ 0.30	\$ 0.52	\$ 0.48	\$ 0.40	\$ 0.36
GM Class H Common Stock.....	\$ 0.50	\$ 0.48	\$ 0.96	\$ 0.92	\$ 0.80	\$ 0.72	\$ 0.72
GM OPERATIONS WITH FINANCING AND INSURANCE OPERATIONS ON AN EQUITY BASIS:							
OPERATING RESULTS:							
Total net sales and revenues.....	\$ 77,198	\$ 74,854	\$145,427	\$143,754	\$134,888	\$119,803	\$113,489
Costs and expenses.....	73,993	72,291	142,938	138,294	129,383	118,449	117,289
Plant closings expense (adjustments) and provisions for other restructurings.....	80	--	(727)	--	--	950	1,237
Total costs and expenses.....	74,073	72,291	142,211	138,294	129,383	119,399	118,526
Income (loss) from continuing operations before cumulative effect of accounting changes.....	3,894	2,896	4,953	6,033	4,859	1,777	(3,504)
Net income (loss).....	\$ 3,894	\$ 2,906	\$ 4,963	\$ 6,881	\$ 4,901	\$ 2,466	\$(23,498)
BALANCE SHEET DATA:							
Cash and marketable securities.....	\$ 14,917	\$ 13,039	\$ 16,962	\$ 10,241	\$ 10,232	\$ 9,891	\$ 7,386
Total assets.....	140,696	129,935	135,262	130,644	118,860	115,160	115,422
Long-term debt and capitalized leases....	6,155	5,439	5,390	4,280	5,198	5,861	6,495
Stockholders' equity...	24,031	20,860	23,418	23,346	12,824	5,598	6,226

(a) General Motors adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective January 1, 1992. The unfavorable cumulative effect of adopting SFAS No. 106 was \$20.7 billion, or \$33.38 per share, attributable to GM \$1 2/3 Common Stock and \$150 million, or \$2.08 per share, attributable to GM Class H Common Stock. Also, effective January 1, 1992, Hughes Electronics changed its revenue recognition policy for certain commercial businesses. The unfavorable effect of this change on 1992 earnings was \$33 million, or \$0.05 per share, attributable to GM \$1 2/3 Common Stock, and \$7 million, or \$0.10 per share, attributable to GM Class H Common Stock.

CHAPTER 1: INTRODUCTION

HUGHES ELECTRONICS SUMMARY CONSOLIDATED FINANCIAL DATA

The tables below set forth historical financial information about Hughes Electronics on a consolidated basis. The first table presents the information about Hughes Electronics including the effect of the purchase accounting adjustments described under "Purchase Accounting Adjustments" above. The second table presents the information about Hughes Electronics excluding the effect of those purchase accounting adjustments.

HUGHES ELECTRONICS SUMMARY CONSOLIDATED FINANCIAL DATA
(INCLUDING PURCHASE ACCOUNTING ADJUSTMENTS)

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,			AS OF AND FOR THE YEARS ENDED DECEMBER 31,			
	1997	1996 (B)	1996 (B)	1995 (B)	1994	1993	1992 (A)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)							
OPERATING RESULTS:							
Net sales.....	\$ 8,393.8	\$ 7,646.2	\$15,744.1	\$14,714.3	\$14,062.3	\$13,450.2	\$12,169.0
Other income--net.....	500.0	136.4	116.8	48.6	37.1	67.3	128.1
Total Revenues.....	8,893.8	7,782.6	15,860.9	14,762.9	14,099.4	13,517.5	12,297.1
Cost and Expenses.....	7,757.6	6,817.2	14,161.0	13,054.5	12,447.0	12,023.3	12,423.8
Amortization of GM purchase accounting adjustments related to Hughes Aircraft	61.2	61.2	122.3	123.4	123.8	123.8	123.8
Total Costs and Expenses.....	7,818.8	6,878.4	14,283.3	13,177.9	12,570.8	12,147.1	12,547.6
Income (loss) before income taxes and minority interests.....	1,075.0	904.2	1,577.6	1,585.0	1,528.6	1,370.4	(250.5)
Income taxes (credit)...	385.3	363.7	605.7	645.6	572.8	572.6	(77.2)
Minority interests in net losses of subsidiaries.....	25.7	16.6	57.0	8.9	--	--	--
Cumulative effect of accounting change.....	--	--	--	--	(30.4)	--	(872.1)
Net Income (loss).....	715.4	557.1	1,028.9	948.3	925.4	797.8	(1,045.4)
Adjustment to exclude the effects of GM purchase accounting adjustments related to Hughes Aircraft.....	61.2	61.2	122.3	159.5	123.8	123.8	123.8
Earnings (loss) used for computation of available separate consolidated net income of Hughes.....	\$ 776.6	\$ 618.3	\$ 1,151.2	\$ 1,107.8	\$ 1,049.2	\$ 921.6	\$ (921.6)
Earnings (loss) per share attributable to GM Class H Common Stock.....	\$ 1.94	\$ 1.55	\$ 2.88	\$ 2.77	\$ 2.62	\$ 2.30	\$ (2.29)
BALANCE SHEET DATA:							
Cash and cash equivalents.....	\$ 1,308.5	\$ 1,000.1	\$ 1,161.3	\$ 1,139.5	\$ 1,501.8	\$ 1,008.7	\$ 702.7
Current assets.....	7,530.2	7,219.2	7,079.0	6,810.8	6,243.6	5,714.3	5,546.8
Total assets.....	21,145.2	16,282.0	16,480.1	15,974.4	14,850.5	14,117.1	14,209.2
Current liabilities.....	4,525.4	4,223.5	4,199.6	4,308.8	3,548.1	3,549.1	3,854.4
Long-term debt and capitalized leases.....	2,405.8	107.6	34.5	258.8	353.5	416.8	711.0
Stockholders' equity....	9,699.6	8,894.7	9,179.9	8,525.7	7,975.8	7,328.1	6,815.0
OTHER DATA:							
Depreciation and amortization.....	\$ 372.8	\$ 322.4	\$ 682.6	\$ 611.1	\$ 594.0	\$ 627.3	\$ 610.9
Capital expenditures....	361.5	397.8	840.2	820.3	746.3	580.0	558.5

(a) Includes the effect of a pre-tax restructuring charge of \$1,237.0 million.

(b) Certain amounts have been reclassified to conform with the June 30, 1997 presentation.

HUGHES ELECTRONICS UNAUDITED SUMMARY CONSOLIDATED FINANCIAL DATA
(EXCLUDING PURCHASE ACCOUNTING ADJUSTMENTS)

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,			AS OF AND FOR THE YEARS ENDED DECEMBER 31,			
	1997	1996 (B)	1996 (B)	1995 (B)	1994	1993	1992 (A)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)							
OPERATING RESULTS:							
Net sales.....	\$ 8,393.8	\$ 7,646.2	\$15,744.1	\$14,714.3	\$14,062.3	\$13,450.2	\$12,169.0
Other income--net.....	500.0	136.4	116.8	84.7	37.1	67.3	128.1
Total Revenue.....	8,893.8	7,782.6	15,860.9	14,799.0	14,099.4	13,517.5	12,297.1
Cost and Expenses.....	7,757.6	6,817.2	14,161.0	13,054.5	12,447.0	12,023.3	12,423.8
Income (loss) before income taxes and minority interests....	1,136.2	965.4	1,699.9	1,744.5	1,652.4	1,494.2	(126.7)
Income taxes (credit)...	385.3	363.7	605.7	645.6	572.8	572.6	(77.2)
Minority interests in net losses of subsidiaries.....	25.7	16.6	57.0	8.9	--	--	--
Cumulative effect of accounting change.....	--	--	--	--	(30.4)	--	(872.1)
Earnings (loss) used for computation of available separate consolidated net income.....	776.6	618.3	1,151.2	1,107.8	1,049.2	921.6	(921.6)
Earnings (loss) per share attributable to GM Class H Common Stock.....	\$ 1.94	\$ 1.55	\$ 2.88	\$ 2.77	\$ 2.62	\$ 2.30	\$ (2.29)
BALANCE SHEET DATA:							
Cash and cash equivalents.....	\$ 1,308.5	\$ 1,000.1	\$ 1,161.3	\$ 1,139.5	\$ 1,501.8	\$ 1,008.7	\$ 702.7
Current assets.....	7,530.2	7,219.2	7,079.0	6,810.8	6,243.6	5,714.3	5,546.8
Total assets.....	18,482.9	13,497.4	13,756.6	13,128.6	11,845.2	10,988.0	10,956.3
Current liabilities.....	4,525.4	4,223.5	4,199.6	4,308.8	3,548.1	3,549.1	3,854.4
Long-term debt and capitalized leases....	2,405.8	107.6	34.5	258.8	353.5	416.8	711.0
Stockholders' equity....	7,037.3	6,110.1	6,456.4	5,679.9	4,970.5	4,199.0	3,562.1
OTHER DATA:							
Depreciation and amortization.....	\$ 311.6	\$ 261.2	\$ 560.3	\$ 487.7	\$ 470.2	\$ 503.5	\$ 487.1
Capital expenditures....	361.5	397.8	840.2	820.3	746.3	580.0	558.5

(a) Includes the effect of a pre-tax restructuring charge of \$1,237.0 million.

(b) Certain amounts have been reclassified to conform with the June 30, 1997 presentation.

CHAPTER 1: INTRODUCTION

HUGHES DEFENSE SUMMARY COMBINED FINANCIAL DATA

The table below sets forth historical financial information about Hughes Defense. As discussed under "Overview" above, the financial statements of Hughes Defense reflect the business operations that will be included in Hughes Defense after giving effect to the Hughes Reorganization. You should read this information in conjunction with Hughes Defense's Combined Financial Statements (including the notes thereto) included in Appendix C to this document.

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,		AS OF AND FOR THE YEARS ENDED DECEMBER 31,				
	1997	1996	1996	1995	1994	1993	1992 (A)
(IN MILLIONS)							
OPERATING RESULTS:							
Net sales.....	\$3,413.3	\$3,053.1	\$6,382.7	\$5,921.8	\$5,896.0	\$6,353.5	\$5,503.8
Other income, net.....	13.3	4.5	9.1	43.0	22.5	24.7	45.2
Total Revenues.....	3,426.6	3,057.6	6,391.8	5,964.8	5,918.5	6,378.2	5,549.0
Cost and Expenses.....	3,118.3	2,765.5	5,770.3	5,309.5	5,314.5	5,605.1	5,836.8
Amortization of GM purchase accounting adjustments related to Hughes Aircraft.....	50.6	50.6	101.3	101.3	101.3	101.3	101.3
Total Costs and Expenses.....	3,168.9	2,816.1	5,871.6	5,410.8	5,415.8	5,706.4	5,938.1
Income (loss) before income taxes.....	257.7	241.5	520.2	554.0	502.7	671.8	(389.1)
Income taxes (credit)...	118.5	111.1	239.3	235.4	226.2	293.9	(182.9)
Cumulative effect of accounting changes.....	--	--	--	--	(7.1)	--	(268.5)
Net Income (loss).....	\$ 139.2	\$ 130.4	\$ 280.9	\$ 318.6	\$ 269.4	\$ 377.9	\$ (474.7)
BALANCE SHEET DATA:							
Cash and cash equivalents.....	\$ 81.6	\$ 29.2	\$ 59.7	\$ 15.7	\$ 58.7	\$ 1.6	\$ 9.1
Current assets.....	3,167.2	3,060.1	2,907.7	2,880.0	2,462.0	2,529.3	2,692.9
Total assets.....	7,382.3	7,175.5	7,028.4	7,025.9	6,249.1	6,548.6	7,012.9
Current liabilities.....	1,665.2	1,835.6	1,889.0	1,959.9	1,604.9	1,814.9	1,624.0
Long-term debt and capitalized leases.....	33.3	48.7	34.4	49.7	57.6	83.9	38.0
Parent Company's net investment.....	5,372.5	4,939.6	4,823.0	4,680.2	4,198.2	4,278.3	4,801.0
OTHER DATA:							
Depreciation and amortization.....	\$ 126.7	\$ 116.8	\$ 246.6	\$ 240.5	\$ 265.5	\$ 295.9	\$ 303.5
Capital expenditures....	\$ 68.8	\$ 55.4	\$ 178.3	\$ 99.4	\$ 174.1	\$ 119.8	\$ 88.1

(a) Includes the effect of a pre-tax restructuring charge of \$833.1 million.

CHAPTER 1: INTRODUCTION

DELCO SUMMARY COMBINED HISTORICAL AND PRO FORMA FINANCIAL DATA

The table below sets forth historical and pro forma financial information about Delco. As discussed under "Overview" above, the financial statements of Delco reflect the business operations that will be included in Delco after giving effect to the Hughes Reorganization. You should read this information in conjunction with Delco's Combined Financial Statements (including the notes thereto) included in Appendix D to this document.

The columns of pro forma information give effect to the Hughes Transactions as if they had occurred at the beginning of the respective periods as to operating results data, and as of June 30, 1997 as to the balance sheet data, but do not give effect to the planned integration of Delco and Delphi after consummation of the Hughes Transactions.

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,			AS OF AND FOR THE YEARS ENDED DECEMBER 31,					
	PRO FORMA 1997(A)	1997	1996	PRO FORMA 1996(A)	1996	1995	1994	1993	1992
(DOLLARS IN MILLIONS)									
OPERATING RESULTS:									
Net sales.....	\$2,904.2	\$2,904.2	\$2,916.0	\$5,560.1	\$5,560.1	\$5,757.2	\$5,560.7	\$4,808.1	\$4,143.5
Other income, net.....	13.8	103.8	89.7	32.4	202.4	195.6	150.6	114.7	158.7
Total Revenues.....	2,918.0	3,008.0	3,005.7	5,592.5	5,762.5	5,952.8	5,711.3	4,922.8	4,302.2
Total Cost and Expenses.....	2,628.0	2,628.0	2,524.0	4,901.9	4,901.9	4,869.0	4,751.6	4,219.3	3,695.1
Income before income taxes.....	290.0	380.0	481.7	690.6	860.6	1,083.8	959.7	703.5	607.1
Income taxes.....	107.6	141.0	183.3	261.4	325.8	411.3	364.7	280.5	209.8
Cumulative effect of accounting changes.....	--	--	--	--	--	--	(35.2)	--	(478.4)
Net Income.....	\$ 182.4	\$ 239.0	\$ 298.4	\$ 429.2	\$ 534.8	\$ 672.5	\$ 559.8	\$ 423.0	\$ (81.1)
BALANCE SHEET DATA:									
Cash and cash equivalents.....	\$ 31.0	\$ 221.8	\$ 756.9		\$ 741.0	\$ 926.1	\$1,243.2	\$ 773.2	\$ 571.3
Current assets.....	1,087.5	4,031.3	3,583.1		3,858.0	3,276.2	2,813.0	2,146.9	1,691.2
Total assets.....	2,448.2	5,592.0	5,510.7		5,464.1	5,186.4	4,842.4	4,205.9	3,779.8
Current liabilities.....	714.5	714.5	894.5		734.2	767.9	927.9	786.6	673.5
Parent Company's net investment.....	585.9	3,779.7	3,580.2		3,662.1	3,402.1	2,949.4	2,566.7	2,288.3
OTHER DATA:									
Depreciation and amortization.....		\$ 113.6	\$ 101.2		\$ 204.4	\$ 155.6	\$ 145.0	\$ 152.0	\$ 125.6
Capital expenditures....		\$ 71.9	\$ 103.0		\$ 196.5	\$ 264.1	\$ 165.7	\$ 149.2	\$ 266.1

(a) Pro forma balance sheet data as of December 31, 1996 and pro forma other data have not been determined.

CHAPTER 1: INTRODUCTION

HUGHES TELECOM SUMMARY COMBINED HISTORICAL
AND PRO FORMA FINANCIAL DATA

The table below sets forth historical and pro forma financial information about Hughes Telecom. As discussed under "Overview" above, the financial statements of Hughes Telecom reflect the business operations that will be included in Hughes Telecom after giving effect to the Hughes Reorganization. You should read this information in conjunction with Hughes Telecom's Combined Financial Statements (including the notes thereto) included in Appendix E to this document.

The columns of pro forma operating results information for the year ended December 31, 1996 and for the six months ended June 30, 1997 give effect to the PanAmSat Merger and to the Hughes Transactions as if they had occurred at the beginning of the respective periods. The pro forma balance sheet data as of June 30, 1997 include the PanAmSat Merger which occurred in May 1997 and give effect to the Hughes Transactions as if they had occurred as of June 30, 1997.

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,			AS OF AND FOR THE YEARS ENDED DECEMBER 31,					
	PRO FORMA 1997(A)	1997	1996	PRO FORMA 1996(A)	1996	1995	1994	1993	1992(B)
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)									
OPERATING RESULTS:									
Net sales.....	\$2,354.8	\$2,235.2	\$1,831.4	\$4,280.7	\$4,099.6	\$3,243.0	\$2,773.5	\$2,263.8	\$2,282.2
Other income (expense), net.....	(11.9)	477.8	104.5	74.9	74.9	(32.4)	(10.0)	160.6	39.0
Total Revenues.....	2,342.9	2,713.0	1,935.9	4,355.6	4,174.5	3,210.6	2,763.5	2,424.4	2,321.2
Cost and Expenses.....	2,227.8	2,184.2	1,728.9	4,079.3	3,943.6	3,192.2	2,678.2	2,155.6	2,266.6
Amortization of GM purchase accounting adjustments related to Hughes Aircraft.....	10.6	10.6	10.6	21.0	21.0	27.2	21.2	21.2	21.2
Total Costs and Expenses.....	2,238.4	2,194.8	1,739.5	4,100.3	3,964.6	3,219.4	2,699.4	2,176.8	2,287.8
Income (loss) before income taxes and minority interests....	104.5	518.2	196.4	255.3	209.9	(8.8)	64.1	247.6	33.4
Income taxes (credit)...	51.6	213.3	84.7	144.8	100.0	(10.4)	20.6	94.7	6.1
Minority interests in (income) losses of subsidiaries.....	0.9	21.9	15.4	(8.0)	52.6	4.6	--	--	--
Cumulative effect of accounting changes.....	--	--	--	--	--	--	(2.3)	--	(112.8)
Net Income (loss).....	53.8	\$326.8	\$ 127.1	102.5	\$ 162.5	\$ 6.2	\$ 41.2	152.9	(85.5)
Adjustment to exclude the effects of GM purchase accounting adjustments related to Hughes Aircraft.....	10.6			21.0					
Earnings used for computation of available separate consolidated net income of Hughes Telecom.....	\$ 64.4			\$ 123.5					
Earnings per share attributable to New GM Class H Common Stock...	\$ 0.16			\$ 0.31					
BALANCE SHEET DATA:									
Cash and cash equivalents.....	\$2,592.5	\$ 342.8	\$ 5.6		\$ 6.7	\$ 7.6	\$ 5.8	\$ 10.2	\$ 6.4
Current assets.....	4,482.8	2,195.1	1,417.9		1,535.7	1,242.9	1,175.9	1,120.5	1,339.5
Total assets.....	11,897.2	9,177.1	4,243.4		4,479.2	4,047.7	3,662.7	3,222.3	3,100.2
Current liabilities.....	1,383.8	1,301.3	1,132.5		1,281.7	958.2	933.9	816.3	836.6
Long-term debt.....	706.3	2,372.5	--		--	--	--	1.5	125.6
Minority interests.....	643.1	643.1	53.9		21.6	40.2	--	--	--
Redeemable preferred stock of a subsidiary..	401.5	401.5	--		--	--	--	--	--
Parent Company's net investment.....	7,386.9	3,610.9	2,538.1		2,491.6	2,608.9	2,301.0	1,973.3	1,752.3
OTHER DATA:									
Depreciation and amortization.....		\$ 129.4	\$ 99.8		\$ 218.5	\$ 209.2	\$ 163.0	\$ 138.3	\$ 145.0
Capital expenditures....		\$ 220.2	\$ 237.1		\$ 451.4	\$ 446.5	\$ 400.4	\$ 276.1	\$ 187.0

(a) Pro forma balance sheet data as of December 31, 1996 and pro forma other data have not been determined.

(b) Includes the effect of a pre-tax restructuring charge of \$156.6 million.

RAYTHEON SUMMARY COMBINED HISTORICAL
AND PRO FORMA FINANCIAL DATA

The table below sets forth historical and pro forma financial information about Raytheon. This information should be read in conjunction with Raytheon's Consolidated Financial Statements (including the notes thereto) which are incorporated into this document by reference.

We derived the consolidated historical financial data for each of the calendar years 1992 through 1996 from the consolidated financial statements of Raytheon audited by Coopers & Lybrand L.L.P., independent public accountants. We derived the Raytheon consolidated historical financial data as of and for the six-month periods ended June 29, 1997 and June 30, 1996 from the unaudited financial statements of Raytheon for such periods included in Raytheon's Form 10-Q dated August 13, 1997, which is incorporated into this document by reference. In the opinion of Raytheon management, the unaudited consolidated historical financial statements reflect all adjustments (consisting of only normal recurring items) that are necessary for the fair presentation of financial position and results of operations for such periods.

The columns of pro forma operating results information for the year ended December 31, 1996 and for the six months ended June 29, 1997 give effect to the Hughes Transactions, the Raytheon Merger and the Texas Instruments Defense Acquisition as if they had occurred at the beginning of the respective periods. The pro forma balance sheet data as of June 29, 1997 give effect to the transactions as if they had occurred as of that date. We did not calculate pro forma balance sheet data as of December 31, 1997.

	AS OF AND FOR THE SIX MONTHS ENDED			AS OF AND FOR THE YEARS ENDED DECEMBER 31,					
	PRO FORMA JUNE 29, 1997	JUNE 29, 1997	JUNE 30, 1996	PRO FORMA 1996	1996	1995	1994	1993	1992
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)									
OPERATING RESULTS:									
Net Sales.....	\$10,461	\$ 6,223.9	\$ 5,914.4	\$20,514	\$12,330.5	\$11,804.2	\$10,097.7	\$9,334.1	\$9,121.7
Costs and Expenses.....	9,736	5,631.7	5,318.5	19,114(a)	11,247.0(a)	10,612.5(b)	9,197.8(c)	8,286.8	8,165.7
Income before Taxes.....	725	592.2	595.9	1,400(a)	1,083.5(a)	1,191.7(b)	899.9(c)	1,047.3	956.0
Income Taxes.....	277	199.3	200.0	499	322.3	399.2	303.0	354.3	320.9
Net Income.....	448	392.9	395.9	901(a)	761.2(a)	792.5(b)	596.9(c)	693.0	635.1
Earnings per common share.....	1.32	1.66	1.66	2.65(a)	3.21(a)	3.25(b)	2.26(c)	2.56	2.36
Dividend declared per common share.....		0.40	0.40		0.80	0.75	0.738	0.70	0.663
BALANCE SHEET DATA:									
Cash and marketable securities.....	\$ 181	\$ 181.3	\$ 212.3		\$ 138.8	\$ 210.3	\$ 202.2	\$ 190.2	\$ 88.8
Current assets.....	9,444	6,177.5	6,147.5		5,603.9	5,275.2	4,985.5	4,609.2	3,775.8
Total assets.....	28,281	11,843.1	11,620.9		11,126.1	9,840.9	7,395.4	7,257.7	6,015.1
Current Liabilities.....	10,006	5,136.1	5,427.0		4,691.8	3,690.4	3,283.1	2,800.3	2,136.8
Long-term debt.....	6,650	1,496.6	1,496.1		1,500.5	1,487.7	24.5	24.4	25.3
Stockholders' Equity....	9,943	4,877.5	4,337.5		4,598.0	4,292.0	3,982.2	4,297.9	3,843.2
OTHER DATA:									
Depreciation and amortization.....		\$ 193.0	\$ 175.6		\$ 368.9	\$ 371.4	\$ 304.2	\$ 296.4	\$ 302.1
Capital Expenditures....		\$ 201.4	\$ 203.9		\$ 406.0	\$ 328.6	\$ 267.4	\$ 256.1	\$ 307.7

(a) Includes special charge of \$34.0 million pre-tax, \$22.1 million after-tax, or \$0.09 per share.

(b) Includes one-time gain of \$8.0 million pre-tax, \$5.2 million after-tax, or \$0.02 per share.

(c) Includes restructuring charge of \$249.8 million pre-tax, \$162.3 million after-tax, or \$0.61 per share.

CHAPTER 1: INTRODUCTION

RECENT DEVELOPMENTS

GENERAL MOTORS

On October 14, 1997, General Motors announced third quarter 1997 consolidated net income of \$1.1 billion, or \$1.35 per share of GM \$1 2/3 Common Stock. This compares with \$1.3 billion, or \$1.57 per share of GM \$1 2/3 Common Stock, in the third quarter of 1996. The 1996 third quarter results include the favorable effect of a nonrecurring adjustment of \$253 million after tax, or \$0.34 per share of GM \$1 2/3 Common Stock, reflecting a reduction to GM's plant closing reserve. Interim results are not necessarily indicative of the results which may be expected for any other interim period or for the full year.

GENERAL MOTORS SUMMARY UNAUDITED CONDENSED CONSOLIDATED

HISTORICAL FINANCIAL DATA

AS OF AND FOR THE THREE MONTHS ENDED SEPTEMBER 30,

(\$ IN MILLIONS, EXCEPT PER SHARE DATA)

	1997	1996
	-----	-----
OPERATING RESULTS		
Total net sales and revenues.....	\$ 41,890	\$ 39,078
	-----	-----
Total costs and expenses.....	40,294	37,580
	-----	-----
Net income.....	\$ 1,067	\$ 1,271
	-----	-----
Earnings per share attributable to GM common stock:		
Net earnings attributable to GM \$1 2/3 Common Stock.....	\$ 1.35	\$ 1.57
	=====	=====
Net earnings attributable to GM Class H Common Stock.....	\$ 0.60	\$ 0.63
	=====	=====
BALANCE SHEET DATA		
Cash and marketable securities.....	\$ 20,896	\$ 19,820
	-----	-----
Total assets.....	233,135	215,889
	-----	-----
Notes and loans payable.....	90,914	81,328
	-----	-----
Stockholders' equity.....	23,578	21,800
	-----	-----
OPERATING RESULTS WITH FINANCING AND INSURANCE OPERATIONS ON AN EQUITY BASIS		
Total net sales and revenues.....	\$ 37,125	\$ 34,607
	-----	-----
Total costs and expenses.....	36,471	33,866
	-----	-----
Net income.....	\$ 1,067	\$ 1,271
	-----	-----

HUGHES ELECTRONICS

On October 13, 1997, Hughes Electronics announced third quarter 1997 earnings, before the effects of purchase accounting adjustments related to GM's acquisition of Hughes Aircraft, of \$240.2 million, or \$0.60 per share of GM Class H Common Stock. This compares with \$252.0 million, or \$0.63 per share of GM Class H Common Stock, in the third quarter of 1996. Interim results are not necessarily indicative of the results which may be expected for any other interim period or for the full year.

CHAPTER 1: INTRODUCTION

HUGHES ELECTRONICS SUMMARY UNAUDITED CONDENSED CONSOLIDATED

HISTORICAL FINANCIAL DATA

AS OF AND FOR THE THREE MONTHS ENDED SEPTEMBER 30,

(\$ IN MILLIONS, EXCEPT PER SHARE DATA)

	1997	1996
	-----	-----
OPERATING RESULTS		
Total revenues.....	\$ 4,112.7	\$ 3,807.8
Net income.....	209.7	221.5
Earnings used for computation of available separate consolidated net income.....	240.2	252.0
Net earnings attributable to GM Class H Common Stock on a per share basis.....	\$ 0.60	\$ 0.63
BALANCE SHEET DATA		
Cash and marketable securities.....	\$ 1,443.1	\$ 1,081.7
Total assets.....	21,213.1	16,213.6
Notes and loans payable.....	687.7	244.1
Long-term debt and capitalized leases.....	2,836.1	36.2
Stockholder's equity.....	9,810.0	9,025.9

RAYTHEON

ANNOUNCEMENT OF THIRD QUARTER EARNINGS

On October 16, 1997, Raytheon announced third quarter 1997 earnings of \$211.2 million, or \$0.89 per share of Raytheon Common Stock. This compares with \$210.0 million, or \$0.89 per share of Raytheon Common Stock, in the third quarter of 1996. The third quarter 1996 results exclude a \$22.1 million after-tax special charge. Interim results are not necessarily indicative of the results which may be expected for any other interim period or for the full year.

RAYTHEON SUMMARY UNAUDITED CONDENSED CONSOLIDATED

HISTORICAL FINANCIAL DATA

AS OF AND FOR THE THREE MONTHS ENDED

(\$ IN MILLIONS, EXCEPT PER SHARE DATA)

	SEPTEMBER 28 1997	SEPTEMBER 29 1996
	-----	-----
OPERATING RESULTS		
Net sales.....	\$ 3,445.3	\$ 3,032.4
Earnings before special charge.....	211.2	210.0
Net income after special charge.....	211.2	187.9
Earnings per common share before special charge.....	\$ 0.89	\$ 0.89
Earnings per common share after special charge.....	\$ 0.89	\$ 0.80
BALANCE SHEET DATA		
Cash and marketable securities.....	\$ 267.7	\$ 161.4
Total assets.....	15,256.2	11,785.7
Total debt.....	6,561.2	4,434.6
Stockholders' equity.....	5,015.1	4,448.4

CHAPTER 1: INTRODUCTION

SALE OF PORTIONS OF THE APPLIANCES BUSINESS

On September 10, 1997, Raytheon sold its home appliance, heating and air conditioning and commercial cooking businesses to Goodman Manufacturing Company, L.P. The total sale price was \$550 million in cash, subject to adjustment for certain changes in the net working capital of such businesses between December 31, 1996 and the closing date of the transaction. In 1996, these three businesses represented approximately 80% of the sales and 50% of the operating income of Raytheon's Appliance Group. In addition, Raytheon has realized approximately \$200 million from the sale of receivables relating to the businesses which were sold. Raytheon is retaining the commercial laundry and electronics controls businesses of the Appliance Group, but is continuing its strategic review of these remaining businesses. Proceeds from the sale of the three Appliance Group businesses will be used to reduce debt incurred in connection with the Texas Instruments Defense Acquisition. Raytheon believes that the 1996 sales, operating income, net income and total assets of the businesses sold were not material and does not expect the sale to have a significant effect on results of operations.

TEXAS INSTRUMENTS DEFENSE ACQUISITION

On July 11, 1997, Raytheon purchased substantially all of the assets of, and assumed substantially all the liabilities related to, Texas Instruments Defense for an aggregate amount of \$2.875 billion in cash. The purchase price is subject to post-closing adjustments for certain changes in the net assets of Texas Instruments Defense between September 30, 1996 and the closing date of such purchase. In addition, Raytheon paid \$75 million for an assignment and license of certain related intellectual property. Texas Instruments Defense had 1996 sales of approximately \$1.8 billion.

DEBT FINANCINGS

In connection with the Texas Instruments Defense Acquisition and in contemplation of the Raytheon Merger, Raytheon arranged revolving credit facilities with a syndicate of banks totaling \$7.0 billion (collectively the "Raytheon Facilities"). Of these, lines for \$4.0 billion have a maturity of five years and lines for \$3.0 billion have a maturity of 364 days. Raytheon incurred indebtedness in the amount of \$2.95 billion under the Raytheon Facilities in order to finance the Texas Instruments Defense Acquisition. The Raytheon Facilities include covenants which require (1) repayment and reduction of the outstanding commitment of such facilities or similar facilities with 75% of the net cash proceeds from any capital markets financings and asset sales for a period of two years from the closing date and (2) the ratio of total debt to total capitalization not to exceed 65% until July 2, 1999, 60% from July 2, 1999 to January 1, 2002 and 55% thereafter. The Raytheon Facilities rank pari passu with other senior unsecured indebtedness of Raytheon, including the Raytheon Notes (as defined below), and, upon completion of the Raytheon Merger, New Raytheon (including the debt incurred by Hughes Defense as described herein).

On August 12, 1997, Raytheon completed a public offering of \$3.0 billion aggregate principal amount of notes offered with final maturities of three, five, ten and thirty years (the "Raytheon Notes"). The net proceeds from the sale of the Raytheon Notes were used primarily to reduce amounts outstanding under the Raytheon Facilities and to refinance other debt incurred in the Texas Instruments Defense Acquisition, including commercial paper borrowings. Additional proceeds have been and will continue to be used by Raytheon for capital expenditures, working capital requirements and general corporate purposes.

CHAPTER 1: INTRODUCTION

CHAPTER 2
RISK FACTORS

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RISK FACTORS

In addition to the other information set forth in this document, we urge you to consider carefully each of the factors set forth below. Certain of the following factors are relevant to both GM \$1 2/3 Common Stockholders and GM Class H Common Stockholders in connection with their consideration of the Hughes Transactions and their investment in New Raytheon. Others are relevant principally to GM Class H Common Stockholders in connection with their investment in New GM Class H Common Stock. Finally, the factors relating to non-consummation of the Hughes Transactions are relevant to both GM \$1 2/3 Common Stockholders and GM Class H Common Stockholders.

While certain of the factors discussed below already exist with respect to your investment in General Motors, such as the factors relating to the business of New Hughes Electronics and those relating to GM's dual-class common stock capital structure, you should give additional consideration to these factors in determining whether to consent to the Hughes Transactions.

For information regarding forward-looking statements and information contained in this document generally, see "Forward-Looking Information May Prove Inaccurate" in Chapter 7.

RISK FACTORS RELATING TO THE HUGHES TRANSACTIONS

All of you (as GM common stockholders) should consider carefully each of the following factors.

ABILITY OF GENERAL MOTORS TO ACHIEVE POTENTIAL BENEFITS FROM THE INTEGRATION OF DELCO AND DELPHI

We are proposing to transfer Delco from Hughes Electronics to General Motors in order to facilitate the integration of Delco's electronics capability with Delphi's automotive systems and components expertise. We believe that the combined Delco/Delphi entity will be better able to realign its product, technical and manufacturing operations to address strategic objectives for growth and competitiveness and will be able to compete more effectively in markets worldwide by developing new electronically enhanced vehicle systems with improved functionality, lower cost and higher quality. As a result, we expect that Delco will be able to maintain a greater level of business with GM's North American Operations ("GM NAO") than in the absence of the combination and will have improved abilities to achieve and maintain non-GM NAO sales due to access to a larger outside customer base. We also believe that structural savings will accrue as a result of the full integration of Delco and Delphi operations. We also expect General Motors to benefit from this integration in its capacity as a manufacturer of automotive vehicles by virtue of Delco/Delphi being a stronger supplier of automotive systems and components. These potential benefits have been considered by the GM Board in determining the Distribution Ratio, as described below under "Special Factors--Background of the Hughes Transactions--Development of the Hughes Transactions and the Raytheon Merger--September 23, 1997 Capital Stock Committee Meeting" in Chapter 3.

Realization of these potential benefits, however, will depend, in part, on GM's ability to effectively integrate the operations of Delco, which are primarily focused on automotive electronics, and the operations of Delphi, which are primarily focused on automotive systems and components. Although we believe that the operations of Delco and Delphi will be complementary, there can be no assurance that General Motors will not encounter difficulties in merging the operations of Delco with those of Delphi or that the benefits expected from the integration will be realized. The process of fully integrating the businesses of Delco and Delphi may also require a disproportionate amount of time and attention of GM's management, financial and other resources. In addition, integrating the two operations may be made more difficult initially by the necessity of coordinating geographically separated organizations. If General Motors is not successful in integrating the strategies and operations of Delco and Delphi or if the integrated operations fail to achieve market acceptance, the combined business could be adversely affected. For additional information regarding the integration of Delco and Delphi, see "Special Factors--Purposes of the Hughes Transactions--Integration of Delco and Delphi" in Chapter 3 and "--Background of the Hughes Transactions--Development of the Hughes Transactions and the Raytheon Merger--September 23, 1997 Capital Stock Committee Meeting" in Chapter 4.

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LOSS OF POTENTIAL AVAILABILITY OF HUGHES DEFENSE FUNDS AND ASSETS

Upon the consummation of the Hughes Transactions, neither General Motors nor New Hughes Electronics will have any continued ownership interest in Hughes Defense. Accordingly, neither General Motors nor New Hughes Electronics will have access to the funds generated by Hughes Defense to fund GM's other businesses (including the business of New Hughes Electronics) or to satisfy other corporate needs, including in periods of economic downturn. Similarly, as a result of the Hughes Defense Spin-Off, the equity and assets of Hughes Defense will no longer be available to you as GM's common stockholders in the event of the liquidation of General Motors. See "GM Class H Common Stock" in Chapter 6.

Under the current dividend policies and practices of Hughes Electronics and General Motors and since Hughes Defense is a subsidiary of Hughes Electronics, Hughes Electronics and General Motors each retain a significant portion of the funds generated by Hughes Defense. As described elsewhere in this document, the earnings of Hughes Electronics (which include the earnings of Hughes Defense) are used in calculating the dividends payable by General Motors to GM Class H Common Stockholders and by Hughes Electronics to General Motors. The earnings generated by Hughes Defense are currently available to, and have been used to, fund Hughes Telecom's capital needs. Although we believe that the additional funding made available to Hughes Telecom in connection with the Hughes Transactions will enable it to take advantage of certain growth opportunities in the telecommunications and space industry as contemplated by its current business plan, there is no assurance that such funding will be adequate to allow New Hughes Electronics to take advantage of other additional opportunities which may arise in the future, to address competitive pressures or to satisfy all of its long-term capital requirements. Moreover, it is not possible at this time to determine whether, over the long term, such funding will be more or less than that which would have been available from the earnings of Hughes Defense had it not been spun off from General Motors.

SEPARATION OF HUGHES DEFENSE, DELCO AND HUGHES TELECOM

Under the current General Motors and Hughes Electronics ownership structure, Hughes Defense, Delco and Hughes Telecom have each been able to benefit from certain synergistic alliances and shared resources, such as, among other things, shared development of and access to technology. The Hughes Transactions involve, among other things, the reallocation and transfer of certain assets and liabilities among Hughes Defense, Delco and Hughes Telecom. Although we have determined that continued ownership of Hughes Defense is no longer necessary for the execution of our business strategy (including our strategies with respect to Hughes Telecom and Delco) and certain separation and transitional arrangements (including technology sharing arrangements) will be put in place in connection with the consummation of the Hughes Transactions, there can be no assurance that the business of Hughes Telecom (which will be conducted by New Hughes Electronics) will not be adversely affected by its separation from Hughes Defense and Delco (including with respect to the availability of sufficient funding to satisfy its future capital needs) or that the business of Delco will not be adversely affected by its separation from Hughes Defense and Hughes Telecom. In particular, there can be no assurance that Delco and Hughes Telecom will be able to attain the same level of synergistic benefits through the various technology sharing and other separation and transitional arrangements described elsewhere in this document as would be obtained through continued GM ownership of Hughes Defense (including the benefits of the electronic and systems integration capabilities of Hughes Defense). For additional information regarding the separation of these businesses, see "Description of the Hughes Transactions" in Chapter 3.

In addition, Hughes Defense has benefited directly from its status as a wholly owned subsidiary of General Motors through access to, among other things, GM's worldwide corporate purchasing process and related services. While certain separation and transitional arrangement will provide Hughes Defense with some access to GM's worldwide purchasing process and related services following the Hughes Defense Spin-Off, there can be no assurance that Hughes Defense's access to such services will be sustained at the same level or provide the same benefits. Moreover, Hughes Defense will no longer benefit from such access following the termination of such arrangements. Furthermore, there can be no assurance that the purchasing benefits available to New Raytheon will be similar to those available to General Motors. See "Separation and Transition Arrangements--

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Summary of Other Agreements Contemplated by the Master Separation Agreement--
Corporate Purchasing" in Chapter 3.

IMPACT ON FINANCIAL POSITION AND RESULTS OF OPERATIONS

Following the Hughes Defense Spin-Off, General Motors will no longer own any of Hughes Defense and, accordingly, GM's consolidated balance sheet will reflect decreased net assets and net liabilities, resulting in an overall reduction in GM stockholders' equity of approximately \$0.6 billion to \$1.6 billion (based on the Recent Raytheon Stock Price and the net assets of Hughes Defense at June 30, 1997, the overall reduction in GM stockholders' equity is estimated to be approximately \$1.5 billion). Although we expect that the Hughes Transactions will initially increase GM's net liquidity as a result of the proceeds from the new indebtedness to be incurred by Hughes Defense prior to the Hughes Defense Spin-Off, we do not expect the Hughes Transactions to have an ongoing material impact on GM's overall credit rating, financial condition or results of operations (including with respect to its gross margin percentage, operating margin percentage, net margin percentage and debt-to-equity ratio). However, there can be no assurance that the Hughes Transactions, in combination with other transactions, operating results and market conditions will not result in a lower credit rating or weaker financial condition than in the absence of the Hughes Transactions. For additional information, see "Description of the Hughes Transactions--Accounting Treatment" in Chapter 3. For a discussion of the impact of the Hughes Transactions on the amounts available to pay dividends on GM common stocks, see "New GM Class H Common Stock--GM Certificate of Incorporation Provisions Regarding Dividends" in Chapter 6.

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RISK FACTORS RELATING TO THE BUSINESS OF NEW HUGHES ELECTRONICS

Although the following factors are currently applicable to the telecommunications and space business of Hughes Electronics, all of you (as GM common stockholders) should consider carefully each of the following factors in the particular context of the Hughes Transactions.

NO ASSURANCE OF SUFFICIENT FUNDING FOR NEW HUGHES ELECTRONICS

As explained elsewhere in this document, the telecommunications and space industry is experiencing a period of rapid expansion and change, providing participants with many opportunities for strategic growth as well as vigorous competition. We expect the global telecommunications services market to continue to grow due to the high demand for communications infrastructure and the opportunities created by industry deregulation. In this environment, many of Hughes Telecom's competitors are committing substantial capital to capture market opportunities and, in many instances, are forging alliances to acquire or maintain market leadership. Therefore, key success factors include access to capital and financial flexibility in order to take advantage of new market opportunities, respond to competitive pressures and react quickly to other major changes in the marketplace.

Our strategy with respect to Hughes Telecom is to leverage its leadership position in satellite technology to be a leader with emerging telecommunications products and services. This strategy will require substantial investments of capital over the next several years. As part of the Hughes Transactions, GM Class H Common Stock (which currently tracks the financial performance of Hughes Electronics, a diversified corporation which conducts three principal businesses: defense electronics, automotive electronics and telecommunications and space) will be recapitalized into New GM Class H Common Stock (which will track the financial performance of New Hughes Electronics, which will continue the telecommunications and space business of Hughes Electronics). As a result, under the current dividend policies and practices of Hughes Electronics and General Motors, after the Hughes Transactions, New Hughes Electronics will no longer have access to the businesses of Hughes Defense and Delco, which have been used in the past to fund Hughes Telecom, as potential sources of funding to satisfy its capital needs. Although approximately \$3.9 billion of the proceeds of the debt of Hughes Defense will be used to provide an infusion of equity into Hughes Telecom, there can be no assurance that New Hughes Electronics' total capital requirements over the long term will not exceed such amount due to, among other things, presently unanticipated growth opportunities, changes in the competitive environment and cash needs which may arise in connection with certain post-closing adjustments as described elsewhere herein. See "Special Factors--The Distribution Ratio--Post-Closing Payment" and "Separation and Transition Arrangements--Summary of Master Separation Agreement--Post-Closing Adjustment Between New Hughes Electronics and New Raytheon" in Chapter 3.

Although we currently expect that the debt of New Hughes Electronics will be rated investment grade after the completion of the Hughes Transactions, there can be no assurance that New Hughes Electronics will be able to satisfy its capital requirements in the future, whether through access to the capital markets or otherwise, including with respect to funding potentially available through General Motors. A shortfall in such funding and inability to access the capital markets could prevent completion of some or all components of New Hughes Electronics' strategy and impair its ability to react to changes in its markets. The ability of New Hughes Electronics to raise capital will be influenced by, among other things, GM's overall financial condition and rating objectives.

See "Special Factors--Purposes of the Hughes Transactions--Enhance Growth Potential of Hughes Telecom" in Chapter 3 and "Hughes Telecom Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business of Hughes Telecom" in Chapter 4.

NEW HUGHES ELECTRONICS' ABILITY TO MAINTAIN LEADING TECHNOLOGICAL CAPABILITIES

After the Hughes Transactions, the ability of New Hughes Electronics to maintain leading technological capabilities will have a greater impact on the New GM Class H Common Stock than the ability of Hughes

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Telecom to do so has on the existing GM Class H Common Stock as a result of the fact that New GM Class H Common Stock will represent a more focused investment in less diversified businesses. The telecommunications and space industry is characterized by rapid technological advances and innovations. There can be no assurance that one or more of the technologies currently utilized or under development by Hughes Telecom, or any technologies that may be developed or utilized by New Hughes Electronics after the Hughes Transactions, may not become obsolete, or that planned products or services will still be in demand by the time they are offered. Competitors of New Hughes Electronics may have or obtain access to proprietary technologies that are perceived by the market as being superior to, or more desirable than, the technologies of New Hughes Electronics.

New Hughes Electronics' operating results will depend to a significant extent on its ability to continue to introduce new products and services successfully on a timely basis and to reduce costs of existing products and services. The success of new product development is dependent on many factors, including proper identification of customer needs, cost, timely completion and introduction, differentiation from offerings of competitors and market acceptance. There can be no assurance that New Hughes Electronics will successfully identify new product or service opportunities and develop and bring new products and services to market in a timely manner, or that products or technologies developed by others will not render New Hughes Electronics' product and service offerings obsolete or noncompetitive. No assurance can be given that any of the technologies on which Hughes Telecom is currently focusing its research and development investments will achieve acceptance in the marketplace, and the lack of such market acceptance could have a material adverse effect on New Hughes Electronics' future competitive position and results of operations.

For additional information, see "Business of Hughes Telecom" in Chapter 4.

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RISK FACTORS RELATING TO GM'S DUAL-CLASS COMMON STOCK CAPITAL STRUCTURE

Although the following factors are currently applicable to your investment in General Motors, all of you (as GM common stockholders) should consider carefully each of the following factors in the particular context of the Hughes Transactions.

POTENTIALLY DIVERGING INTERESTS OF GM'S COMMON STOCKHOLDERS; FIDUCIARY DUTIES OF THE GM BOARD

General Motors will continue to have a dual-class common stock structure after the Hughes Transactions. As described below under "Considerations Relating to GM's Dual-Class Common Stock Capital Structure" in Chapter 6, the existence of two classes of common stock with separate dividend rights as provided for in the GM Certificate of Incorporation, both in its current form and as proposed to be amended in the Hughes Transactions, can give rise to potential divergences between the interests of the holders of each of the separate classes of GM common stock with respect to various intercompany transactions and other matters. Because General Motors is incorporated in Delaware, the laws of Delaware govern the duties of the GM Board. Under Delaware law, the GM Board owes an equal fiduciary duty to all holders of GM common stock and must act with due care and on an informed basis in the best interests of General Motors and all such stockholders regardless of class. General Motors is not aware of any judicial precedent directly addressing the manner in which these fiduciary duties would be applied in the context of a capital structure involving multiple classes or series of capital stock which include terms designed to reflect the separate financial performance of specified businesses. The GM Board, in the discharge of its fiduciary duties, will continue to oversee, principally through its Capital Stock Committee, the policies, programs and practices of General Motors which may impact the potentially divergent interests of the two classes of GM common stock, including the policy statement regarding certain capital stock matters as described below under "Considerations Relating to GM's Dual-Class Common Stock Capital Structure--New GM Board Policy Statement" in Chapter 6.

GM BOARD POLICIES AND PRACTICES ARE SUBJECT TO CHANGE

In connection with its determination of the terms of the New GM Class H Common Stock to be issued in the Hughes Transactions, the GM Board reviewed its policies and practices with respect to its dual-class common stock structure and adopted, subject to the consummation of the Hughes Transactions, a policy statement as to certain capital stock matters, including transactions between General Motors and New Hughes Electronics and the relationship between dividends (if any) to be paid by New Hughes Electronics to General Motors and by General Motors to the New GM Class H Common Stockholders. See "Considerations Relating to GM's Dual-Class Common Stock Capital Structure--New GM Board Policy Statement" in Chapter 6. While the GM Board has no present intention to modify or rescind this policy statement, there can be no assurance in this regard and the policy statement as well as other policies and practices may be modified or rescinded at any time and from time to time by the GM Board and the GM Board may adopt additional policies, practices or policy statements, in each case without the approval of GM's common stockholders. Any such action would be taken by the GM Board in a manner consistent with its fiduciary duties under applicable law to holders of both classes of GM common stock and based on its reasonable business judgment that such decision is in the best interests of General Motors and all its common stockholders.

NEW GM CLASS H COMMON STOCKHOLDERS HAVE NO DIRECT INTEREST IN NEW HUGHES ELECTRONICS

Although New GM Class H Common Stock will be a tracking stock relating to New Hughes Electronics, New GM Class H Common Stockholders will continue to be stockholders of General Motors (not New Hughes Electronics) and, accordingly, will continue to have no direct rights in the equity or assets of New Hughes Electronics, but rather will have rights in the equity and assets of General Motors (which will include 100% of the stock of New Hughes Electronics). The provisions in the GM Certificate of Incorporation, as proposed to be amended in the Hughes Transactions, defining the amounts which may be used to pay dividends on each class of GM common stock will not result in a physical segregation of the assets of General Motors or New Hughes Electronics, nor will it result in the establishment of separate accounts or dividend or liquidation preferences

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with respect to such assets for the benefit of the holders of either of the separate classes of GM common stock. See "Considerations Relating to GM's Dual-Class Common Stock Capital Structure" and "New GM Class H Common Stock" in Chapter 6.

POTENTIAL RECAPITALIZATION OF NEW GM CLASS H COMMON STOCK INTO GM \$1 2/3 COMMON STOCK

Under the GM Certificate of Incorporation, as proposed to be amended in the Hughes Transactions, all outstanding shares of New GM Class H Common Stock may be recapitalized as shares of GM \$1 2/3 Common Stock at a 120% exchange ratio at any time after December 31, 2002 in the sole discretion of the GM Board, as described below under "New GM Class H Common Stock--Recapitalization" in Chapter 6. Any such recapitalization would significantly change both the form and nature of the investment of holders of New GM Class H Common Stock. We cannot predict the impact on the market prices of the GM \$1 2/3 Common Stock or the New GM Class H Common Stock of GM's ability to effect any such recapitalization or the effect, if any, that the exercise by General Motors of this recapitalization right would have on the market price of either or both classes of GM common stock. Consistent with the GM Certificate of Incorporation, as proposed to be amended in the Hughes Transactions, applicable corporate law and the new GM Board policy statement referred to above, the GM Board may submit from time to time to the GM common stockholders for their consideration and approval one or more alternative transactions on terms different from those provided for by the provisions concerning recapitalization of New GM Class H Common Stock at a 120% exchange ratio or by the policy statement. The Hughes Transactions and GM's split-off of Electronic Data Systems Corporation in 1996 are examples of such alternative proposals. See "Considerations Relating to GM's Dual-Class Common Stock Capital Structure" and "New GM Class H Common Stock" in Chapter 6.

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ADDITIONAL RISK FACTORS REGARDING NEW GM CLASS H COMMON STOCK

If you are a GM Class H Common Stockholder, you will receive shares of New GM Class H Common Stock in the Hughes Transactions and should therefore consider carefully the following factors.

CHANGES IN NATURE OF TRACKING STOCK INVESTMENT; EARNINGS VOLATILITY

Pursuant to the Hughes Transactions, GM Class H Common Stock, which tracks the financial performance of Hughes Electronics, will be recapitalized and converted into a new class of common stock of General Motors, New GM Class H Common Stock, which will track the financial performance of New Hughes Electronics. Because New Hughes Electronics will have significantly different characteristics than Hughes Electronics on a consolidated basis prior to the Hughes Transactions, including with respect to margins, cash flow, investment needs, competitive environment and future growth prospects, there can be no assurance that the returns on New GM Class H Common Stock will in any way correspond to the historical returns on GM Class H Common Stock. In addition, because New GM Class H Common Stock will track the financial performance of only one of the three primary businesses comprising Hughes Electronics prior to the Hughes Transactions, and because of the nature and characteristics of the telecommunications and space business, the earnings per share of New GM Class H Common Stock are expected to be substantially less than the historical earnings per share of GM Class H Common Stock and may be subject to significantly greater volatility. As a result of the foregoing, there can be no assurance that the public market for New GM Class H Common Stock will be similar to the public market which currently exists for GM Class H Common Stock.

For 1996, we reported earnings per share attributable to GM Class H Common Stock of \$2.88. In contrast, the pro forma earnings per share attributable to New GM Class H Common Stock calculated as described herein based on the 1996 net income of New Hughes Electronics is \$0.31. The pro forma earnings per share of New Raytheon Class A Common Stock calculated as described herein for the year ended December 31, 1996 is \$2.65. Although holders of GM Class H Common Stock will receive one share of New GM Class H Common Stock for each share of GM Class H Common Stock they hold at the time the Hughes Transactions are completed, they will receive only a fractional share of Class A Common Stock for each such share (approximately 0.54209 based on the Recent Raytheon Stock Price). Pro forma information is not necessarily indicative of future operating results.

MARKET VOLATILITY; NO ASSURANCE AS TO MARKET PRICE OR PERFORMANCE OF NEW GM CLASS H COMMON STOCK

In anticipation of and immediately following the consummation of the Hughes Transactions, it is possible that a significant percentage of existing GM Class H Common Stockholders may liquidate their holdings of GM Class H Common Stock or New GM Class H Common Stock, as applicable, due to certain fundamental differences in the nature of the New GM Class H Common Stock as compared to the GM Class H Common Stock. If the market experiences heavy trading in the initial period following the Hughes Transactions due to this turnover, trading prices of the New GM Class H Common Stock may be volatile. Ultimately, the value of each share of New GM Class H Common Stock will be principally determined in the trading markets and could be influenced by many factors, including the terms of the New GM Class H Common Stock, the earnings and financial position of New Hughes Electronics, the growth and expansion of New Hughes Electronics' business, investors' expectations of New Hughes Electronics' prospects, trends and uncertainties affecting the telecommunications and space industry as a whole, issuances and repurchases of New GM Class H Common Stock, GM's consolidated results of operations and financial condition and general economic and other conditions. There can be no assurance as to the market for, or market price of, New GM Class H Common Stock following the completion of the Hughes Transactions.

NO CURRENT CASH DIVIDENDS ON NEW GM CLASS H COMMON STOCK

The payment of dividends on the GM Class H Common Stock is subject to the policies and practices of the GM Board. The current dividend policy of the GM Board is to pay quarterly dividends on GM Class H Common Stock, when, as and if declared by the GM Board, at an annual rate equal to approximately 35% of

the Available Separate Consolidated Net Income of Hughes Electronics for the prior year. Notwithstanding the current dividend policy of the GM Board, the quarterly dividend paid on GM Class H Common Stock of \$0.25 per share during the first and second quarters of 1997 and \$0.24 per share during each quarter of 1996 was based on an annual rate higher than 35% of the Available Separate Consolidated Net Income of Hughes Electronics for the preceding year. See "GM Class H Common Stock--Dividend Policy" in Chapter 6.

Following the consummation of the Hughes Transactions, the payment of dividends on the New GM Class H Common Stock will also be subject to the policies and practices of the GM Board. As described elsewhere in this document, the GM Board does not currently intend to initially pay cash dividends on New GM Class H Common Stock. Following the completion of the Hughes Transactions, future earnings (if any) from the telecommunications and space business of New Hughes Electronics will be retained for the development of that business. The GM Board has adopted a policy statement regarding certain capital stock matters, including with respect to the relationship between any dividends that may be paid by New Hughes Electronics to General Motors as its sole stockholder and dividends to be paid by General Motors on the New GM Class H Common Stock. See "Considerations Relating to GM's Dual-Class Common Stock Capital Structure--New GM Board Policy Statement" in Chapter 6. The GM Board reserves the right to reconsider from time to time its policies and practices regarding dividends on New GM Class H Common Stock and to increase or decrease the dividends paid on New GM Class H Common Stock on the basis of GM's consolidated financial position, including liquidity, and other factors, including the earnings and consolidated results of operations and financial condition of New Hughes Electronics. See "New GM Class H Common Stock--Dividend Policy" in Chapter 6.

RISK FACTORS REGARDING NEW RAYTHEON AFTER THE RAYTHEON MERGER

All of you (as GM common stockholders) will receive shares of Class A Common Stock in the Hughes Defense Spin-Off and, upon the consummation of the Raytheon Merger, will be stockholders of New Raytheon. As stockholders of New Raytheon, you will continue to be subject to a number of business risks relating to the defense electronics industry which already exist in connection with your interest in Hughes Defense, such as the possibility of reductions or changes in the U.S. defense budget, recent consolidation trends in the defense industry and risks relating to U.S. government contracts. In addition to these existing business risks, all of you should consider carefully each of the following factors.

ABILITY TO ACHIEVE SYNERGIES FROM THE RAYTHEON MERGER; INTEGRATION OF TEXAS INSTRUMENTS DEFENSE

The Raytheon Merger involves the integration of two companies previously operated independently, with separate operations and management. The recent acquisition by Raytheon of Texas Instruments Defense provides additional integration challenges. While this integration is necessary to the future profitability of New Raytheon, New Raytheon may encounter difficulties or may not realize the full benefits expected from such integration. The Raytheon Merger and the Texas Instruments Defense Acquisition will require, among other things, integration of the Raytheon, Hughes Defense and Texas Instruments Defense organizations, business infrastructures and products in a way that enhances the performance of the combined businesses. The challenges posed by these transactions include the integration of numerous geographically separated manufacturing facilities and research and development centers. The success of this transition to an integrated entity will be significantly influenced by New Raytheon's ability to retain key employees, to integrate differing management structures and to realize anticipated cost synergies, all of which will require significant management time and resources. Any material delays or unexpected costs incurred in connection with such integration could have a material adverse effect on New Raytheon's business, operating results or financial condition. New Raytheon management currently anticipates that such integration will result in New Raytheon taking a restructuring charge in 1997, although the amount of such charge is not currently determinable.

NON-DEFENSE BUSINESSES OF NEW RAYTHEON

Although Raytheon's principal business is the design, manufacture and servicing of advanced electronic devices, equipment and systems for governmental and commercial customers, Raytheon also has significant operations in the engineering and construction, aircraft and appliances businesses. As a result, after the consummation of the Raytheon Merger, a portion of each Class A Common Stockholder's investment will be in these non-defense businesses. Each of these businesses has significantly different characteristics than the businesses of General Motors and Hughes Electronics, including with respect to margins, competitive environment and future growth prospects. For example, the engineering and construction business is subject to risks relating to the uncertainty of international growth, significant start-up costs and the cyclical nature of the engineering and construction industry and the aircraft business is subject to risks relating to the intensely competitive aircraft industry, product liability issues and the U.S. Federal Aviation Administration approval and certification process. In light of these and other risks relating to the non-defense businesses of New Raytheon, there can be no assurance that the financial performance of any of these businesses will match the performance of the businesses of General Motors, Hughes Electronics, Hughes Defense or the defense business of New Raytheon. See "Recent Developments--Raytheon" in Chapter 4 and "Overview of New Raytheon Business" in Chapter 5.

CERTAIN LIMITATIONS ON CHANGES IN CONTROL OF NEW RAYTHEON; NEW RAYTHEON'S ABILITY TO PARTICIPATE IN FUTURE DEFENSE INDUSTRY CONSOLIDATION

The New Raytheon Certificate of Incorporation and the New Raytheon By-Laws will contain certain provisions, such as a classified board of directors, a provision prohibiting stockholder action by written consent, a provision prohibiting stockholders from calling special meetings and a provision authorizing the New Raytheon Board to consider factors other than stockholders' short-term interests in evaluating an offer

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involving a change in control, which are not present in the GM Certificate of Incorporation or the GM By-Laws. Such provisions could have the effect of delaying, deferring or preventing a change in control of New Raytheon or the removal of New Raytheon management, of deterring potential acquirors from making an offer to stockholders of New Raytheon and of limiting any opportunity to realize premiums over prevailing market prices for New Raytheon Common Stock in connection therewith. The New Raytheon Rights Agreement, which also has no equivalent at General Motors, could have the same effect. See "New Raytheon Capital Stock" and "Comparison of GM Class H Common Stock, New GM Class H Common Stock and Class A Common Stock" in Chapter 6.

Furthermore, in order to preserve the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, New Raytheon will be subject to certain covenants under the Spin-Off Separation Agreement which will prohibit New Raytheon from entering into or permitting (to the extent that New Raytheon has the right to prohibit) certain transactions and activities, in each case unless General Motors has, in its sole and absolute discretion, which discretion shall be exercised in good faith solely to preserve the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, determined that such transactions and activities would not jeopardize the tax-free status of any of the foregoing. Such transactions and activities include (1) certain acquisition transactions, stock issuance transactions and stock buyback transactions for two years following the Raytheon Merger; (2) certain recapitalizations, reincorporations and similar transactions affecting the rights and privileges of New Raytheon Common Stock; and (3) certain amendments or changes to the New Raytheon Certificate of Incorporation or the New Raytheon By-Laws for three years following the Raytheon Merger. Such prohibitions, to which General Motors and Hughes Defense are not subject, could have the effect of delaying, deferring or preventing a change in control of New Raytheon and of limiting the opportunity to realize premiums over prevailing market prices for New Raytheon Common Stock in connection therewith during the period of their applicability. In addition, although the opportunities to participate in defense industry consolidation have become fewer as consolidation has progressed, such prohibitions could also have the effect of delaying, deferring, hindering or preventing New Raytheon's ability to take advantage of opportunities that do arise during the period of such prohibitions' applicability, including transactions such as a merger of equals or acquisitions financed by New Raytheon Capital Stock.

For additional information regarding these prohibitions, see "Separation and Transition Arrangements--Summary of Spin-Off Separation Agreement--Preservation of Tax-Free Status of the Hughes Transactions and the Raytheon Merger" in Chapter 3. See also "New Raytheon Capital Stock" and "Comparison of GM Class H Common Stock, New GM Class H Common Stock and Class A Common Stock" in Chapter 6.

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THE HUGHES TRANSACTIONS AND
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SPECIAL FACTORS

PURPOSES OF THE HUGHES TRANSACTIONS

The Hughes Transactions are designed to address certain strategic challenges facing each of the three principal businesses of Hughes Electronics and to enhance the long-term value of these businesses to General Motors and its common stockholders. The immediate impetus for the timing of the Hughes Transactions is the major consolidation taking place in the U.S. defense industry and the significant opportunities for Hughes Defense presented by the proposed merger with Raytheon.

The Hughes Transactions are intended to accomplish three principal business objectives:

- . Enable Hughes Defense to participate in U.S. defense industry consolidation by merging with Raytheon, thereby achieving the critical mass that will be necessary to continue to compete effectively in the defense industry;
- . Better position Delco and Delphi to participate in the automotive electronics industry trend toward integrated automotive systems procurement by facilitating the combination of Delco and Delphi; and
- . Enhance the growth potential of Hughes Telecom in the expanding global telecommunications market through additional funding and more focused senior management.

Each of these business objectives is discussed in greater detail below.

SPIN-OFF OF HUGHES DEFENSE AND THE RAYTHEON MERGER

The first purpose of the Hughes Transactions is to facilitate Hughes Defense's participation in the U.S. defense industry consolidation through the consummation of the Raytheon Merger. In the period during which Hughes Defense has been an indirect, wholly owned subsidiary of General Motors, the U.S. defense industry has experienced major consolidation. This industry consolidation is the result of a decline since 1986 in the U.S. defense budget and declining defense spending projections for the next several years. The procurement portion of the U.S. defense budget, which has historically been a primary revenue source for Hughes Defense, has declined steadily from approximately \$88.0 billion in 1986 to approximately \$48.0 billion in 1996, and is expected to grow only nominally in the near future. The nature of competition for defense business also has been shifting and is increasingly based on systems capabilities, market presence, cost structure and influence due to the size and scope of the contractor and its workforce. Defense industry participants have viewed consolidation on a major scale as the only viable way to increase product and systems scope and achieve increasing economies of scale in an overall market that is not expected to experience significant growth in the future.

With the July 1997 announcement of the planned merger of Lockheed Martin Corporation ("Lockheed Martin") and Northrop Grumman Corporation ("Northrop Grumman"), the major consolidation of the U.S. defense industry has entered its final stage. This industry consolidation has resulted in the development of two principal tiers of defense industry participants: the defense industry "giants," such as Lockheed Martin, Raytheon (assuming the completion of its merger with Hughes Defense) and The Boeing Company ("Boeing"), and the "niche" players with annual revenues ranging from \$1 billion to \$5 billion. Among the industry "giants," various strategies are currently being pursued. For example, Lockheed Martin is vertically integrated within the defense industry, having extensive capabilities in both "platforms" (such as military aircraft, space launch vehicles and satellites) as well as defense electronics systems. In contrast, Raytheon and Boeing have taken a more horizontal approach, focusing primarily on platforms and defense electronics systems, respectively. All three companies, however, are continuing to shape their portfolios and divest non-core businesses while seeking to establish international alliances and targeting occasional acquisitions.

The Raytheon Merger is intended to allow Hughes Defense to maintain a leading position in the consolidating U.S. defense industry. We believe that the combined businesses of Hughes Defense and Raytheon will represent a strong and viable competitor in the defense electronics industry that will be in a position to implement business synergies for the benefit of the two companies, their stockholders and their principal defense electronics customer, the U.S. government. For information regarding the Raytheon Merger, see "Description of the Raytheon Merger" below.

In the context of these changes in the U.S. defense industry, we have been required during the last several years to spend increasing amounts of board, management and staff time and other resources on Hughes Defense and the strategic challenges it currently faces. The Hughes Defense Spin-Off will also allow us to allocate resources currently devoted to Hughes Defense to our core automotive and other businesses.

INTEGRATION OF DELCO AND DELPHI

The second business purpose of the Hughes Transactions is to facilitate the integration of Delco with Delphi. Automobile manufacturers are increasingly moving toward integrated automotive systems procurement from a limited number of suppliers. Manufacturers, including GM's North American Operations ("GM NAO"), also are expected to continue to pressure their suppliers to accelerate the introduction of new technology and otherwise to aggressively pursue cost reductions. In connection with their ongoing long-term review and assessment of Delco and Delphi and their business strategies, General Motors and Hughes Electronics believe that in order to remain competitive in this industry environment Delco and Delphi must possess the capabilities to produce high quality and low cost fully integrated "systems" designs, as well as the capabilities to manufacture high quality components at continuously lower costs. Although Delco has strong capabilities and market position in various electronic and electro-mechanical components, General Motors and Hughes Electronics have determined that Delco will need to gain access to and strengthen its capabilities in the integration of complete systems which incorporate separate systems and components in powertrain, ride and handling, cockpit and control and communications.

The transfer of Delco from Hughes Electronics to General Motors will position the combined Delco/Delphi business to compete more effectively in the changing market for automotive electronics by allowing General Motors to integrate more fully Delco's electronics capability with Delphi's automotive systems and components expertise. The integration of these operations is intended to accelerate GM's ability to compete aggressively in high-growth markets worldwide by developing new electronically enhanced vehicle systems with improved functionality, lower cost and higher quality. The combined Delco/Delphi entity will be better able to realign its product, technical and manufacturing operations to address strategic objectives for growth and competitiveness.

We expect that the integration of Delco and Delphi will enable Delco to be more competitive with respect to its market share with GM NAO as a result of its redesign of key automotive electronics systems and its introduction of lower cost design solutions. GM NAO will benefit directly from these redesigned automotive systems. In addition, we expect Delco to improve its capability to achieve and maintain additional non-GM NAO sales due to its access to a larger outside customer base. Significant structural savings are also expected to accrue to the combined company as a result of the full integration of the two companies.

Once the integration of Delco and Delphi is completed and we have demonstrated the competitiveness of the combined operations, General Motors will be able to consider the future timing of a possible partial public offering of the combined business operations. General Motors has no present intention to make any such offering. Business judgments regarding completion of the integration of Delco and Delphi and satisfactory demonstration of the competitiveness of the combined operations will be made by the GM President's Council based upon relevant business considerations. The timing and substance of such business judgments will depend on many subjective factors such as, among other things, achievement by Delphi/Delco of synergies in line with expectations, the ability of the combined businesses to sustain a satisfactory level of market share increases based on the competitiveness of the technology, price and quality of its products, satisfactory reductions in administrative overhead, globalization of its operations, continued strong prospects for growth in revenues and operating profit and other relevant factors relating to the overall competitiveness of the businesses of Delphi/Delco.

In September 1997, Ford Motor Company ("Ford") announced its intention to reorganize its component operations into a unit called "Visteon." Ford's objectives with respect to Visteon appear to be similar to GM's

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strategy with respect to the integration of Delco and Delphi, and include, among other things, increasing sales to other original equipment manufacturers ("OEMs") while also driving efficiencies by increasing outsourcing of Ford's automotive business. It is not clear at this time how this will change the competitive environment for the combined Delco/Delphi entity over time. On the one hand, Visteon will likely be pursuing sales to many of the same OEMs targeted by the combined Delco/Delphi entity. On the other hand, however, Delco/Delphi may have the opportunity to sell to Ford as a result of its outsourcing initiatives.

ENHANCE GROWTH POTENTIAL OF HUGHES TELECOM

The third business purpose of the Hughes Transactions is to enhance the ability of Hughes Telecom to take advantage of growth opportunities. The telecommunications industry is experiencing a period of rapid expansion and change, providing industry participants with many opportunities for strategic growth as well as vigorous competition. We expect the global telecommunications services market to continue to grow due to the high demand for communications infrastructure and the opportunities created by industry deregulation. In this environment, many of Hughes Telecom's competitors are committing substantial capital to capturing market opportunities and to entering into strategic alliances to acquire or maintain and strengthen market leadership. This market will therefore remain intensely competitive and key success factors for participants will include possession of advanced technological capability, speed in introducing new products and services so as to capture first mover advantages, product differentiation, including access to local and international content, strength in partnering/strategic alliances, ability to react quickly to rapid industry change and financial flexibility.

Hughes Electronics' strategy with respect to the Hughes Telecom business is to leverage its leadership position in satellite technology to become a leader in emerging telecommunications markets for products and services. This strategy requires a significant investment of capital in Hughes Telecom.

General Motors and Hughes Electronics currently believe that Hughes Telecom is the Hughes Electronics business which offers the greatest long-term growth potential. By retaining ownership of Hughes Telecom, General Motors and its stockholders will retain the ability to participate in this rapidly growing industry. The Hughes Transactions and the Raytheon Merger, by providing funding to Hughes Telecom, will help to enable New Hughes Electronics to take advantage of growth opportunities in the telecommunications and space marketplace. The Hughes Transactions will also enable New Hughes Electronics to focus its board, management and staff time and other resources solely on the telecommunications and space business.

We currently believe that continued ownership of the telecommunications and space business of Hughes Electronics in a tracking stock structure will not prevent New Hughes Electronics from executing certain types of strategic alliances where needed to assist it to continue to compete effectively and to grow its business. Continued ownership of the telecommunications and space business of Hughes Electronics in a tracking stock structure also will provide General Motors with the flexibility in the future to issue New Hughes Electronics tracking stock in a tax-efficient manner. The New GM Class H Common Stock will provide its holders with a more focused investment in the Hughes Electronics' telecommunications and space business than the existing GM Class H Common Stock.

Achievement of each of the foregoing business objectives is dependent on numerous factors in addition to the consummation of the Hughes Transactions, many of which are beyond the control of General Motors, Hughes Defense, Delco and Hughes Telecom. Accordingly, there can be no assurance as to whether and to what extent any of such objectives will in fact be achieved if the Hughes Transactions are consummated.

ALTERNATIVES TO THE HUGHES TRANSACTIONS

Before deciding to proceed with the Hughes Transactions, General Motors and Hughes Electronics considered several strategic alternatives involving each of the three Hughes Electronics businesses in an attempt to address the strategic challenges and accomplish the business objectives outlined above under "-- Purposes of

the Hughes Transactions." In considering these strategic alternatives, we focused on whether such alternatives were in the best interests of General Motors and its common stockholders, the effect of such alternatives on each class of GM's common stockholders and the potential of such alternatives to maximize value for GM common stockholders.

As a preliminary matter, the GM Board was advised by GM management that any strategic transaction involving Hughes Defense could result in a level of corporate and stockholder tax so high that it would make the transaction uneconomic unless it were accomplished on a tax-free basis. Accordingly, the GM Board determined that any potential strategic transactions involving Hughes Electronics or any of its three principal businesses should be structured so as to generally be tax-free for U.S. federal income tax purposes to General Motors and its stockholders. See "Description of the Hughes Transactions--Certain Federal Income Tax Considerations Relating to Certain of the Hughes Transactions" below.

In addition, the GM Board was advised by GM management that certain issues would arise if any strategic transaction were to result in a recapitalization of GM Class H Common Stock into GM \$1 2/3 Common Stock at a 120% exchange ratio, as currently provided for under certain circumstances in the GM Certificate of Incorporation. These issues included substantial dilution that would likely reduce the value of the GM \$1 2/3 Common Stock, including the new stock of that class to be issued to GM Class H Common Stockholders in any such recapitalization, as well as the substantial change that would result in the form and nature of the investment of GM Class H Common Stockholders, who would have their tracking stock investment in Hughes Electronics replaced with a conventional stock interest in all of GM's operations (rather than with a conventional stock interest in New Raytheon and a more focused tracking stock interest in Hughes Telecom as in the Hughes Transactions. The GM Board believed that most GM Class H Common Stockholders had purchased such stock in order to make a focused investment in the businesses of Hughes Electronics rather than to make a conventional investment in all of GM's businesses, and considered that the frustration of that investment objective would likely result in substantial trading activity that would exacerbate the anticipated adverse effect on market value for all investors. Management also advised that the elimination of the GM Class H Common Stock through a recapitalization into GM \$1 2/3 Common Stock would result in the loss of GM's flexibility to issue equity interests relating to Hughes Telecom without incurring corporate-level tax and to use tracking stock as a focused security for management compensation. See "--Alternatives to the Hughes Transactions--Hughes Telecom" below. The GM Board also noted certain practical difficulties and uncertainties involving the application of the recapitalization provision in the context of a complex series of strategic transactions. Accordingly, and in light of the substantial benefits that any contemplated strategic transactions would be expected to have for the holders of both classes of GM common stock, the GM Board determined that it would be in the best interests of all of GM's common stockholders to structure any potential strategic transactions involving Hughes Electronics or any of its three principal businesses so as not to result in a recapitalization of GM Class H Common Stock into GM \$1 2/3 Common Stock. See "Description of the Hughes Transactions--No Recapitalization at a 120% Exchange Ratio" below.

After review and consideration of the alternatives described below, the GM Board concluded that, in the context of the opportunities presented by the Raytheon Merger, the Hughes Transactions, taken as a whole, represented the best strategic alternative for Hughes Electronics and its three businesses.

HUGHES DEFENSE

As described below under "Background of the Hughes Transactions--Development of the Hughes Transactions and the Raytheon Merger," Hughes Electronics determined that in order to address the strategic challenges facing its defense electronics business and preserve stockholder value, it would pursue a strategic combination between Hughes Defense and another significant player in the defense industry. To do so, we considered two principal alternatives for Hughes Defense which would allow it to participate in the consolidation of the U.S. defense industry in a significant manner:

- . a spin-off of Hughes Defense to GM's common stockholders in the absence of a pre-arranged merger; and
- . the acquisition of another significant player in the U.S. defense industry under the existing GM and Hughes Electronics ownership structure.

A spin-off of Hughes Defense in the absence of a pre-arranged merger would have better positioned Hughes Defense to effectuate its strategic objective of participation in the ongoing U.S. defense industry consolidation by separating Hughes Defense from General Motors. It would allow both General Motors and Hughes Electronics to focus their board, management and staff time and other resources on their remaining businesses. However, the opportunity currently presented by the Raytheon Merger achieves these benefits while offering additional advantages as well. Coupling the spin-off of Hughes Defense with the Raytheon Merger afforded us the ability to proactively select an appropriate merger partner well suited to Hughes Defense and provided management with the ability to influence the strategic direction and future growth of the combined entity, thus helping to ensure GM's common stockholders the highest long-term value for their interest in Hughes Defense. Moreover, because of the time required to spin off Hughes Defense, there was a significant risk that, as the consolidation of the U.S. defense industry proceeded, the parties suitable to combine with the free-standing Hughes Defense would undertake to pursue other strategic transactions and, as a result, be unwilling or unable to enter into a strategic transaction with Hughes Defense when it was a free-standing entity. Also, in light of the ongoing consolidation taking place in the U.S. defense industry, a spin-off of Hughes Defense in the absence of a pre-arranged merger could expose Hughes Defense as a potential takeover target for parties who might not offer a desirable strategic fit or provide an opportunity to realize synergies that could optimize Hughes Defense's potential long-term value for the benefit of GM's common stockholders. Consequently, we decided to pursue a spin-off of Hughes Defense as part of a pre-arranged merger transaction.

We also considered from time to time the ability of Hughes Defense to execute a large-scale defense industry acquisition under the existing General Motors and Hughes Electronics ownership structure. We do not believe that such a substantial acquisition is currently a viable alternative. The use of GM's capital resources to effect an acquisition in an industry other than that of GM's core automotive and other businesses would divert resources and management focus and would therefore not be in the best interests of General Motors or its common stockholders. In addition, potential merger partners in the defense industry have expressed an unwillingness in preliminary discussions to enter into a combination with Hughes Defense as long as General Motors owns any material interest in Hughes Defense. Further, although GM Class H Common Stock is currently considered to be a feasible alternative for use in funding smaller acquisitions, we do not believe it is a viable currency for funding larger acquisitions.

DELCO

In light of the industry-wide shift in focus from components to systems sourcing and the continuous drive by manufacturers, including GM NAO, for aggressive cost reductions, we considered two possible alternatives to the Hughes Transactions to effect a strategic alliance between and more fully integrate the operations of Delco and Delphi:

- . the contribution of all or a significant portion of Delphi operations to Hughes Electronics; and
- . the formation of one or more joint ventures between Delco and Delphi.

In light of other available alternatives, we determined that a contribution of all or a significant portion of Delphi operations to Hughes Electronics would not be in the best interests of the GM Class H Common Stockholders because such a transaction would materially alter the fundamental character of GM Class H Common Stock by changing it from a tracking stock relating to the defense electronics, automotive electronics and telecommunications businesses to a tracking stock predominantly relating to an automotive components business with materially different characteristics and long-term prospects. We also determined that contributing only a portion of Delphi's business to Hughes Electronics would not be in the best interests of General Motors and its common stockholders because it would not permit the full realization of the benefits to be gained from integrating Delco and Delphi.

We also considered the formation of one or more joint ventures in which Delphi and Delco would each contribute certain assets to form one or more new automotive components companies. Although this alternative would combine the businesses, we determined that this alternative was less attractive than the transfer of Delco from Hughes Electronics to General Motors. The formation of joint ventures would result in a complicated ownership and organizational structure that would not fully promote realization of potential synergies between

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Delco and Delphi, and thus would not maximize the potential value for GM's common stockholders. In addition, in light of the tracking stock nature of GM Class H Common Stock, Hughes Electronics' ownership of a joint venture could cause confusion in the capital markets and, as a result, adversely impact the price of GM Class H Common Stock. Finally, joint ventures would limit GM's overall strategic flexibility, thus hindering the full realization of the goals of integration.

HUGHES TELECOM

The principal alternative we considered for Hughes Telecom was a spin-off of all or a portion of the Hughes Telecom business to GM's common stockholders (possibly in connection with an initial public offering). We believe that Hughes Telecom represents an attractive investment for our stockholders whether it is held by General Motors or spun off to our stockholders. However, we believe that a spin-off of Hughes Telecom would not be in the best interests of General Motors or its common stockholders at the present time for several reasons. First, we believe that Hughes Telecom represents an attractive investment for General Motors and its stockholders since it is the Hughes Electronics business which currently offers the greatest growth potential. Both classes of GM's common stockholders will participate in this growth through their ownership of GM common stock. Second, a spin-off of Hughes Telecom at this time could have potentially adverse implications for the credit ratings of General Motors and GMAC because it would further reduce GM's book equity and its funding flexibility. Based largely on the importance attributed to GM's credit ratings by GM management, particularly in order to prepare for any potential downturns in the automotive industry, General Motors and Hughes Electronics had previously determined that they would not take any strategic action relating to the businesses of Hughes Electronics if any of GM's principal ratings agencies would lower GM's credit ratings as a result of such action. Third, a spin-off of Hughes Telecom generally would reduce GM's strategic flexibility, including the elimination of its ability to issue equity interests relating to Hughes Telecom, such as the New GM Class H Common Stock, without incurring corporate level tax. The proceeds of any such equity issuance could be used to provide funding for Hughes Telecom or other GM businesses. Any negative impacts on General Motors from credit rating downgrades and reduced flexibility are also likely to affect negatively the interests of stockholders in General Motors. Fourth, we believe that Hughes Telecom derives a financial benefit from having a parent corporation that is capable of supporting its operations, either by providing short-term loans (such as occurred in connection with the PanAmSat Merger) or by providing new capital (in which case an appropriate adjustment would be made to the Class H Fraction).

After examining the alternatives described above, General Motors concluded that the Hughes Transactions offered the most comprehensive solution to the strategic challenges and business objectives described above in "--Purposes of the Hughes Transactions."

BACKGROUND OF THE HUGHES TRANSACTIONS

GM'S ACQUISITION OF HUGHES AIRCRAFT

General Motors organized Hughes Electronics in 1985 in connection with its acquisition of Hughes Aircraft from the Howard Hughes Medical Institute ("HHMI"). In that transaction, General Motors paid HHMI approximately \$2.7 billion in cash and delivered to HHMI 100 million shares of newly-created GM Class H Common Stock. In connection with the Hughes Aircraft acquisition, Hughes Aircraft and Delco (then consisting of GM's Delco Electronics division, the instrument and display systems business unit of GM's AC Spark Plug division, and Delco Systems Operations) were contributed to Hughes Electronics.

There were two principal reasons for GM's contribution of Delco to Hughes Electronics, whose earnings were to be the basis for dividend payments on the GM Class H Common Stock. First, from a financial perspective, the contribution allowed General Motors to reduce the amount of cash otherwise required to be paid to HHMI in order to acquire Hughes Aircraft. Moreover, the value attributed to Delco by HHMI and General Motors in connection with the Hughes Aircraft acquisition reflected a price/earnings multiple which was higher than that attributed to GM's overall earnings and more consistent with multiples applied to other automotive component manufacturers. Second, from an operational perspective, the contribution of Delco to

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Hughes Electronics was intended to facilitate the exploitation of Hughes Aircraft's electronics experience and technology for the benefit of Delco. General Motors expected this combination to be particularly important as the electronic content of cars and trucks increased, with new electronic systems to improve driveability, fuel economy, safety, comfort and emissions control and enhanced information, communications and entertainment systems. While a portion of such synergies have been identified and realized, especially in the areas of automotive safety and security products, General Motors believes that it is now positioned to attain any additional synergistic benefits through alternative mechanisms such as the various technology sharing and other separation and transitional arrangements which will be put in place in connection with the Hughes Transactions. For a description of some of these arrangements, see "Separation and Transition Arrangements--Summary of Other Agreements Contemplated by the Master Separation Agreement" below. We therefore have determined that ownership of Hughes Defense is not necessary for General Motors to obtain for Delco the benefits of the electronic and systems integration capabilities of Hughes Defense.

DEVELOPMENT OF THE HUGHES TRANSACTIONS AND THE RAYTHEON MERGER

The Hughes Transactions arise out of the convergence of several initiatives undertaken by General Motors and Hughes Electronics to assess and enhance the long-term value of each of Hughes Electronics' three businesses to General Motors and its common stockholders. However, the immediate impetus for the timing of the Hughes Transactions is the major consolidation taking place in the U.S. defense industry and the significant opportunities for Hughes Defense presented by the Raytheon Merger.

Largely in response to the developing consolidation of the U.S. defense industry, General Motors and Hughes Electronics engaged from time to time during the past few years in preliminary discussions with other defense companies regarding possible strategic transactions involving Hughes Defense. Beginning in the fall of 1995, Hughes Electronics management personnel and financial, legal, tax, accounting and other advisors met from time to time as part of an intensive assessment of the strategic objectives of each of the three principal businesses of Hughes Electronics and to consider legal, tax and accounting issues that would be presented by any transaction or series of transactions involving these businesses that might be proposed. Financial advisors did not at this time provide any reports or render any advice materially related to the Hughes Transactions. Hughes Electronics determined in late 1995 that it must develop certain strategies with respect to its defense electronics business in order to address strategic challenges and preserve stockholder value. Accordingly, Hughes Electronics identified and considered four strategic alternatives with respect to Hughes Defense:

- . Continue existing business strategy.
- . Pursue selective acquisitions of smaller defense businesses.
- . Proactively pursue a merger or other significant business combination.
- . Exit the defense electronics business.

In connection with its evaluation of these strategic alternatives, Hughes Electronics considered the strategic value of various combinations of Hughes Defense with one of several other defense industry participants. After careful consideration of each of these alternatives, Hughes Electronics determined that a strategy of proactively pursuing a combination of Hughes Defense with the defense business of another significant industry participant represented the best alternative in order to maximize stockholder value with respect to Hughes Defense. In addition, Hughes Electronics determined to continue to pursue selective acquisitions of smaller defense businesses.

During this period, Hughes Electronics also began to consider various strategic alternatives for Delco and Hughes Telecom, as described above under "Purposes of the Hughes Transactions." Hughes Electronics determined that pursuing a combination of Hughes Defense with another defense industry participant would be consistent with its strategies with respect to Delco (i.e., to integrate the business operations of Delco and Delphi) and Hughes Telecom (i.e., to enhance Hughes Telecom's growth potential).

During 1995, Hughes Electronics engaged in informal discussions at the senior management level with Loral Corporation ("Loral") regarding the feasibility of a strategic combination of Hughes Defense with the

defense business of Loral. There was no discussion of price or potential structure for such a combination. Such discussions ended in late 1995 and prior to the announcement of Lockheed Martin's agreement to acquire Loral on January 7, 1996.

In early 1996, General Motors and Hughes Electronics began to consider and assess various alternative structures for a transaction or series of transactions involving Hughes Defense and the other principal businesses of Hughes Electronics. Although Hughes Electronics also continued to pursue selective acquisitions, Hughes Electronics management believed that Lockheed Martin's acquisition of Loral's defense business in early 1996 rendered the pursuit of selective acquisitions ineffective as a long-term business strategy for Hughes Defense. Hughes Electronics management determined that a strategic combination with a significant industry participant was required because Lockheed's acquisition of Loral's defense business significantly changed the profile of the defense industry by increasing the size, and the related economies of scale and operating efficiencies, necessary to compete effectively for government contracts.

Beginning in early 1996, Hughes Electronics engaged in discussions with Raytheon regarding a combination of Raytheon's defense business with Hughes Defense. Potential structures for such a combination, tax issues (including whether to seek an IRS ruling or to rely instead on an opinion of tax counsel) and timing issues were discussed. In March 1996, General Motors terminated such discussions in order to focus on other strategic activities. In connection with these initial discussions with Raytheon, GM management and Hughes Electronics management discussed with their financial, legal and tax advisors the possibility that General Motors would unilaterally effect a recapitalization of the GM Class H Common Stock into GM \$1 2/3 Common Stock at a 120% exchange ratio based on the then prevailing market prices of the two classes of stock, as provided for in the GM Certificate of Incorporation. Such a unilateral action would have potentially benefited the GM \$1 2/3 Common Stockholders because the exchange ratio would be calculated based on market prices that would have been unaffected by market rumors that might have subsequently developed regarding a possible transaction with Raytheon or any other strategic partner. However, the recapitalization would also have involved substantial dilution through the issuance of GM \$1 2/3 Common Stock and would have been effected at a time of uncertainty about the ability to consummate a transaction with Raytheon or any other party. In March 1996, this matter was reviewed on a preliminary basis with the Hughes Electronics Board, which had an initial reaction that such a recapitalization was unlikely to be in the best interest of either class of GM common stockholders. However, no final decision was made as to this matter in light of the termination of discussions with Raytheon shortly thereafter. The financial advisors participated in the foregoing discussions but did not at this time provide any reports or render any advice materially related to the Hughes Transactions.

Hughes Electronics and Raytheon recommenced discussions regarding a possible combination in late July 1996. Negotiations continued through November 20, 1996, when both parties agreed to terminate such negotiations and pursue other alternatives after they were unable to reach agreement on senior management for the combined company.

In October 1996, Hughes Defense began to participate in the auction process for the Texas Instruments Defense business. On January 6, 1997, Raytheon announced its plans to acquire the Texas Instruments Defense business for approximately \$3.0 billion in cash.

Following the termination of discussions with Raytheon in November 1996, General Motors and Hughes Electronics initiated preliminary discussions with Northrop Grumman regarding a possible transaction involving Hughes Defense. On November 23, 1996, Raytheon made a proposal, on an unsolicited basis, for a strategic transaction with Hughes Defense. Raytheon's new proposal was discussed by GM management and Hughes Electronics management and their respective advisors. Although financial advisors participated in these discussions, the financial advisors did not at this time provide any reports or render any advice materially related to the Hughes Transactions (other than to recommend that a formal process to solicit interest in a transaction involving Hughes Defense be established). After consideration of such discussions, including the recommendation to establish an appropriate process for soliciting proposals, GM management and Hughes

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Electronics management then determined to recommend that the GM Board establish a process for soliciting appropriate merger proposals for Hughes Defense, including from Raytheon and Northrop Grumman.

December 1, 1996 Hughes Electronics Board Meeting. At the December 1, 1996 meeting of the Hughes Electronics Board, Hughes Electronics management presented an update of recent developments in connection with various discussions regarding the possible combination of Hughes Defense with another defense industry participant, including the recent termination of discussions with Raytheon and Raytheon's new unsolicited proposal to merge with Hughes Defense. Following discussion of these and related matters, the Hughes Electronics Board determined to recommend that the GM Board implement a process to solicit merger proposals for Hughes Defense from a selected group of potential merger partners and develop definitive terms relating to a strategic transaction involving Hughes Defense, subject to the subsequent approval of the Hughes Electronics Board and the GM Board. As noted above, Hughes Electronics had for some time been reviewing and assessing the strategic challenges facing each of its three principal businesses and it had for some time been contemplated that any transaction involving Hughes Defense would be a part of a series of transactions involving each of the Hughes Electronics businesses.

December 2, 1996 Capital Stock Committee Meeting. At the December 2, 1996 meeting of the Capital Stock Committee, GM management and Hughes Electronics management presented information regarding the termination in early November 1996 of discussions with Raytheon, the unsolicited proposal to merge with Hughes Defense which was submitted by Raytheon, a recommended procedure for soliciting merger proposals for Hughes Defense from a selected group of potential merger partners, the estimated financial results of various alternative structures for any such merger transaction, a proposed timetable for performing due diligence and receiving merger proposals based on comparable non-financial terms and the implications of Hughes Electronics' interest in acquiring Texas Instruments Defense. The Capital Stock Committee discussed these and other related matters and considered the proposed process for overseeing the development of a potential spin-off of Hughes Defense, including the formation of a special committee of the GM Board to oversee the process, to be comprised of the members of the Capital Stock Committee and the GM directors who also serve on the Hughes Electronics Board. The Capital Stock Committee determined to recommend to the GM Board that such a committee be established.

December 2, 1996 GM Board Meeting. At its meeting on the same day, which was attended by all but one of GM's directors, the GM Board received a report of the matters discussed at the Capital Stock Committee held earlier that day and directed GM management to analyze further the business, financial, tax and legal issues relating to the contemplated transactions (including matters relating to the fairness of the transactions to the holders of both classes of GM common stock) for the purposes of developing specific terms of a proposed transaction that would accomplish the goals of the contemplated transactions. For the reasons described above under "Special Factors--Alternatives to the Hughes Transactions," the GM Board also determined that it would not propose any transaction or series of transactions that would result in the recapitalization of GM Class H Common Stock into GM $\$1 \frac{2}{3}$ Common Stock at the 120% exchange ratio as provided for under certain circumstances in the GM Certificate of Incorporation. The GM Board then authorized the implementation of a process to be managed by a joint GM management and Hughes Electronics management team, in consultation with their respective financial, legal and other advisors, to solicit expressions of interest in a tax-free merger involving Hughes Defense from defense industry participants who might constitute an appropriate merger partner for Hughes Defense. The GM Board also established the special committee recommended by the Capital Stock Committee, designated as the "Hughes Defense Spin-Off Committee," composed of John G. Smale, Thomas H. Wyman, John H. Bryan, Ann D. McLaughlin, Edmund T. Pratt and Dennis Weatherstone. The GM Board authorized the Hughes Defense Spin-Off Committee, during the periods between meetings of the GM Board, to exercise all powers and authority of the GM Board in connection with a spin-off or other strategic transaction involving the defense electronics business of Hughes Electronics and related transactions and other matters.

Soliciting a Merger Partner for Hughes Defense. In connection with the process of soliciting a merger partner for Hughes Defense, the joint management team was assisted by financial and legal advisors, Goldman

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Sachs and Weil, Gotshal & Manges LLP, who had previously been engaged on behalf of General Motors and Hughes Electronics in connection with the prior discussions with Raytheon. The joint management team also received support from the financial, legal and tax staffs of General Motors and Hughes Electronics and from GM's legal and tax counsel, Kirkland & Ellis, who also had previously been engaged on behalf of General Motors in connection with the prior discussions with Raytheon. In addition, the joint management team received assistance from Deloitte & Touche LLP on accounting issues and due diligence analyses of prospective merger partners.

The joint management team, based on advice from Goldman Sachs and antitrust and tax advisors, determined that certain participants in the defense industry either could not or would not participate in the Hughes Defense bid solicitation process for antitrust, tax or other reasons. As a result, the joint management team invited four parties, Boeing, McDonnell Douglas Corporation ("McDonnell Douglas"), Raytheon and Northrop Grumman, to participate in the bid process. Boeing elected not to participate, explaining that it did not embrace the concept of vertical integration and thus was not interested in a strategic combination with a defense electronics systems provider such as Hughes Defense. Subsequently, the joint management team met with and provided access to information about Hughes Defense to McDonnell Douglas, Raytheon and Northrop Grumman. Each was provided a term sheet and draft agreements for its review. The term sheet and draft agreements included certain features intended to ensure that the Hughes Defense Spin-Off and the subsequent merger would be tax-free to General Motors and its stockholders and provided for a transaction structure substantially similar to that eventually contained in the agreements signed with Raytheon. The parties were asked to submit proposals by December 13, 1996.

Proposals were submitted by Raytheon and Northrop Grumman on the date requested and Northrop Grumman increased the value of its proposal in a subsequent revised submission on December 17, 1996. McDonnell Douglas failed to submit a proposal and, on December 15, 1996, announced an agreement to be acquired by Boeing. Raytheon submitted two separate proposals. The first proposal was to merge Hughes Defense with the defense business of Raytheon, with a total value estimated to be approximately \$8.3 billion (based on prior estimates of synergies) to General Motors and its common stockholders, comprised of debt of Hughes Defense and 45% of the common stock of the new company. The second proposal was to merge Hughes Defense with Raytheon, with a total value of approximately \$8.5 billion to General Motors and its common stockholders (subject to a "collar" mechanism designed to preserve the value of the transaction to General Motors and its common stockholders), comprised of debt of Hughes Defense and 30% of the common stock of the new company. Northrop Grumman's proposal, as revised, was to form a new company which would assume \$3.8 billion debt of Hughes Defense and in which GM's common stockholders would own 45-50% of the common stock of the new company. The Northrop Grumman proposal did not contain a "collar" mechanism. Based on the then-current market price of Northrop Grumman's common stock, the revised proposal submitted on December 17 was valued at approximately \$8.3 billion.

December 17, 1996 Hughes Defense Spin-Off Committee Meeting. On December 17, 1996, the Hughes Defense Spin-Off Committee received a report from C. Michael Armstrong, Chairman and Chief Executive Officer of Hughes Electronics, that Raytheon and Northrop Grumman had submitted proposals to merge with Hughes Defense immediately after a spin-off of Hughes Defense from General Motors. The Hughes Defense Spin-Off Committee reviewed and considered the proposals. Upon the recommendation of GM management and Hughes Electronics management and the Hughes Electronics Board, the Hughes Defense Spin-Off Committee authorized the joint management team to continue the negotiation process with both Raytheon and Northrop Grumman, setting January 6, 1997 as the deadline to receive from each company a final proposal for a strategic transaction involving Hughes Defense. The Hughes Defense Spin-Off Committee discussed several factors that it could consider in evaluating the proposals, including the terms of the proposed transaction, the likelihood of completing the proposed transaction and the certainty of the valuation of the consideration offered in connection with the proposed transaction, particularly with regard to the long-term value of any equity in the combined company.

Further discussions were held with each of Raytheon and Northrop Grumman and their respective financial advisors and each party was provided with further due diligence opportunities regarding Hughes Defense. During this period, the joint management team and its advisors also conducted due diligence reviews of Raytheon and Northrop Grumman. In addition, the joint management team's legal advisors discussed the draft agreements with each party and distributed revised drafts of the proposed agreements. Each party was asked to submit a final proposal not later than January 6, 1997.

Final Merger Proposals Received. On January 6, 1997, each of Raytheon and Northrop Grumman submitted revised proposals with respect to the proposed merger with Hughes Defense, including comments on the proposed agreements. Raytheon submitted only one revised proposal, in which Hughes Defense would merge with Raytheon, with a total value (as estimated by Raytheon at the time) of approximately \$9.0 billion to General Motors and its common stockholders, with GM's common stockholders owning approximately 30% of the common stock of the combined company. The basic structure of such proposal was substantially the same as the structure of the Raytheon Merger and the relevant portions of the Hughes Transactions proposed in this document. Northrop Grumman's revised proposal was for the new company to assume \$4.475 billion debt of Hughes Defense and for GM's common stockholders to own approximately 50% of the common stock of the new company.

On January 6 and 7, 1997, the joint management team, working together with its financial, tax and legal advisors, reviewed each party's submission and discussed the proposals with each party and its advisors in an attempt to seek clarification with respect to certain matters. These matters included, among other things, total value of the proposals, the treatment of stock options held by Hughes Defense employees and, in the case of Northrop Grumman, the addition of a "collar" mechanism to its proposal. Based on these discussions, as requested by the joint management team, each of Raytheon and Northrop Grumman submitted final proposals to General Motors and Hughes Electronics on the evening of January 8, 1997. The final proposals of Raytheon and Northrop Grumman were substantially comparable, other than with respect to the total value of the consideration offered (which consisted, in each case, of a combination of common stock in the new company and debt, protected by an equity collar) and the percentage of the equity interest of GM's common stockholders in the combined company. Based on the market value of the equity and the debt of each proposal, Raytheon's final proposal was valued at approximately \$9.5 billion, with GM's common stockholders owning approximately 30% of the common stock of the combined company, and Northrop Grumman's final proposal was valued at approximately \$9.3 billion, with GM's common stockholders owning approximately 50% of the common stock of the combined company.

On January 8 and 9, 1997, the joint management team, in consultation with its financial, legal, tax and other advisors, reviewed and discussed the final proposals of Raytheon and Northrop Grumman. The joint management team also had additional discussions with Raytheon regarding its final proposal, including the definitive agreements included as part of its final proposal. Based principally upon (1) the greater indicated value of the aggregate debt and equity components of Raytheon's proposal as compared to that of Northrop Grumman and (2) the joint management team's assessment that the strategic combination of Hughes Defense with Raytheon on the terms proposed had greater potential to produce a financially strong defense electronics business competitive across a broader range of market segments than would a combination with Northrop Grumman, the joint management team determined to recommend that Raytheon be selected as the merger partner for Hughes Defense, subject to the ability to resolve with Raytheon the remaining open issues, including, among other things, the conditions under which a break-up fee would be payable.

January 10, 1997 GM President's Council Meeting. On January 10, 1997, the GM President's Council, GM's senior policy-making management body, met to discuss and consider the final proposals of Raytheon and Northrop Grumman. For additional information regarding the GM President's Council, including the identity of the current members, see the definition of "GM President's Council" in the Glossary. At such meeting, the joint management team presented its recommendation that Raytheon be selected as the merger partner for Hughes Defense. Goldman Sachs held discussions with the GM President's Council concerning Raytheon and

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Northrop Grumman and their respective merger proposals, including certain relevant valuation considerations. Legal counsel presented a summary of the status of the documentation and tax counsel reviewed certain tax considerations and presented its views on the two proposals. After discussion, the GM President's Council concurred with the joint management team's conclusion and determined that it would make a recommendation to the Hughes Defense Spin-Off Committee that General Motors and Hughes Electronics proceed with negotiations regarding the spin-off of Hughes Defense and the subsequent merger of Hughes Defense with Raytheon (assuming that an acceptable resolution could be reached with Raytheon regarding the few remaining open items (discussed below)).

January 10, 1997 Hughes Defense Spin-Off Committee Meeting. Following the GM President's Council meeting on January 10, 1997, there was a meeting of the Hughes Defense Spin-Off Committee, at which John F. Smith, Jr., Chairman, Chief Executive Officer and President of General Motors, presented the recommendation of the GM President's Council described above. Mr. Smith reported that, in concurring with the recommendation of the joint management team, the GM President's Council considered information discussed by GM management and Hughes Electronics management and their respective financial and legal advisors, including the terms of the proposals, valuation matters, certain financial data and potential synergies. After discussion, the Hughes Defense Spin-Off Committee authorized the management team to negotiate exclusively with Raytheon to reach a satisfactory resolution of the remaining open items. The remaining open items included, among other things, certain matters relating to the prompt finalization of the legal documentation for the proposed transaction, the composition of the board of directors and certain board committees of the post-merger company and confidentiality with respect to the proposed transaction with Hughes Defense.

On January 10, 1997, the joint management team received a communication from Raytheon clarifying the remaining open items with respect to its proposal. Thereafter, the joint management team and its advisors negotiated with Raytheon the final terms of its merger proposal, resolved all outstanding issues and finalized the related definitive agreements.

January 16, 1997 Hughes Defense Spin-Off Committee Meeting. At the January 16, 1997 meetings of the Hughes Defense Spin-Off Committee, the Hughes Electronics Board, the Capital Stock Committee and the GM Board, GM management and Hughes Electronics management reported their respective recommendations that General Motors proceed with the Hughes Transactions and the Raytheon Merger. The principal discussion of these matters took place during the meeting of the Hughes Defense Spin-Off Committee. All of the members of the Hughes Electronics Board and all members of the GM Board were invited to attend this meeting. The meeting was attended by all members of the Hughes Defense Spin-Off Committee (which included all members of the Capital Stock Committee and all members of the GM Board who also served as members of the Hughes Electronics Board), by all other members of the Hughes Electronics Board and by certain other members of the GM Board. The meeting was also attended by representatives of Weil, Gotshal & Manges LLP, legal counsel to the Capital Stock Committee and legal counsel to Hughes Electronics in connection with the Raytheon Merger, and Kirkland & Ellis, legal and tax counsel to General Motors. At this meeting, the Hughes Defense Spin-Off Committee discussed and considered the series of related transactions comprising the Hughes Transactions, including their effects on the three businesses of Hughes Electronics and on the holders of the two classes of GM common stock, and the merger of Hughes Defense with Raytheon.

Thomas Wyman, Chairman of the Hughes Defense Spin-Off Committee, initially observed that the meeting would be based on certain written materials that had been previously delivered to all members of the GM Board, including management reports on the proposed transactions, certain financial information and other materials from GM's financial and legal advisors. Mr. Wyman then described the process by which the Hughes Defense Spin-Off Committee would review in detail the proposed transactions and vote upon a recommendation that would then be considered by the Hughes Electronics Board, the Capital Stock Committee and the GM Board in successive meetings.

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Mr. Smith outlined the series of related transactions that comprise the Hughes Transactions and summarized their effects on the three businesses of Hughes Electronics and on holders of the two classes of GM common stock. Mr. Smith explained that both classes of GM common stock would receive shares of Hughes Defense in the Hughes Defense Spin-Off in accordance with the Distribution Ratio to be discussed by Mr. Finnegan following Mr. Smith's presentation. In addition, the GM $\$1 \frac{2}{3}$ Common Stockholders would gain from the operational synergies resulting from the combination of Delco and Delphi, while GM $\$1 \frac{2}{3}$ Common Stockholders and GM Class H Common Stockholders would benefit from an infusion of cash into Hughes Telecom. Mr. Smith explained that the Hughes Transactions were expected to produce these results without creating any material tax liability for U.S. federal income tax purposes to General Motors and its stockholders.

John D. Finnegan, Vice President and Treasurer of General Motors, presented a detailed review of the Hughes Transactions, and explained that the proposed merger with Raytheon was conditioned on the independence of Hughes Defense immediately prior to the merger and that the Hughes Defense Spin-Off was intended to satisfy this condition. Mr. Finnegan noted the following underlying economic conditions and strategic considerations that favored the Hughes Transactions: Hughes Defense's need to participate in the continuing consolidation of the U.S. defense industry, the benefits to Delco of integration with Delphi to develop full in-house systems capability and Hughes Telecom's potential for growth and related requirement for significant investment. Mr. Finnegan described several principal benefits resulting from the Hughes Transactions, including the receipt of cash by Hughes Telecom to help meet its expected capital requirements, the organizational flexibility that would permit additional reorganization of the businesses comprising Delco and Delphi and the increased focus of the New GM Class H Common Stock on the telecommunications and space business of Hughes Electronics.

Mr. Finnegan noted that GM management recommended that the Distribution Ratio be set shortly before the distribution of consent solicitation materials relating to the Hughes Transactions in order to reflect then current business and financial information and market data. He explained that the Distribution Ratio would be

set at a level that would (1) enable the GM Board to conclude that, as of the date of the determination of the Distribution Ratio, the Hughes Transactions, taken as a whole, are in the best interests of General Motors and its common stockholders and fair to the holders of each class of GM common stock, and (2) enable each of GM's financial advisors in connection with the Hughes Transactions, Merrill Lynch and Salomon Brothers, to provide a written opinion as to the fairness, from a financial point of view, to each class of GM common stockholders of the consideration to be provided to General Motors and its subsidiaries and to each class of GM common stockholders in the Hughes Transactions. For additional information regarding the Original Merrill Lynch Fairness Opinion and the Original Salomon Brothers Fairness Opinion, each of which was delivered to the GM Board on October 6, 1997, and the Updated Merrill Lynch Fairness Opinion and the Updated Salomon Brothers Fairness Opinion, each of which is dated the date of this document, see "--Hughes Transactions Fairness Opinions: Merrill Lynch and Salomon Brothers" below. Copies of the Updated Merrill Lynch Fairness Opinion and the Updated Salomon Brothers Fairness Opinion, in each case setting forth the assumptions made, matters considered and limitations of the review undertaken, are attached as part of Appendix B to this document.

Mr. Finnegan also described certain studies being conducted by GM management with respect to the possibility of realigning the businesses of Delco and Delphi into two companies and considering various ownership structures for these businesses. Mr. Finnegan then summarized the principal features of the Hughes Defense Spin-Off and the Raytheon Merger, including certain characteristics of the capital stock of the combined company and their importance for obtaining tax-free treatment of the proposed transactions for U.S. federal income tax purposes, and described certain conditions precedent to proceeding with the Hughes Transactions. He also discussed the anticipated accounting treatment, the effect of the Hughes Transactions on GM's credit ratings and the anticipated reaction of the investment community to the Hughes Transactions.

Mr. Armstrong then presented information relating to the proposed merger of Raytheon with Hughes Defense, including the strategic planning efforts relating to Hughes Defense which ultimately led to the proposed merger with Raytheon. Mr. Armstrong described the economic conditions in the defense industry

which had earlier led Hughes Defense to pursue a selective acquisition strategy. He explained that, as major industry consolidation increased, a more substantial transaction involving Hughes Defense appeared desirable. Mr. Armstrong then reviewed the prior discussions with Raytheon regarding the possibility of a merger between Hughes Defense and Raytheon, but noted that these discussions were unsuccessful. Mr. Armstrong then explained that industry conditions, Hughes Defense's strategic interest in pursuing a more substantial transaction and the discussion with Raytheon had led GM management and Hughes Electronics management, with the approval of the Hughes Electronics Board, the Capital Stock Committee and the GM Board, to initiate a competitive bidding process to find an appropriate merger partner for Hughes Defense. In connection with this discussion, Mr. Armstrong described certain significant terms of the final merger proposals received from Raytheon and Northrop Grumman, including the assumption of all real estate and environmental liabilities by the combined company and the participation on the combined company's initial board of directors of persons associated with Hughes Electronics or General Motors.

A representative of Goldman Sachs then presented a financial analysis of the two merger proposals. See "Description of the Raytheon Merger--Raytheon Merger Fairness Opinion: Goldman Sachs" below. A representative of Goldman Sachs presented advice regarding the merger of Raytheon with Hughes Defense and delivered its written opinion addressed to the GM Board, the Hughes Electronics Board and the board of directors of Hughes Defense that, as of such date, on the basis of and subject to the assumptions, limitations and other matters set forth in the opinion, the Aggregate Consideration (as defined in the Goldman Sachs Fairness Opinion) was fair to the GM Group (as defined in the Goldman Sachs Fairness Opinion) as a whole. A copy of the Goldman Sachs Fairness Opinion, which sets forth the assumptions made, matters considered and limitations of the review undertaken, is attached as part of Appendix B to this document.

Charles H. Noski, who at the time was Vice Chairman and Chief Financial Officer of Hughes Electronics, then summarized the key terms of the proposed merger to which both potential merger partners had agreed, which included the principal conditions to closing, the continuation of current employee benefits through 1998 and the grounds for assigning technology to the combined company (or retaining such technology within New Hughes Electronics for its exclusive use or for licensing to the combined company for shared use). Mr. Noski and Mr. Armstrong described the proposed treatment of Hughes Research Labs, which would be owned jointly by the combined company and New Hughes Electronics. Mr. Noski also explained that all owned and leased assets currently used in the business of Hughes Defense, including the Hughes Electronics corporate headquarters, and all environmental liabilities relating to such business would be assumed by Hughes Defense as part of the proposed transactions. He then stated that the draft merger agreement with Raytheon provided for a list of directors for the combined company, which included three individuals associated with Hughes Electronics or General Motors, and that the combined company would add an individual associated with Hughes Electronics to its management council for its defense business and establish two joint management-level committees, which would be staffed by personnel formerly associated with Raytheon, Hughes Defense and Texas Instruments Defense, responsible for managing the transition and integration of the various businesses. For additional information regarding the management of New Raytheon and the New Raytheon Board, see "New Raytheon Management--Directors and Executive Officers" in Chapter 5.

Mr. Armstrong presented a comparison of the merger proposals received from Raytheon and Northrop Grumman on the basis of the offered price, the long-term competitive position of the combined company, the business portfolio and financial profile of each potential merger partner, the benefits arising from the combination of each potential merger partner with Hughes Defense and the strength of each potential merger partner's management team. Mr. Armstrong noted that there were no material differences between the contract terms offered by each potential merger partner, but that the price offered by Raytheon was higher than that offered by Northrop Grumman. Based on the foregoing, he then reported that the management of Hughes Electronics recommended that Raytheon be selected as the merger partner for Hughes Defense.

Mr. Smith then commented that the GM President's Council had been kept well-informed about the process of obtaining and pursuing the proposals for a strategic transaction involving Hughes Defense, had authorized further negotiations with Raytheon at the appropriate time and agreed with the recommendation of Hughes Electronics management.

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Mr. Wyman observed that all members of the Hughes Defense Spin-Off Committee had been given pertinent information and ample opportunity for review and to request additional information during the process of development of the Raytheon Merger proposal and that the Hughes Defense Spin-Off Committee was satisfied that it had been thoroughly briefed on the matter.

Representatives of Merrill Lynch and Salomon Brothers, financial advisors to General Motors in connection with the contemplated transactions, made a joint presentation regarding the values created by the Hughes Transactions and the issues to be considered in establishing the Distribution Ratio that would permit each financial advisor to deliver a fairness opinion with respect to the Hughes Transactions. Materials used in connection with this presentation have been filed as an exhibit to the Schedule 13E-3. Each of Merrill Lynch and Salomon Brothers separately concluded that, after considering all of the factors it deemed appropriate, absent a material change in conditions as they existed on the date of the meeting, the GM Board could reasonably expect to be able to establish such a Distribution Ratio.

Representatives from Weil, Gotshal & Manges LLP, as counsel to the Capital Stock Committee, reviewed the fiduciary duties of the GM Board in connection with its consideration of the Hughes Transactions and the Raytheon Merger and its obligation to act in the best interests of General Motors and all of its common stockholders, both procedurally and substantively.

After considering the foregoing matters, the Hughes Defense Spin-Off Committee determined to recommend to the GM Board that it approve and authorize both the Hughes Transactions, subject to the GM Board's subsequent determination of the Distribution Ratio, and the Raytheon Merger. The Hughes Defense Spin-Off Committee did not make a specific determination with respect to the fairness of the Hughes Transactions, which determination was reserved for the GM Board.

January 16, 1997 Hughes Electronics Board Meeting. In conjunction with the meeting of the Hughes Defense Spin-Off Committee on January 16, 1997, the Hughes Electronics Board met to discuss and consider the matters discussed at the Hughes Defense Spin-Off Committee meeting. This meeting was attended by all members of the Hughes Electronics Board.

After considering these matters, the Hughes Electronics Board determined that it would recommend to the Capital Stock Committee that it approve and authorize both the Hughes Transactions, subject to the GM Board's subsequent determination of a Distribution Ratio, and the Raytheon Merger.

January 16, 1997 Capital Stock Committee Meeting. The Capital Stock Committee met on January 16, 1997, immediately after the meetings of the Hughes Defense Spin-Off Committee and the Hughes Electronics Board, to discuss and consider the matters discussed at the Hughes Defense Spin-Off Committee meeting, which had been attended by all members of the Capital Stock Committee.

After considering these matters, the Capital Stock Committee determined that it would recommend to the GM Board that it approve and authorize both the Hughes Transactions, subject to the GM Board's subsequent determination of a Distribution Ratio, and the Raytheon Merger.

January 16, 1997 GM Board Meeting. The GM Board met on January 16, 1997, immediately after the meeting of the Capital Stock Committee, to discuss and consider the matters discussed at the Hughes Defense Spin-Off Committee meeting, which had been attended by all but one of the members of the GM Board. Hughes Electronics management, the Hughes Electronics Board, GM management, the Hughes Defense Spin-Off Committee and the Capital Stock Committee each recommended that the GM Board approve and authorize both the Hughes Transactions, subject to the GM Board's subsequent determination of the Distribution Ratio, and the Raytheon Merger.

After considering these matters, the GM Board unanimously determined that the Hughes Transactions, taken as a whole, are in the best interests of General Motors and its common stockholders, subject to the GM

Board's subsequent determination of a Distribution Ratio that would (1) enable the GM Board to conclude that, as of the date of the determination of the Distribution Ratio, the Hughes Transactions, taken as a whole, are in the best interests of General Motors and its common stockholders and fair to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders and (2) enable each of Merrill Lynch and Salomon Brothers to provide to the GM Board a written opinion as to the fairness, from a financial point of view, to both classes of GM common stockholders of the consideration to be provided to General Motors and its subsidiaries and to each class of GM common stockholders in the Hughes Transactions. For additional information regarding the Original Merrill Lynch Fairness Opinion and the Original Salomon Brothers Fairness Opinion, each of which was delivered to the GM Board on October 6, 1997, and the Updated Merrill Lynch Fairness Opinion and the Updated Salomon Brothers Fairness Opinion, each of which is dated the date of this document, see "--Hughes Transactions Fairness Opinions: Merrill Lynch and Salomon Brothers" below. Accordingly, the GM Board approved and authorized the Hughes Transactions, subject to the GM Board's subsequent approval of the definitive terms of the transactions and determination of a Distribution Ratio that satisfies the condition described above. The GM Board then directed management, in consultation with its financial, legal, tax and other advisors, to develop for the GM Board's further review and consideration the remaining definitive terms of the Hughes Transactions, including a Distribution Ratio that satisfies the condition described above.

After considering the foregoing matters, the GM Board also determined that Raytheon's merger proposal was in the best interests of General Motors and its stockholders. Accordingly, the GM Board approved the selection of Raytheon as the merger partner for Hughes Defense and approved the Raytheon Merger.

Immediately following the January 16, 1997 GM Board meeting, Hughes Defense and Raytheon entered into the Raytheon Merger Agreement and General Motors and Raytheon entered into the Implementation Agreement. For information regarding these agreements, see "Description of the Raytheon Merger--Raytheon Merger Agreement" and "--Implementation Agreement" below. Immediately after the execution of these agreements, the parties publicly announced the Hughes Transactions and the Raytheon Merger.

Subsequent Events. During the months following the January 16, 1997 GM Board meeting, GM management and Hughes Electronics management, subject to the oversight of the Capital Stock Committee, worked with their financial, legal, tax and other advisors to develop recommendations for the definitive terms of the Hughes Transactions, including a methodology for the determination of the Distribution Ratio. Among other things, GM management and Hughes Electronics management reviewed the business plans relating to each of the three principal businesses of Hughes Electronics, discussed and developed the methodology for determining the Distribution Ratio, developed the proposed terms of the New GM Class H Common Stock, reviewed certain policies of the GM Board and developed a recommended policy statement regarding certain capital stock matters. During this period, the Capital Stock Committee and the GM Board received periodic updates from GM management regarding the Hughes Transactions.

September 23, 1997 Capital Stock Committee Meeting. On September 23, 1997, the Capital Stock Committee (with all but three members in attendance) met for the purpose of reviewing and considering the business plans of Delco and Hughes Telecom and the proposed definitive terms of the Hughes Transactions, including the terms of the New GM Class H Common Stock and the Distribution Ratio formula, as developed by GM management and Hughes Electronics management, and receiving an update regarding certain regulatory and other matters relating to the Hughes Transactions. A meeting of the Hughes Electronics Board was held in conjunction with this meeting, with all but one member in attendance. In addition, all members of the GM Board were invited to attend; all but seven members were able to do so.

At this meeting, Mr. Armstrong and Roxanne S. Austin, Senior Vice President and Chief Financial Officer of Hughes Electronics, together with certain other members of Hughes Electronics management, presented a 1998-2001 business plan of Hughes Telecom as it would be configured following the completion of the Hughes Transactions. This represented an update of the business plan for this sector of Hughes Electronics' business that had previously been presented to the GM Board. Mr. Eddy Hartenstein, President, DIRECTV Enterprises,

Inc., presented information regarding the DIRECTV business, including the effects of increased competition on market share and financial results. Ms. Austin provided the Capital Stock Committee with an overview of the Hughes Telecom business plan. She then expressed Hughes Electronics management's current expectation that, following the completion of the Hughes Transactions, New Hughes Electronics would initially be adequately capitalized to execute its business plan. Ms. Austin explained that the equity received by Hughes Telecom in the form of a cash infusion in connection with the consummation of the Hughes Transactions would provide New Hughes Electronics with the means to accomplish its base business plan objectives.

Michael Burns, General Manager, Delco, then presented information regarding the 1998-2002 business plan of Delco, as it is currently configured, and a supplemental analysis of the benefits anticipated from 1998 through 2007 in connection with the planned integration of Delco and Delphi following consummation of the Hughes Transactions. The Delco business plan as presented had been developed by Delco management and reviewed and approved by both Hughes Electronics management and the GM President's Council. Both Hughes Electronics management and GM management reported to the Capital Stock Committee that they considered this business plan to be realistic and reasonably achievable. The analysis of the anticipated benefits of the integration, including the benefits to both Delco and Delphi, had been developed jointly by the managements of Delco and Delphi and also had been reviewed and approved by Hughes Electronics management and the GM President's Council.

With respect to the anticipated benefits from the planned integration of Delco and Delphi, Mr. Burns reported that, according to studies undertaken jointly by Delco management and Delphi management, significant savings were expected to accrue from the integration of Delco and Delphi as a result of enhanced systems capability of the combined business operations. The combination would also provide Delco with access to a larger non-GM NAO customer base. In light of the lead time for selling and incorporating new electronics, Delco's business plan does not reflect significant financial benefits from the integration until sometime after the year 2000. However, certain structural cost savings were expected to be realized more promptly as a result of reduced management needs for the combined operations, consolidated marketing/customer teams, finance staff and human resources and consolidated management in manufacturing plants. In addition, the integration is expected to provide Delco with access to Delphi's larger non-GM NAO customer base, resulting in greater growth of this portion of Delco's business. Mr. Burns also noted that the operational benefits from a complete integration of Delco and Delphi were expected to enable Delco to maintain a greater share of the worldwide market for supplying automotive electronics, both to GM NAO and to other customers, as well as to permit Delco to provide products and systems at higher profit margins, than would otherwise be the case.

Mr. Burns also reported on the expected benefits to Delphi from the integration with Delco. It was believed that the integration would produce additional sales opportunities for Delphi for products and systems having further electrical/electronics integration but that there would be no effect on GM NAO or aftermarket sales. Incremental non-GM NAO sales were expected to begin sometime after the year 2000. In concluding his presentation, Mr. Burns noted the importance to Delco's business of gaining the systems capabilities which the integration with Delphi was anticipated to provide.

Following the business plan presentations, Ms. Austin and Mr. Finnegan made presentations on the Hughes Transactions. First, Ms. Austin presented an overview of the Hughes Transactions, including a brief summary of the principal elements of the planned transactions, and provided the Capital Stock Committee with an update regarding the status of various regulatory and other matters relating to the Hughes Transactions. In particular, Ms. Austin stated that the IRS Ruling had been obtained in July 1997 and that arrangements for clearance of the Raytheon Merger under the Hart-Scott-Rodino Act were expected to be reached soon. She then noted that, at the time of the initial approval of the Hughes Transactions in January 1997, determinations regarding certain of the terms of the Hughes Transactions had been deferred for later consideration by the GM Board. Ms. Austin identified the principal terms of the Hughes Transactions which required final authorization and approval by the GM Board, which included the proposed terms of the New GM Class H Common Stock, the application of the proceeds of the indebtedness to be incurred by Hughes Defense prior to the Hughes Defense Spin-Off and the determination of the Distribution Ratio.

Ms. Austin noted that a substantial portion of the value of the Hughes Transactions to holders of GM Class H Common Stock would be represented by the New GM Class H Common Stock. She reported that, in developing the proposed terms for the New GM Class H Common Stock, GM management and Hughes Electronics management began with the terms of the existing GM Class H Common Stock and made changes in response to issues which had been raised by investors from time to time, balanced by considerations related to the tax treatment of such stock and maintaining flexibility for General Motors. In addition, GM management and Hughes Electronics management and their advisors reviewed and considered the terms of other publicly traded tracking stocks. She then reviewed the differences in the voting and liquidation rights and recapitalization provisions between the proposed terms of the New GM Class H Common Stock and the terms of the GM Class H Common Stock. See "Comparison of GM Class H Common Stock, New GM Class H Common Stock and Class A Common Stock" and "New GM Class H Common Stock" in Chapter 6. Ms. Austin explained that the principal differences in the stock terms were developed in order to balance the interests of the GM Class H Common Stockholders and the GM \$1 2/3 Common Stockholders and to preserve the tax treatment of the New GM Class H Common Stock as a stock of General Motors. Ms. Austin also described a proposed policy statement regarding certain capital stock matters to be adopted by the GM Board, subject to the consummation of the Hughes Transactions. See "Considerations Relating to GM's Dual Class Common Stock Capital Structure--New GM Board Policy Statement" in Chapter 6. She then described the recommendation of GM management and Hughes Electronics management that, following the completion of the Hughes Transactions, earnings from the telecommunications and space business of New Hughes Electronics be retained for the development of that business and that, as a result, dividends were not initially expected to be paid by New Hughes Electronics to General Motors. Accordingly, it was recommended by GM management and Hughes Electronics management that dividends not be paid initially on the New GM Class H Common Stock.

Mr. Finnegan then reviewed the principal elements of the Hughes Transactions and the Raytheon Merger and discussed the indicated value, based on recent trading prices of Raytheon Common Stock, of the Hughes Defense Spin-Off and the Raytheon Merger to General Motors and its common stockholders. See "Description of the Hughes Transactions" and "Description of the Raytheon Merger" below. Mr. Finnegan noted that the total indicated value of the transactions represents a substantial premium to the enterprise value of Hughes Defense under the current Hughes Electronics and GM ownership structure.

Mr. Finnegan then explained that the allocation of the Class A Common Stock to be distributed to GM's common stockholders in the Hughes Defense Spin-Off between the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders in accordance with the Distribution Ratio would be an important element of the fairness of the Hughes Transactions to the holders of both classes of GM's common stock. He explained that, in accordance with the proposed Distribution Ratio, the GM Class H Common Stockholders as a whole would receive an amount of the Class A Common Stock which represents their current approximately 25% tracking stock interest in Hughes Defense plus an additional amount in order to reflect the net effect on them of all other aspects of the Hughes Transactions, principally the transfer of Delco to General Motors (which would result in the elimination of their tracking stock interest in Delco). Similarly, the GM \$1 2/3 Common Stockholders as a whole would receive a distribution of the Class A Common Stock which represents less than their current approximately 75% interest in Hughes Defense in order to reflect the net effect on them of all other aspects of the Hughes Transactions, principally the transfer of Delco to General Motors.

Mr. Finnegan then reviewed the GM Board's January 1997 decision to reserve for later determination the Distribution Ratio. He noted that the key elements in determining the Distribution Ratio were the value of the combined Hughes Defense/Raytheon, the value of Delco and the value effects of all other aspects of the Hughes Transactions and that the GM Board should also consider, among the other things, stockholder expectations regarding the Hughes Transactions. With respect to the combined Hughes Defense/Raytheon, Mr. Finnegan stated that the value was based upon the market price of Raytheon Common Stock. He reported that GM's financial advisors had completed due diligence and were expected to conclude that the use of the market price was supportable. With respect to Delco, he reported that customary valuation methodologies had been utilized, as would be described in greater detail. He noted that the value of the other factors (which would be

reviewed later) were more directional than quantifiable. He also reported that, as to Hughes Telecom, the proportional interests of stockholders would not change and that GM's financial advisors would report on their assessment as to the business and funding plans of Hughes Telecom as they related to New Hughes Electronics' financial strength.

Mr. Finnegan then explained that, because certain amounts relevant to the Distribution Ratio would not be known until the closing of the Hughes Transactions, the proposed Distribution Ratio would be expressed as a formula which accounts for certain variable factors, rather than as a fixed number of shares to be distributed to each class of stockholders. He then described the proposed Distribution Ratio formula, including the Net Transaction Effect Base Amount and the Net Transaction Effect, and explained how each component of the formula operated. The Distribution Ratio and its components are described in detail in "--The Distribution Ratio" below.

Mr. Finnegan noted that the value ascribed to Delco would be a key element in determining the Distribution Ratio. Mr. Armstrong then commented on the preparation of the Delco business plan presented to the Capital Stock Committee earlier in the meeting. He explained that the Delco business plan was prepared by Delco in a "bottom-up" manner to reflect goals believed to be realistic and reasonably achievable by Delco management; the plan was then reviewed and approved by Hughes Electronics management, the GM President's Council and the Hughes Electronics Board. He further noted that the Delco business plan was not prepared with a view to influencing the valuation of Delco in favor of either class of GM's common stockholders. Mr. Finnegan then described the valuation methodologies being employed by each of Merrill Lynch and Salomon Brothers to consider the value of Delco, including the use of the Delco business plan and the Delco/Delphi integration analysis in connection with the valuation process. He explained that Merrill Lynch and Salomon Brothers had been provided with full access to Delco management throughout the valuation process and described the independent valuations of Delco undertaken by Merrill Lynch and Salomon Brothers. Mr. Finnegan explained that he believed Merrill Lynch and Salomon Brothers employed the same techniques within the framework of the independent methodologies used by their respective firms. Mr. Finnegan explained that these procedures were consistent with standard industry practice. Mr. Finnegan noted that the Delco valuation considerations used in determining the proposed Distribution Ratio reflect a substantial premium to the enterprise value of Delco under the current Hughes Electronics and GM ownership structure. The valuations of Delco (including the valuation techniques utilized) by each of Merrill Lynch and Salomon Brothers are described below under "--Hughes Transactions Fairness Opinions: Merrill Lynch and Salomon Brothers."

Mr. Finnegan then described certain other factors to be considered in determining the Distribution Ratio formula and the Net Transaction Effect Base Amount. He explained that acquisition goodwill allocated to Hughes Defense (in an amount currently requiring amortization charges at the rate of approximately \$100 million per year) would be included in the value of the net assets of Hughes Defense at the time of the Hughes Defense Spin-Off and thus would no longer result in a charge to earnings attributable to GM $\frac{2}{3}$ Common Stockholders. He further explained that the Hughes Defense Spin-Off would generate a substantial one-time gain, which could have an incremental effect on the profit sharing payout under GM's collective bargaining agreements for the year in which the Hughes Transactions are consummated. (The Hughes Defense Spin-Off will not necessarily result in an equivalent effect on the payout to plan participants because numerous other factors may affect GM's pre-tax net income for the entire calendar year.) He noted, however, GM management's current expectation that this incremental payment would be largely offset on a net present value basis by the reduction in future profit sharing payments resulting from the elimination of Hughes Defense earnings. Mr. Finnegan noted the benefits anticipated from the elimination of the perceived discount attributed to GM Class H Common Stockholders' current tracking stock interest in Hughes Defense and the potential benefit to GM NAO (as a customer of Delco) of the cost savings expected to result from the integration of Delco and Delphi. He further explained that the Hughes Transactions would facilitate GM's component strategy by providing electronic systems integration capability. Mr. Finnegan then reviewed anticipated stockholder reactions to the announcement of the definitive terms of the Hughes Transactions and current analysts' assessments as to the value of Delco.

Mr. Finnegan then presented information relating to the value of the Hughes Transactions to the GM \$1 2/3 Common Stockholders and the value of the Hughes Transactions to the GM Class H Common Stockholders, including an illustration of the Distribution Ratio formula. He explained that the total value provided to GM Class H Common Stockholders in the Hughes Transactions would consist principally of the value of the Class A Common Stock to be distributed to such stockholders plus the value of the New GM Class H Common Stock. He further explained that the total benefit of the Hughes Transactions to GM \$1 2/3 Common Stockholders would consist principally of the value of the distribution of Class A Common Stock to such holders, offset in part by some dilution of the earnings per share of GM \$1 2/3 Common Stock in 1998, as well as the benefits derived from the transfer of Delco from Hughes Electronics to General Motors so that its operations could be integrated with those of Delphi. In addition, he explained that both classes of GM common stockholders would benefit from GM's investment in Hughes Telecom, which would receive additional funding in connection with the Hughes Transactions to better enable it to meet its capital requirements over the business planning horizon.

Mr. Armstrong then reviewed the status of the Hughes Transactions and discussed the anticipated timing of the consummation of the Hughes Transactions. He explained that, subject to stockholder approval and the satisfaction of certain other conditions, the Hughes Transactions were currently expected to be completed in December 1997.

Upon the recommendation of Hughes Electronics management, the Hughes Electronics Board approved each of the Hughes Telecom and Delco business plans. After reviewing and discussing these business plans and the other matters discussed at the meeting, including the proposed Distribution Ratio formula and the anticipated determination of the Net Transaction Effect Base Amount, the Capital Stock Committee approved the use of the Delco business plan and the Delco/Delphi integration analysis in the determination of the Distribution Ratio. See "The Distribution Ratio" and "Recommendations of the Capital Stock Committee and the GM Board; Fairness of the Transactions" below.

October 1, 1997 GM President's Council Meeting. On October 1, 1997, the GM President's Council met to discuss and consider the definitive terms of the Hughes Transactions, including the proposed terms of New GM Class H Common Stock, the Distribution Ratio formula, the determination of the Net Transaction Effect Base Amount and related matters. The GM President's Council received an update from GM management and Hughes Electronics management and legal counsel regarding the status of various regulatory and other matters relating to the Hughes Transactions. The GM President's Council then considered and discussed the matters considered and discussed at the Capital Stock Committee meeting on September 23, 1997. After discussion, the GM President's Council determined to recommend to the GM Board for approval definitive terms of the Hughes Transactions, including principally the adoption of the Distribution Ratio formula and a determination that the amount of the Net Transaction Effect Base Amount be \$6.5 billion multiplied by the fraction representing the tracking stock interest of GM Class H Common Stockholders (i.e., the "Class H Fraction") at the time of the Hughes Defense Spin-Off.

October 6, 1997 Hughes Electronics Board Meeting. On October 6, 1997, the Hughes Electronics Board met in a joint session with the GM Board to discuss and consider the definitive terms of the Hughes Transactions. The meeting was attended by all members of the Hughes Electronics Board. The presentations made and the other matters discussed at this meeting are described below as part of the description of the October 6, 1997 meeting of the GM Board. After considering the definitive terms of the Hughes Transactions as presented at the meeting, the Hughes Electronics Board approved all elements of the Hughes Transactions and related transactions requiring its approval and recommended to the GM Board that it approve the definitive terms of the Hughes Transactions.

October 6, 1997 Capital Stock Committee Meeting. On October 6, 1997, the Capital Stock Committee, in conjunction with the GM Board meeting held that day, met to discuss and consider the definitive terms of the Hughes Transactions. All members were in attendance, as were the officers of General Motors who are members of the GM Board (Messrs. Smith and Pearce), certain other officers of General Motors, a member of

the GM Legal Staff and representatives of the Capital Stock Committee's outside counsel. Also present for part of the meeting were representatives of Merrill Lynch, Salomon Brothers and Goldman Sachs and Mr. Armstrong, Chairman and Chief Executive of Hughes Electronics. Among other things, the Capital Stock Committee confirmed with the representatives of Merrill Lynch, Salomon Brothers and Goldman Sachs their complete access to information and to the managements of Hughes Electronics and General Motors in connection with their assignments and the independence of their financial advice. The Capital Stock Committee also confirmed with Mr. Armstrong the full participation of the management of Hughes Electronics in the process of developing the terms of the Hughes Transactions and the recommendation of Hughes Electronics management that the GM Board approve the Hughes Transactions as proposed. The Capital Stock Committee also considered, among other things, the presentations concerning the Hughes Transactions that had been made to the GM Board earlier that day and in the past by GM management and by each of Merrill Lynch, Salomon Brothers and Goldman Sachs, the recommendations of GM management, Hughes Electronics management and the Hughes Electronics Board, and the prior deliberations of the Capital Stock Committee. Based on the foregoing, the Capital Stock Committee determined to recommend to the GM Board (1) approval of the Distribution Ratio formula and the Net Transaction Effect as described herein, (2) establishment of the terms of the New GM Class H Common Stock and adoption of the GM Board policy statement as described herein and (3) determination that the Hughes Transactions and the Raytheon Merger are in the best interests of General Motors and its common stockholders, fairly take into account the interests of the holders of each class of GM common stock and are fair to the holders of both classes of GM common stock and, accordingly, approve and authorize the Hughes Transactions.

October 6, 1997 GM Board Meeting. The GM Board met on October 6, 1997, in a joint session with the Hughes Electronics Board, to discuss and consider the definitive terms of the Hughes Transactions. This regular meeting of the GM Board was attended by all members of the GM Board as well as by members of GM management and Hughes Electronics management and representatives of Goldman Sachs, Merrill Lynch, Salomon Brothers, Kirkland & Ellis and Weil, Gotshal & Manges LLP.

Mr. Smith commenced the meeting by providing an overview of the Hughes Transactions, including a description of the anticipated benefits to each class of GM stockholders. Mr. Finnegan then reviewed various aspects of the Hughes Transactions and the Raytheon Merger, covering substantially the same matters that he had addressed at the meeting of the Capital Stock Committee on September 23, 1997. See "--September 23, 1997 Capital Stock Committee Meeting" above. Mr. Finnegan also discussed the indicated value of the Raytheon Merger (which was approximately \$10.1 billion based on the then current Raytheon Common Stock price) and valuation considerations relating to Delco. Mr. Finnegan said that GM's financial advisors, Merrill Lynch and Salomon Brothers, would address the valuation of Delco later in the meeting, and that the expected benefits from the Delco/Delphi combination would constitute an important element of their valuation analyses. In addition, Mr. Finnegan also reviewed management's strategy for GM's components business and discussed the Hughes Defense debt proceeds that would be made available to Hughes Telecom as new capital.

Mr. Finnegan reviewed tax matters relating to the transactions, including an IRS letter ruling that had been received in July 1997. See "--Certain U.S. Federal Income Tax Considerations Relating to Certain of the Hughes Transactions" below.

Mr. Finnegan next reviewed pertinent accounting matters. He reported that the Hughes Defense Spin-Off would result in an approximately \$4.0 billion to \$5.0 billion accounting gain and a reduction in GM stockholders' equity of approximately \$0.6 billion to \$1.6 billion. He also reported on the anticipated effect on incremental profit sharing amounts which may be payable under GM's collective bargaining agreements. (The Hughes Defense Spin-Off will not necessarily result in an equivalent effect on the payout to plan participants because numerous other factors may affect GM's pre-tax net income for the entire calendar year.) From an earnings per share perspective, he noted that the Hughes Transactions were expected to be slightly dilutive (approximately \$0.05 per share) in 1998 and neutral in 1999 for the GM $\frac{1}{3}$ Common Stock and that the earnings per share for the New GM Class H Common Stock would not be comparable to that for the GM Class H Common Stock.

Mr. Finnegan next discussed the amounts that would be legally available for the payment of dividends on GM's common stocks after the Hughes Transactions under the GM Certificate of Incorporation as proposed to be amended in the Hughes Transactions. See "New GM Class H Common Stock--GM Certificate of Incorporation Provisions Regarding Dividends" in Chapter 6. He stated that management recommended that, immediately after the closing of the Hughes Transactions, the amounts available for the payment of dividends on GM \$1 2/3 Common Stock and New GM Class H Common Stock equal, respectively, the amounts available for the payment of dividends on GM \$1 2/3 Common Stock and GM Class H Common Stock immediately before the closing of the Hughes Transactions, less the net reduction in GM stockholders' equity resulting from the Hughes Transactions (as determined for financial reporting purposes), which he estimated to be approximately \$1.6 billion, with such net reduction allocated to the two classes of GM common stock in proportion to their respective derivative interests in the earnings of Hughes Electronics at the time of closing. The GM Board discussed the appropriateness of this allocation in the context of the Hughes Transactions.

Mr. Finnegan also reviewed the GM Board's earlier determination to structure the Hughes Transactions so as not to result in a recapitalization of GM Class H Common Stock into GM \$1 2/3 Common Stock at a 120% exchange ratio as currently provided for under certain circumstances in the GM Certificate of Incorporation. See "--No Recapitalization at a 120% Exchange Ratio."

Mr. Finnegan then discussed the Distribution Ratio, addressing substantially the same matters that he had addressed at the meeting of the Capital Stock Committee on September 23, 1997. See "--September 23, 1997 Capital Stock Committee Meeting" above. In this presentation, he noted management's recommendation that \$6.5 billion be the amount to be multiplied by the Class H Fraction in order to arrive at the Net Transaction Effect. He stated that this recommendation was made after discussions between GM management and Hughes Electronics management and was based on, among other things, the range of values for Delco calculated by GM's financial advisors, Merrill Lynch and Salomon Brothers. He also stated that management considered that the factors pertinent to determining the Net Transaction Effect other than the valuation of Delco for purposes of the transfer of Delco to General Motors were varied in their effects upon the GM \$1 2/3 Common Stockholders and GM Class H Common Stockholders and difficult to quantify but, taken as a whole, directionally suggested that using in the Distribution Ratio formula an amount above the mid-point of the financial advisors' Delco valuation ranges would be appropriate.

Ms. Austin then reported on matters related to the business plan of Hughes Telecom and the financial position of New Hughes Electronics, addressing substantially the same matters that she had addressed at the meeting of the Capital Stock Committee on September 23, 1997. See "--September 23, 1997 Capital Stock Committee Meeting" above. She also reported that management expected Hughes Telecom to use the proceeds of the debt to be incurred by Hughes Defense prior to its spin-off (currently estimated to be approximately \$3.9 billion) to repay \$1.725 billion borrowed from General Motors in connection with the PanAmSat Merger and to repay commercial paper borrowing of Hughes Electronics, estimated to be \$1.3 billion at the time of the closing of the Hughes Transactions. She reported management's view that the remaining cash and ordinary course borrowing capacity would provide New Hughes Electronics with adequate capital to execute its business plan. See "--Allocation of Hughes Defense New Debt Proceeds; Hughes Telecom Funding" below. She also indicated that cash needs beyond those reflected in the base business plan, such as for large strategic acquisitions, would require access to additional funding.

Ms. Austin then described the proposed terms for the New GM Class H Common Stock and the recommendation of management that the GM Board adopt a policy statement regarding certain capital stock matters, addressing substantially the same matters that she had addressed at the meeting of the Capital Stock Committee on September 23, 1997. See "--September 23, 1997 Capital Stock Committee Meeting" above.

Mr. Armstrong and John J. Higgins, General Counsel of Hughes Electronics, reported on matters related to the merger with Raytheon, including the status of antitrust clearance efforts and the GM personnel and Hughes Electronics personnel who would serve as directors of New Raytheon after the completion of the Raytheon Merger.

A representative of Goldman Sachs confirmed its opinion concerning the Raytheon Merger delivered at the January 16, 1997 meeting of the GM Board to the effect that, subject to the assumptions, limitations and other matters set forth in its written opinion, the Aggregate Consideration to be provided in the Raytheon Merger was fair to the GM Group as a whole. See "--January 16, 1997 Hughes Defense Spin-Off Committee Meeting" above and "Description of the Raytheon Merger--Raytheon Merger Fairness Opinion: Goldman Sachs" below. It is a condition to GM's obligation to complete the Hughes Transactions that the Goldman Sachs Fairness Opinion not be withdrawn.

Mr. Gottschalk summarized the pending litigation regarding the Hughes Transactions that had been filed against General Motors and its directors. See "--Stockholder Litigation Relating to the Hughes Transactions" below. A representative of Weil, Gotshal & Manges LLP then discussed certain matters relating to the fiduciary duties of the GM Board to the holders of both classes of GM common stock in connection with its consideration of the definitive terms for the Hughes Transactions. In this regard, he reviewed the process that management and the GM Board had followed in developing the terms of the Hughes Transactions and that, among other things, the Hughes Transactions had been structured so as to be conditioned on approval from the holders of each class of GM common stock.

Representatives of Merrill Lynch reviewed with the GM Board their valuation of Delco and advice with respect to the Hughes Transactions and the Raytheon Merger, presenting certain materials that have been filed as an exhibit to the Schedule 13E-3 filed by General Motors. Merrill Lynch also provided its written opinion to the GM Board that, as of October 6, 1997 and on the basis of and subject to the assumptions, limitations and other matters set forth therein, taking into account all relevant aspects of the Hughes Transactions and the Raytheon Merger, the consideration to be provided to General Motors and its subsidiaries and the GM \$1 2/3 Common Stockholders and the GM Class H Stockholders in the Hughes Transactions was fair from a financial point of view to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders. On October 6, 1997, Merrill Lynch delivered the Updated Merrill Lynch Fairness Opinion to the GM Board confirming the Original Merrill Lynch Fairness Opinion. A copy of the Updated Merrill Lynch Fairness Opinion, which sets forth the assumptions made, the matters considered and limitations on the review undertaken in connection with the opinion, is included in Appendix B to this document and is incorporated in this document by reference. For further information about the Updated Merrill Lynch Fairness Opinion and the October 6, 1997 presentation to the GM Board, see "--Hughes Transactions Fairness Opinions: Merrill Lynch and Salomon Brothers" below. It is a condition to GM's obligation to complete the Hughes Transactions that the Updated Merrill Lynch Fairness Opinion not be withdrawn.

Representatives of Salomon Brothers reviewed with the GM Board their valuation of Delco and advice with respect to the Hughes Transactions and the Raytheon Merger, presenting certain materials that have been filed as an exhibit to the Schedule 13E-3 filed by General Motors. Salomon Brothers also provided its written opinion to the GM Board that, as of October 6, 1997 and on the basis of and subject to the assumptions, limitations and other matters set forth therein, taking into account all relevant aspects of the Hughes Transactions and the Raytheon Merger, the consideration to be provided to General Motors and its subsidiaries and the GM \$1 2/3 Common Stockholders and the GM Class H Stockholders in the Hughes Transactions was fair from a financial point of view to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders. On October 6, 1997, Salomon Brothers delivered its written opinion to the GM Board confirming, as of such date, the Original Salomon Brothers Fairness Opinion. A copy of the Updated Salomon Brothers Fairness Opinion, which sets forth the assumptions made, the matters considered and limitations on the review undertaken in connection with the opinion, is included in Appendix B to this document and is incorporated in this document by reference. For further information about the Updated Salomon Brothers Fairness Opinion and Salomon Brothers' October 6, 1997 presentation to the GM Board, see "--Hughes Transactions Fairness Opinions: Merrill Lynch and Salomon Brothers" below. It is a condition to GM's obligation to complete the Hughes Transactions that the Updated Salomon Brothers Fairness Opinion not be withdrawn.

Mr. Smith then reported the unanimous recommendation of the GM President's Council that the GM Board approve the definitive terms of the Hughes Transactions as presented at the meeting, including the Distribution Ratio formula, the Net Transaction Effect, the allocation of the proceeds of the new Hughes Defense indebtedness, the terms of the New GM Class H Common Stock and the GM Board policy statement as discussed herein.

Mr. Armstrong commented on the business and financial outlook for New Hughes Electronics. The Hughes Electronics Board then took the action described above. See "--October 6, 1997 Hughes Electronics Board Meeting." The GM Board then recessed for the meeting of the Capital Stock Committee described above. See "--October 6, 1997 Capital Stock Committee Meeting."

Following such recess, Mr. Wyman, as chairman of the Capital Stock Committee, presented the recommendation of the Capital Stock Committee on the Hughes Transactions as described above. See "--October 6, 1997 Capital Stock Committee Meeting."

Mr. Losh then reported on the expected timing for completing the Hughes Transactions and the Raytheon Merger and GM's plans for filing a registration statement with the SEC and issuing a press release regarding the GM Board's approval of the Distribution Ratio and the other definitive terms of the Hughes Transactions.

Mr. Gottschalk then reviewed the resolutions presented to the directors for their consideration in connection with approving the definitive terms of the Hughes Transactions as described at the meeting, including the Distribution Ratio formula, the Net Transaction Effect, the allocation of the proceeds of the new Hughes Defense indebtedness, the terms of the New GM Class H Common Stock and the GM Board policy statement, a determination of fairness, approval of the principal agreements and transactions, the amount to be allocated to each class of common stock for the payment of dividends, a recommendation on the Hughes Transactions to GM common stockholders and the establishment of a special committee of the GM Board to act, as may be appropriate, on matters concerning the transactions between meetings of the GM Board.

After considering the matters discussed and considered at the meeting, the GM Board unanimously determined that the Hughes Transactions and the Raytheon Merger, taken as a whole, are in the best interests of General Motors and its common stockholders, fairly take into account the interests of each class of GM common stockholders, and are fair to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders. Accordingly, the GM Board unanimously approved and authorized the Hughes Transactions and determined to recommend to the common stockholders of General Motors that they execute consents approving the Hughes Transactions, including the adoption of the GM Spin-Off Merger Agreement.

THE DISTRIBUTION RATIO

GENERAL

We use the term "Distribution Ratio" to refer to the relationship between the amount of Class A Common Stock of Hughes Defense to be distributed to the holders of each of the two classes of GM common stock. Establishing an appropriate formula to express the Distribution Ratio was an important element in the GM Board's determination that the Hughes Transactions, taken as a whole, are fair to the holders of both classes of GM common stock.

The Distribution Ratio is designed to provide GM Class H Common Stockholders with an amount of Class A Common Stock of Hughes Defense that is appropriate to reflect not only their current tracking stock interest in Hughes Defense (approximately 25.6%, based on the Class H Fraction as of September 30, 1997) but also the net effect on them of all other aspects of the Hughes Transactions, principally the transfer of Delco to General Motors, which will result in the earnings of Delco no longer being tracked by the New GM Class H Common Stock. The balance of the Class A Common Stock of Hughes Defense will be distributed to the GM \$1 2/3 Common Stockholders and will reflect both their current interest in Hughes Defense (approximately

74.4%, based on the Class H Fraction as of September 30, 1997) and the net effect on them of all other aspects of the Hughes Transactions, principally the transfer of Delco to General Motors.

DISTRIBUTION RATIO: KNOWN ELEMENTS

Two of the elements of the Distribution Ratio are known at this time:

- (1) The total amount of Class A Common Stock of Hughes Defense to be distributed to all GM common stockholders. The Raytheon Merger Agreement provides that this amount shall be 102,630,503 shares.
- (2) The total amount to be multiplied by the Class H Fraction in order to determine the additional amount of Class A Common Stock that would fairly compensate the GM Class H Common Stockholders for the transfer of Delco and all other aspects of the Hughes Transactions. On October 6, 1997, the GM Board determined this total amount to be \$6.5 billion. Accordingly, assuming a Class H Fraction of 25.6%, the additional Class A Common Stock would have a value of \$1.665 billion. We refer to this amount as the "Net Transaction Effect Base Amount." In the event that any proceeds of Hughes Defense debt are made available to General Motors, the Net Transaction Effect Base Amount will be increased by the amount of such proceeds multiplied by the Class H Fraction. We refer to the result of that adjustment as the "Net Transaction Effect." If no debt proceeds are made available to General Motors, the Net Transaction Effect will be the same as the Net Transaction Effect Base Amount.

For a description of the process and methodology utilized by the GM Board in determining the Net Transaction Effect Base Amount, see "Background of the Hughes Transactions--Development of the Hughes Transactions and the Raytheon Merger--September 23, 1997 Capital Stock Committee Meeting" above.

DISTRIBUTION RATIO: VARIABLE ELEMENTS

Certain elements of the Distribution Ratio cannot be known precisely until the closing of the Hughes Transactions. For this reason, the Distribution Ratio is expressed as a formula that will depend on the final values of the variable elements, although we have used certain assumptions about these values in the discussion and illustrations below.

There are three variable elements of the Distribution Ratio:

- (1) The "Class H Fraction" on the closing date of the Hughes Transactions. The Class H Fraction expresses the number of shares of GM Class H Common Stock outstanding at any time as a percentage of the Class H Dividend Base and reflects the amount of tracking stock interest that the GM Class H Common Stockholders have in the earnings of Hughes Electronics and its three principal businesses. The Class H Fraction was 25.6% on September 30, 1997, although we have sometimes referred to it in this document as "approximately 25%." Although it may vary, we do not expect this fraction to change significantly between now and the closing. The Class H Dividend Base is the denominator of the fraction that is used in the GM Certificate of Incorporation to allocate the earnings of Hughes Electronics between GM's two classes of common stock for dividend purposes. The Class H Dividend Base was initially established in connection with GM's acquisition of Hughes Aircraft in 1985 and has been adjusted to reflect subsequent stock splits and stock issuances. It is a number (currently about 400 million) that notionally reflects 100% of the tracking stock interest in Hughes Electronics, of which about 25.6% has been issued in the form of GM Class H Common Stock.
- (2) The per share value of the Class A Common Stock of Hughes Defense to be distributed to GM common stockholders. This amount will determine how many shares of that stock are needed in order to provide the GM Class H Common Stockholders with additional value equal to the Net Transaction Effect. The GM Board believes that the market value of the Raytheon Common Stock near the closing date will be the best indicator of the value of the Class A Common Stock to be distributed to GM common stockholders. We refer to this amount on a per share basis as the "Class A Share"

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Value." The Class A Share Value will be measured as the average closing market price of the Raytheon Common Stock during the 30-day period ending on the fifth day before the consummation of the Raytheon Merger. This is the same valuation formula that is used in the Raytheon Merger Agreement to determine the amount of debt that Hughes Defense may have at the time of the Raytheon Merger. However, the Class A Share Value will be determined without giving effect to the collar adjustment used in connection with the Raytheon Merger. We have used the Recent Raytheon Stock Price for illustrative calculations in this document, but it is not necessarily indicative of the Class A Share Value.

- (3) The amount, if any, of cash proceeds from debt incurred by Hughes Defense that will be made available to General Motors rather than used to fund the capital needs of Hughes Telecom. The GM Board has determined that the proceeds of Hughes Defense debt incurred prior to the Hughes Defense Spin-Off will be retained by Hughes Telecom up to the first \$4.0 billion, with any debt proceeds over that amount being used to repay amounts owed to Delco. Since Delco is being transferred to General Motors as part of the Hughes Transactions, any debt proceeds so applied will be made available to General Motors. The amount of new debt that Hughes Defense may incur prior to the closing is limited by the Raytheon Merger Agreement and varies based on the market price of Raytheon Common Stock and the amount of other debt of Hughes Defense at the time of its spin-off from General Motors. If the Raytheon Common Stock maintains its current stock price through the closing and based on our estimates of other Hughes Defense debt, the amount of Hughes Defense new debt will be approximately \$3.9 billion, so all of the debt proceeds will be retained by Hughes Telecom and none will be made available to General Motors. In that event, as explained above, no adjustment will be made to the Net Transaction Effect Base Amount, which accordingly will be the same as the Net Transaction Effect. For a description of the total amount of debt proceeds that will be available, see "Description of the Raytheon Merger--Raytheon Merger Agreement--Covenants--Indebtedness" below. The Raytheon Merger Agreement refers to this amount as the "Intercompany Payment Amount." If the Intercompany Payment Amount exceeds \$4.0 billion, the Net Transaction Effect would be calculated by adding to the Net Transaction Effect Base Amount an amount equal to such excess multiplied by the Class H Fraction.

DISTRIBUTION RATIO

For purposes of this discussion and illustration, we have assumed that (1) the Class A Share Value is equal to the Recent Raytheon Stock Price (\$56.94 per share on October 15, 1997), (2) the Class H Fraction is 25.6% and (3) there will be no existing indebtedness of Hughes Defense at the time of the Hughes Defense Spin-Off. As a result of the assumed Class A Share Value, no proceeds of new Hughes Defense debt will be made available to General Motors and therefore the Net Transaction Effect will be equal to the Net Transaction Effect Base Amount. We have used these amounts for illustrative purposes only.

In applying the Distribution Ratio formula, we first determine the appropriate number of shares of Class A Common Stock to be distributed to the holders of GM Class H Common Stock. We refer to this amount as the "Class H Distribution." The number of shares to be distributed to the GM \$1 2/3 Common Stockholders is then determined by subtracting the Class H Distribution from the total number of shares of Class A Common Stock to be distributed. We refer to this amount as the "\$1 2/3 Distribution." The "Distribution Ratio" expresses the relationship between the Class H Distribution and the \$1 2/3 Distribution.

Using the terms defined above, the Class H Distribution and the \$1 2/3 Distribution can be calculated as follows:

- . Class H Distribution = 102,630,503 times Class H Fraction
plus
(Net Transaction Effect divided by Class A Share Value)
. \$1 2/3 Distribution = 102,630,503 minus Class H Distribution

The Class H Distribution has two components. One component is intended to provide GM Class H Common Stockholders with a portion of the Class A Common Stock equivalent to the amount of their current tracking stock interest in Hughes Defense. Accordingly, this amount is equal to the total amount of Class A Common Stock multiplied by the Class H Fraction on the closing date. Based on the current Class H Fraction, this component would be 102,630,503 times 25.6%, or 26,294,176 shares.

The second component of the Class H Distribution is intended to provide the GM Class H Common Stockholders with an additional amount of Class A Common Stock having a value equal to the Net Transaction Effect. This amount is calculated by first multiplying \$6.5 billion by the Class H Fraction to obtain the Net Transaction Effect (\$1.665 billion based on the current Class H Fraction) and then dividing the Net Transaction Effect by the Class A Share Value. Accordingly, based on the assumptions stated above, the Class H Distribution would include an additional number of shares of Class A Common Stock equal to \$1.665 billion divided by \$56.94, or 29,248,128 shares.

Based on the assumptions stated above, the Class H Distribution would be equal to the sum of the two components, amounting to 55,542,304 shares of Class A Common Stock in total, and 0.54209 shares of Class A Common Stock per share of GM Class H Common Stock. Accordingly, the Class H Distribution would amount to approximately 54.1% of the total distribution of Class A Common Stock to GM common stockholders.

The \$1 2/3 Distribution would be equal to the total number of shares of Class A Common Stock minus the Class H Distribution. Accordingly, the \$1 2/3 Distribution would be equal to 102,630,503 minus 55,542,304, or 47,088,199 shares of Class A Common Stock in total, and 0.06658 shares of Class A Common Stock per share of GM \$1 2/3 Common Stock. This would amount to approximately 45.9% of the total distribution of Class A Common Stock to GM common stockholders.

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ILLUSTRATIVE CALCULATIONS

The following table sets forth illustrative calculations of the Distribution Ratio and the per share distributions of Class A Common Stock to be made to each class of GM common stock based on various average closing prices of Raytheon Common Stock, which would determine the Class A Share Value for purposes of the Distribution Ratio formula. In each case, the illustrations are based on the Class H Fraction as of September 30, 1997 (approximately 25.6%) and assume that there will be no existing indebtedness of Hughes Defense (other than the new debt) at the time of the Hughes Defense Spin-Off. For information about recent closing prices of Raytheon Common Stock, see "Description of the Raytheon Merger--Raytheon Merger Agreement" below. The table does not give effect to the treatment of fractional shares in the Raytheon Merger, which provides that fractional shares of Class A Common Stock will be converted into Class B Common Stock and sold for cash, with the proceeds being distributed to the owners of such fractional shares. As described above, to the extent the proceeds of the new debt incurred by Hughes Defense exceed \$4.0 billion, such excess will be made available to General Motors and the Distribution Ratio will be adjusted. We currently estimate that no debt proceeds will be available to General Motors unless the Class A Share Value is \$53.59 or less and that the maximum amount of proceeds that could be made available to General Motors is \$0.9 billion (when the Class A Share Value is at the bottom of the collar (\$44.42 or below)).

CLASS A SHARE VALUE	DISTRIBUTION RATIO:		PER SHARE \$1 2/3 DISTRIBUTION:		PER SHARE CLASS H DISTRIBUTION:	
	AGGREGATE \$1 2/3 PERCENTAGE	AGGREGATE CLASS H PERCENTAGE	NUMBER OF CLASS A SHARES	VALUE OF CLASS A SHARES	NUMBER OF CLASS A SHARES	VALUE OF CLASS A SHARES
\$70.00	51.2%	48.8%	0.07429	\$5.20	0.48882	\$34.22
\$68.00	50.5%	49.5%	0.07330	\$4.98	0.49565	\$33.70
\$66.00	49.8%	50.2%	0.07226	\$4.77	0.50290	\$33.19
\$64.00	49.0%	51.0%	0.07114	\$4.55	0.51059	\$32.68
\$62.00	48.2%	51.8%	0.06995	\$4.34	0.51878	\$32.16
\$60.00	47.3%	52.7%	0.06869	\$4.12	0.52752	\$31.65
\$58.00	46.4%	53.6%	0.06733	\$3.91	0.53686	\$31.14
\$56.94	45.9%	54.1%	0.06658	\$3.79	0.54209	\$30.87
\$56.00	45.4%	54.6%	0.06589	\$3.69	0.54687	\$30.62
\$54.00	44.3%	55.7%	0.06433	\$3.47	0.55762	\$30.11
\$52.00	42.4%	57.6%	0.06151	\$3.20	0.57705	\$30.01
\$50.00	40.1%	59.9%	0.05817	\$2.91	0.60013	\$30.01
\$48.00	37.6%	62.4%	0.05455	\$2.62	0.62513	\$30.01
\$46.00	34.9%	65.1%	0.05061	\$2.33	0.65231	\$30.01
\$44.00	32.2%	67.8%	0.04667	\$2.05	0.67951	\$29.90
\$42.00	30.2%	69.8%	0.04375	\$1.84	0.69965	\$29.39
\$40.00	27.9%	72.1%	0.04054	\$1.62	0.72180	\$28.87

POST-CLOSING PAYMENT

The determination by the GM Board of the Net Transaction Effect is based on, among other things, valuations of Delco which were based, in part, on a December 31, 1997 projected balance sheet for Delco (which excluded all assets and liabilities related to Delco Systems Operations, which has historically been reported in Hughes Electronics' Aerospace and Defense Systems segment but is being transferred to General Motors in connection with the Hughes Reorganization as described under "Business of Delco" in Chapter 4). Within approximately four months following the closing of the Hughes Transactions, General Motors will prepare a balance sheet for Delco as of the closing date on a basis consistent with such December 31, 1997 projected balance sheet. To the extent that this closing balance sheet reflects "net investment amount" of Delco different from the "net investment amount" of Delco as reflected on the December 31, 1997 projected balance sheet by an amount exceeding \$50 million, a payment will be made from New Hughes Electronics to General Motors, or from General Motors to New Hughes Electronics, as appropriate, to compensate for the amount of such difference in excess of \$50 million. For such purposes, "net investment amount" means total

assets less total liabilities, excluding cash and cash equivalents, notes receivable from Hughes Electronics and all balances related to Delco Systems Operations. In addition, the closing date balance sheet "net investment amount" will exclude the effects of accounting changes, extraordinary items and one time non-recurring gains or losses.

This adjustment will in no way affect the number of shares of Class A Common Stock distributed to GM \$1 2/3 Common Stockholders or to GM Class H Common Stockholders in the Hughes Defense Spin-Off.

RECOMMENDATIONS OF THE CAPITAL STOCK COMMITTEE AND THE GM BOARD; FAIRNESS OF THE HUGHES TRANSACTIONS

As described elsewhere in this document, throughout 1996, General Motors and Hughes Electronics considered the strategic challenges facing each of the three principal businesses of Hughes Electronics and assessed various alternative structures for a transaction or series of transactions involving these businesses. See "--Alternatives to the Hughes Transactions" and "--Background to the Hughes Transactions" above.

At its December 2, 1996 meeting, the Capital Stock Committee considered the proposed process for overseeing the development of the terms of transactions which would enable the Hughes Electronics businesses to address such challenges, including the formation of a special committee of the GM Board to oversee the process. At its meeting on the same day, the GM Board reviewed its determination that it would not propose a transaction or series of transactions that would result in the recapitalization of GM Class H Common Stock into GM \$1 2/3 Common Stock at the 120% exchange ratio as provided for under certain circumstances in the GM Certificate of Incorporation. See "No Recapitalization at a 120% Exchange Ratio" below. The GM Board also authorized the implementation of a process to be managed by a joint GM management and Hughes Electronics management team, in consultation with their financial, legal and other advisors, to solicit expressions of interest in a tax-free merger involving Hughes Defense. At this time, the GM Board established the Hughes Defense Spin-Off Committee to oversee the process.

From December 2, 1996 until January 16, 1997, the joint management team, under the oversight of the Hughes Defense Spin-Off Committee and the Capital Stock Committee, solicited expressions of interest in a tax-free merger involving Hughes Defense and developed the proposed terms of the Hughes Transactions, including certain features intended to ensure that the Hughes Defense Spin-Off and the subsequent merger of Hughes Defense with another industry participant would be tax-free to General Motors and its stockholders. The joint management team received significant support from its financial, legal, tax and other advisors in connection with the competitive bidding process and negotiated separately with Raytheon and Northrop Grumman concerning a merger transaction involving Hughes Defense prior to recommending Raytheon as the merger partner.

On January 16, 1997, after discussion and consideration of the Hughes Transactions and related matters as described above, each of the Hughes Electronics Board, the Hughes Defense Spin-Off Committee and the Capital Stock Committee recommended that the GM Board approve and authorize the Hughes Transactions, subject to the GM Board's subsequent approval of the definitive terms of the transactions and determination of a Distribution Ratio that would enable the GM Board to conclude that the Hughes Transactions, taken as a whole, were fair to both classes of GM common stockholders and enable Merrill Lynch and Salomon Brothers to deliver the Original Merrill Lynch Fairness Opinion and the Original Salomon Brothers Fairness Opinion, respectively. Thereafter, the GM Board unanimously approved and authorized the Hughes Transactions, subject to the GM Board's subsequent approval of the definitive terms of the transactions, including the determination of a Distribution Ratio satisfying the condition described above.

The Capital Stock Committee, in connection with its January 16, 1997 determination to recommend that the GM Board approve and authorize the Hughes Transactions, subject to the GM Board's subsequent approval of the definitive terms of the transactions (including an appropriate Distribution Ratio), considered a number of factors, including, among others, the presentations made to and discussions held at the January 16, 1997

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meeting of the Hughes Defense Spin-Off Committee (which had been attended by all members of the Capital Stock Committee and all but one of the members of the GM Board). These presentations included the presentation by representatives of Goldman Sachs (including its written opinion that, as of January 16, 1997, the aggregate consideration provided in the Raytheon Merger to Hughes Defense, Hughes Electronics, General Motors, the GM $\$1 \frac{2}{3}$ Common Stockholders and the GM Class H Common Stockholders as a whole in connection with the Raytheon Merger was fair to such group) and the presentations by representatives of Merrill Lynch and representatives of Salomon Brothers relating to the values created by the Hughes Transactions and the factors and issues to be considered in establishing a Distribution Ratio that would permit each financial advisor to deliver a fairness opinion with respect to the Hughes Transactions (including their separate conclusions, after considering all factors each deemed appropriate, that, absent a material change in conditions as they existed on such date, the GM Board could reasonably be expected to be able to establish such a Distribution Ratio).

Upon the recommendation of the Capital Stock Committee, as well as the recommendations of the Hughes Electronics Board and the Hughes Defense Spin-Off Committee, and considering the background, oversight, deliberations and views of the Capital Stock Committee and the Hughes Defense Spin-Off Committee with respect to the development of the terms of the Hughes Transactions and the process by which Raytheon was selected as the merger partner for Hughes Defense, the GM Board approved and authorized the Hughes Transactions, subject to its subsequent approval of the definitive terms of the transactions (including the Distribution Ratio), and the subsequent merger of Hughes Defense with Raytheon.

In addition to and without limiting the foregoing, in approving and authorizing the Hughes Transactions, subject to the development by management and approval by the GM Board of the definitive terms of the Hughes Transactions, the GM Board considered: (1) the reports, presentation and recommendation of GM's executive management regarding the Hughes Transactions and the Raytheon Merger, (2) the final merger proposals by Raytheon and Northrop Grumman regarding a transaction involving Hughes Defense, (3) the recommendation of GM management and Hughes Electronics management that General Motors proceed with the Hughes Transactions, (4) the recommendation of GM management and Hughes Electronics management that Raytheon be selected as the merger partner for Hughes Defense, (5) the presentations by representatives of Merrill Lynch and representatives of Salomon Brothers regarding the values created by the Hughes Transactions and the factors and issues to be considered in establishing a Distribution Ratio that would permit the delivery by each of Merrill Lynch and Salomon Brothers of a fairness opinion with respect to the Hughes Transactions (including their separate conclusions, after considering all factors each deemed appropriate, that, absent a material change in conditions as they existed on such date, the GM Board could reasonably be expected to be able to establish such a Distribution Ratio), (6) the presentation and written opinion of Goldman Sachs as to the fairness of the aggregate consideration to be provided in the Raytheon Merger to Hughes Defense, Hughes Electronics, General Motors, the GM $\$1 \frac{2}{3}$ Common Stockholders and the GM Class H Common Stockholders as a whole, (7) the recommendation by the Hughes Electronics Board that General Motors proceed with the Hughes Transactions, (8) the background, oversight, deliberations and views of the Hughes Defense Spin-Off Committee with respect to the Hughes Transactions and the selection of a merger partner for Hughes Defense and its recommendation that Raytheon be selected as the merger partner for Hughes Defense and that the Raytheon Merger be approved, (9) the background, oversight, deliberations and views of the Capital Stock Committee with respect to the Hughes Transactions and its recommendation that the Hughes Transactions be approved, (10) the information previously reviewed and the prior deliberations of the GM Board concerning the Hughes Transactions and the Raytheon Merger and (11) the other matters reported on at the January 16, 1997 meetings of the Hughes Defense Spin-Off Committee, the Hughes Electronics Board, the Capital Stock Committee and the GM Board. See "--Background to the Hughes Transactions--Development of the Hughes Transactions and the Raytheon Merger" above.

In approving the Hughes Transactions in January 1997, the GM Board had reserved the determination of the Distribution Ratio and the other definitive terms of the Hughes Transactions for a future time, deciding to make such decision closer to the time when the Hughes Transactions were to be submitted for stockholder

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approval. By delaying its determination of the Distribution Ratio, the GM Board sought to shorten the interval of time between the determination of the Distribution Ratio and the time the Hughes Transactions would be consummated, thus reducing the likelihood of material changes in the factors contributing to the determination of the Distribution Ratio that might occur in the marketplace or otherwise during such interval.

From January 16 until October 6, 1997, the Capital Stock Committee and the GM Board received updates from GM management and Hughes Electronics management and legal counsel regarding the status of the Hughes Transactions, including the development of the definitive terms of the transactions and the status of various regulatory and other approvals required to be obtained in order to consummate the transactions. On September 23, 1997, the Capital Stock Committee met to review the development of the definitive terms of the Hughes Transactions, including the Distribution Ratio formula and the terms of the New GM Class H Common Stock. At this meeting, the Capital Stock Committee approved the use of the Delco business plan and the related analysis of the anticipated benefits of the planned Delco/Delphi integration in the determination of the Net Transaction Effect Base Amount for use in the Distribution Ratio. See "--Background of the Hughes Transactions--Development of the Hughes Transactions and the Raytheon Merger--September 23, 1997 Capital Stock Committee Meeting" above.

On October 6, 1997, after discussion and consideration of the Hughes Transactions, the Distribution Ratio and related matters, the Capital Stock Committee recommended that the GM Board approve and authorize the definitive terms of the Hughes Transactions, including the Distribution Ratio formula and the Net Transaction Effect Base Amount in an amount equal to \$6.5 billion multiplied by the Class H Fraction as of the time of the Hughes Defense Spin-Off. In making such determination, the Capital Stock Committee reviewed and considered, among other things, the Hughes Telecom business plan, the Delco business plan and the supplemental analysis of the benefits anticipated to be realized from the integration of Delco and Delphi, the proposed terms of the New GM Class H Common Stock and the related proposed GM Board policy statement regarding certain capital stock matters, the recommended Distribution Ratio formula and the Net Transaction Effect and the reports, presentations and recommendation of GM management and Hughes Electronics management regarding these and other matters relating to the Hughes Transactions. See "Background to the Hughes Transactions--Development of the Hughes Transactions and the Raytheon Merger--September 23, 1997 Capital Stock Committee Meeting" above.

Thereafter, on October 6, 1997, the GM Board unanimously determined that the Hughes Transactions, including the Distribution Ratio formula and the Net Transaction Effect Base Amount in an amount equal to \$6.5 billion multiplied by the Class H Fraction as of the time of the Hughes Defense Spin-Off, are in the best interests of General Motors and you (its common stockholders) and are fair to the GM $\frac{1}{3}$ Common Stockholders and the GM Class H Common Stockholders. Accordingly, the GM Board approved the definitive terms of the Hughes Transactions. On the same date, Merrill Lynch delivered the Original Merrill Lynch Fairness Opinion and Salomon Brothers delivered the Original Salomon Brothers Fairness Opinion.

In reviewing the definitive terms of the Hughes Transactions and the fairness of the Hughes Transactions, the GM Board considered the Distribution Ratio formula, including the determination of the Net Transaction Effect, to be an important element in establishing the fairness of the Hughes Transactions to the holders of both classes of GM common stock. In considering the Distribution Ratio formula, the GM Board determined that the GM Class H Common Stockholders as a whole should receive an amount of the Class A Common Stock which represents their current tracking stock interest in Hughes Defense plus an additional amount in order to reflect the net effect of all other aspects of the Hughes Transactions, principally the transfer of Delco to General Motors (which would result in the elimination of their tracking stock interest in Delco). Similarly, the GM Board determined that GM $\frac{1}{3}$ Common Stockholders as a whole should receive an amount of the Class A Common Stock which represents less than their current interest in Hughes Defense in order to reflect the net effect of all other aspects of the Hughes Transactions, principally the transfer of Delco to General Motors (which would result in the transfer to such holders of the tracking stock interest in Delco currently held by GM Class H Common Stockholders). Thus, in determining an appropriate ratio for the distribution of the Class A

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Common Stock between the two classes of GM common stockholders as part of the Hughes Transactions, the GM Board considered all relevant aspects of the Hughes Transactions affecting the rights and interests of each class of GM common stockholders.

The GM Board attributed substantial importance to the valuation of Delco (including the benefits anticipated to be realized as a result of the integration of Delco and Delphi) in the determination of the amount of the Net Transaction Effect to be used in the Distribution Ratio formula and, ultimately, in considering the fairness of the Hughes Transactions to the holders of each class of GM common stock. In determining the value to be ascribed to Delco for purposes of setting the Distribution Ratio, the GM Board placed substantial reliance on the Delco business plan and the supplemental analysis of the benefits anticipated to be realized from the integration of Delco and Delphi, as prepared jointly by the managements of Delco and Delphi and approved by Hughes Electronics management and GM management. In this regard, the assessments by Hughes Electronics management and GM management that such business plan and supplemental analysis were realistic and reasonably achievable, and the Capital Stock Committee's approval of their use for purposes of the valuation of Delco in determining the amounts of Class A Common Stock to be distributed to the holders of each class of GM common stock, was important. In reaching its determination, the GM Board also placed principal reliance on the presentations by representatives of Merrill Lynch and representatives of Salomon Brothers to the GM Board at its October 6, 1997 meeting and noted that the Delco valuation considerations used in determining the Distribution Ratio reflect a substantial premium to the enterprise value of Delco under the current Hughes Electronics and GM ownership structure. As described further below under "Hughes Transactions Fairness Opinions: Merrill Lynch and Salomon Brothers," GM's financial advisors, Merrill Lynch and Salomon Brothers, each presented information to the GM Board regarding their calculations of a range of values for Delco based on several valuation methodologies, including discounted cash flow (reflecting both Delco as a stand-alone entity and giving effect to the integration of Delco and Delphi), transaction comparables (reflecting prices paid, including multiples and premiums, in numerous acquisitions of OEM suppliers and other relevant transactions) and publicly traded comparables (reflecting public trading market price of other OEM suppliers). The GM Board did not separately consider the net book value, liquidation value or certain other forms of going concern value of Delco.

In considering the other aspects of the Hughes Transactions affecting the rights and interests of each class of GM common stockholders, the GM Board placed substantial reliance on the presentations by GM management and representatives of Merrill Lynch and Salomon Brothers, as described above under "Background of the Hughes Transactions--Development of the Hughes Transactions and the Raytheon Merger--October 6, 1997 GM Board Meeting." The GM Board considered that the factors other than the value of Delco in the context of the transfer of Delco from Hughes Electronics to General Motors were largely directional rather than quantifiable, including GM management's assessment that such factors suggested that it would be appropriate to set the Net Transaction Effect Base Amount above the mid-point of the financial advisors' calculations of ranges for the value of Delco. For a description of these ranges, see "Hughes Transactions Fairness Opinions: Merrill Lynch and Salomon Brothers" below.

In determining the additional amount of Class A Common Stock to be provided to GM Class H Common Stockholders in the Hughes Defense Spin-Off in order to compensate them for the Net Transaction Effect, the GM Board decided that the current market price of Raytheon Common Stock would be the best indicator of the value of the shares of Class A Common Stock. This was based, in part, on the conclusions of GM's financial advisors that, based on their due diligence reviews of Hughes Defense and Raytheon, the use of the market price was supportable. Based on the recommendation of GM management, the GM Board determined to value Class A Common Stock for purposes of the Distribution Ratio using the same valuation formula as used under the Raytheon Merger Agreement for purposes of determining the amount of debt which Hughes Defense could have at the time of the Raytheon Merger, except that no collar was placed on the determination of this price. The collar mechanism utilized under the Raytheon Merger Agreement was considered to be an arbitrary and inappropriate limitation for these purposes.

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In reviewing the fairness of the Hughes Transactions, the GM Board also considered the indicated value to General Motors and its common stockholders of the Hughes Defense Spin-Off and the Raytheon Merger. See "Description of the Raytheon Merger--Indicated Value of the Hughes Defense Spin-Off and the Raytheon Merger to General Motors and Its Common Stockholders" below. In this regard, the GM Board placed substantial reliance on the Goldman Sachs Fairness Opinion described below under "Description of the Raytheon Merger--Raytheon Merger Fairness Opinion: Goldman Sachs" and noted that the total indicated value of the transactions represents a substantial premium to the enterprise value of Hughes Defense under the current General Motors and Hughes Electronics ownership structure.

In addition, the GM Board considered the business and financial outlook for New Hughes Electronics, including the assessment of Hughes Electronics management that, following the completion of the Hughes Transactions, New Hughes Electronics will be adequately capitalized to execute its business plan as a result of the initial cash infusion of approximately \$3.9 billion of the proceeds of the new Hughes Defense debt coupled with borrowing capacity. See "Allocation of Hughes Defense Debt Proceeds; Hughes Telecom Funding" below. In this regard, the GM Board also placed reliance on the fact that Merrill Lynch and Salomon Brothers noted that the new funding of approximately \$3.9 billion to \$4.0 billion to be provided to Hughes Telecom in connection with the Hughes Transactions, when added to current cash and borrowing capacity, would provide adequate funding and financial flexibility for Hughes Telecom to pursue its current business plan. See "Hughes Transactions Fairness Opinions: Merrill Lynch and Salomon Brothers--October Presentation" below. In connection with its consideration of the business and financial outlook for New Hughes Electronics, the GM Board noted the indication by Hughes Electronics management that cash needs beyond those reflected in the base business plan, such as for large strategic acquisitions, would require access to additional funding. The GM Board also considered the benefits to New Hughes Electronics of having its senior management focused on a single principal area of business.

The GM Board also considered the fact that the proposed definitive terms of the Hughes Transactions satisfied the condition established by the GM Board as to the tax-free nature of the transactions. The GM Board attributed substantial importance to the satisfaction of this condition in the context of the recently enacted tax legislation which provides that, under certain circumstances, a corporation will recognize gain on the distribution of the stock of a subsidiary in a spin-off transaction coupled with a pre-arranged merger transaction. See "Certain U.S. Federal Income Tax Considerations Relating to Certain of the Hughes Transactions--Certain Legislation" below. The GM Board considered the fact that, if the Hughes Transactions are not consummated, any future transactions involving Hughes Defense would be subject to these legislative provisions and, if structured in a manner similar to the Hughes Transactions, would likely cause General Motors and its common stockholders to recognize taxable gain for U.S. federal income tax purposes if consummated. Similarly, the GM Board considered the fact that the proposed definitive terms of the Hughes Transactions satisfied the condition established by the GM Board as to the absence of a recapitalization at a 120% exchange ratio.

The GM Board also considered the recommendations of GM management and Hughes Electronics management with respect to the definitive terms of the Hughes Transactions, as well as the recommendations of the Hughes Electronics Board and the Capital Stock Committee. The GM Board also considered the oversight of the Capital Stock Committee of the process of developing the definitive terms of the Hughes Transactions.

With respect to the procedural fairness of the Hughes Transactions, the GM Board placed substantial reliance on its determination that fair processes had been implemented to develop the definitive terms of the Hughes Transactions and the Raytheon Merger, including the oversight function of the Capital Stock Committee and, in connection with the Raytheon Merger, the Hughes Defense Spin-Off Committee. The GM Board considered the fact that the definitive terms of the Hughes Transactions had been developed jointly by GM management and Hughes Electronics management, working together with the advice and consultation of their financial, legal, tax and other advisors, subject to the oversight of the Capital Stock Committee. See "Background of the Hughes Transactions--Development of the Hughes Transactions and Raytheon Merger"

above. The GM Board also considered the fact that the terms of the Raytheon Merger had been developed as a part of a competitive process of soliciting a merger partner for Hughes Defense, and that the final terms of the Raytheon Merger had been developed through a process of vigorous arm's-length negotiation between Raytheon and the joint management team, subject to the oversight of the Capital Stock Committee and the Hughes Defense Spin-Off Committee, as described above under "Background of the Hughes Transactions-- Development of the Hughes Transactions and the Raytheon Merger." In addition, the GM Board considered that the Hughes Transactions would be submitted for the separate approvals of the holders of a majority of the outstanding shares of each class of GM common stock, each voting as a separate class.

As noted above, the determination of the value to be ascribed to Delco for purposes of setting the Distribution Ratio was considered by the GM Board to be an important element in determining the fairness of the Hughes Transactions. From a procedural point of view, the GM Board considered the "bottom up" manner in which Delco management prepared the Delco business plan used in such valuation, Hughes Electronics management's report that such plan was not prepared with a view to influencing the valuation of Delco in favor of either class of GM common stockholders and was deemed to be realistic and reasonably achievable, the review and approval of such plan by Hughes Electronics management, the Hughes Electronics Board and the GM President's Council and the Capital Stock Committee's approval of the use of such plan, together with the Delco/Delphi integration analysis, in the determination of the Distribution Ratio.

In determining the fairness of the Hughes Transactions, taken as a whole, to the holders of both classes of GM common stock, the GM Board considered each of the foregoing factors. The GM Board did not formally assign weights to specific factors, but instead considered all factors together. The GM Board placed principal reliance on its conclusion that the Distribution Ratio formula and the Net Transaction Effect appropriately reflected the interests of the holders of both classes of GM common stock and that certain strategic challenges faced by each of the three principal businesses of Hughes Electronics would be addressed through the Hughes Transactions without significant potential adverse consequences for General Motors or its common stockholders. The GM Board also attributed substantial importance to its determination that a fair process had been developed and implemented for the development of the definitive terms of the Hughes Transactions. In addition, with respect to the fairness, from a financial point of view, to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders of the consideration to be provided to General Motors and its subsidiaries and to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders in the Hughes Transactions, the GM Board principally relied on the Original Merrill Lynch Fairness Opinion and the Original Salomon Brothers Fairness Opinion and the presentations by representatives of Merrill Lynch and representatives of Salomon Brothers to the GM Board. See "Hughes Transactions Fairness Opinions: Merrill Lynch and Salomon Brothers" below.

In making its determination with respect to the fairness of the Hughes Transactions, the GM Board did not specifically consider certain other factors sometimes considered in determining the value of a transaction, such as historical market prices of the GM Class H Common Stock, the net book values of the Hughes Electronics businesses and the purchase prices paid by General Motors (or its affiliates) for GM Class H Common Stock in recent open-market or negotiated transactions, because such factors were not deemed relevant measures of fair value in the context of the Hughes Transactions.

In addition to and without limiting the foregoing, in determining the fairness of the definitive terms of the Hughes Transactions to the holders of both classes of GM common stock, the GM Board considered: (1) the report, presentation and recommendation of GM's executive management regarding the Hughes Transactions, including the formula for the Distribution Ratio and the Net Transaction Effect (including the determination of the Net Transaction Effect Base Amount), (2) the recommendation of Hughes Electronics' executive management regarding the Hughes Transactions, including the formula for the Distribution Ratio and the Net Transaction Effect (including the determination of the Net Transaction Effect Base Amount), (3) the presentations by representatives of Merrill Lynch and Salomon Brothers as to the fairness, from a financial point of view, to each class of GM common stockholders of the consideration to be provided to General

Motors, its subsidiaries and each class of its common stockholders in the Hughes Transactions, (4) the recommendation of the Capital Stock Committee that the GM Board approve the definitive terms of the Hughes Transactions, including the Distribution Ratio formula and the Net Transaction Effect (including the determination of the Net Transaction Effect Base Amount) and determine that the Hughes Transactions, taken as a whole, are in the best interests of General Motors and its common stockholders and are fair to the holders of both classes of GM common stock, (5) the background, oversight, deliberations and views of the Capital Stock Committee with respect to the Hughes Transactions, (6) the information previously reviewed and the prior deliberations of the GM Board concerning the Hughes Transactions and (7) the other matters reported on, considered and discussed at the September 23, 1997 Capital Stock Committee meeting and the October 6, 1997 GM Board meeting. See "Background to the Hughes Transactions--Development of the Hughes Transactions and the Raytheon Merger--October 6, 1997 GM Board Meeting" above and "Hughes Transactions Fairness Opinions: Merrill Lynch and Salomon Brothers" below.

BASED ON THE FOREGOING, THE GM BOARD HAS DETERMINED THAT THE HUGHES TRANSACTIONS ARE IN THE BEST INTERESTS OF GENERAL MOTORS AND IN YOUR BEST INTERESTS AS COMMON STOCKHOLDERS OF GENERAL MOTORS. THE GM BOARD HAS ALSO DETERMINED THAT THE HUGHES TRANSACTIONS ARE FAIR TO THE HOLDERS OF BOTH CLASSES OF GM'S COMMON STOCK. THE GM BOARD HAS UNANIMOUSLY APPROVED THE HUGHES TRANSACTIONS AND RECOMMENDS THAT YOU VOTE IN FAVOR OF THE HUGHES TRANSACTIONS.

JANUARY PRESENTATION

On January 16, 1997, Merrill Lynch and Salomon Brothers made a joint presentation (the "January Presentation") to the GM Board regarding the Hughes Transactions and the issues to be considered in establishing a ratio for the distribution of Class A Common Stock between the two classes of GM common stockholders that would enable each financial advisor to deliver a fairness opinion with respect to the Hughes Transactions. Merrill Lynch and Salomon Brothers each concluded that, after considering all factors it deemed appropriate, absent a material change in conditions as they existed on the date of the January Presentation, the GM Board could reasonably expect to be able to establish such a distribution ratio. A description of the January Presentation is set forth below.

Benefits Analysis. Merrill Lynch and Salomon Brothers identified certain potential effects of the Hughes Transactions on General Motors and on the holders of each class of GM common stock, including (1) the premium represented by the value of the consideration payable in the Raytheon Merger compared with the value of Hughes Defense implied by trading prices of the common stocks of comparable public companies, which was identified as ranging from \$2.70 billion to \$3.70 billion; (2) the synergies and overhead savings expected by the managements of Delco and Delphi to result from the Delco/Delphi Combination (as defined below), including systems integration and cost efficiencies, which were identified as ranging from \$1.15 billion to \$1.65 billion; (3) the potential benefit resulting from the elimination of goodwill charges to General Motors, which was identified as ranging from \$0 billion to \$0.80 billion; and (4) the after-tax profit sharing and transaction fees and expenses, which were viewed as costs ranging from \$0.30 billion to \$0.50 billion. The net quantifiable value impact of these potential effects, as identified by Merrill Lynch and Salomon Brothers, ranged from \$3.55 billion to \$5.65 billion. In addition, Merrill Lynch and Salomon Brothers reviewed with the GM Board, but did not quantify, the possible impact of the Hughes Transactions on GM's credit rating, the benefits to General Motors, as an original equipment manufacturer, from the Delco/Delphi Combination, the potential stock price volatility of the New GM Class H Common Stock and the reduction of the potential tracking stock discount then affecting the GM Class H Common Stock.

Determination of Distribution Ratio. Merrill Lynch and Salomon Brothers identified for the GM Board the issues to be considered in establishing a ratio for the distribution of Class A Common Stock between the two classes of GM common stockholders that would enable each of them to deliver to the GM Board a fairness opinion with respect to the Hughes Transactions, including (1) the valuation of Hughes Defense after taking into account the Hughes Defense Spin-Off and the Raytheon Merger, (2) the valuation of Delco, including an appropriate allocation of the net benefits of the Delco/Delphi Combination and (3) all other aspects of the Hughes Transactions affecting the rights and derivative interests of the two classes of GM common stockholders.

MERRILL LYNCH FAIRNESS OPINION

On October 6, 1997, Merrill Lynch delivered to the GM Board its written opinion that, as of such date and based upon and subject to the assumptions, limitations and other matters set forth therein, taking into account all relevant aspects of the Hughes Transactions and the Raytheon Merger, the consideration to be provided to General Motors and its subsidiaries and to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders in the Hughes Transactions was fair from a financial point of view to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders. On October 6, 1997, Merrill Lynch delivered the Updated Merrill Lynch Fairness Opinion to the GM Board confirming the Original Merrill Lynch Fairness Opinion.

THE FULL TEXT OF THE UPDATED MERRILL LYNCH FAIRNESS OPINION, WHICH SETS FORTH THE ASSUMPTIONS MADE, MATTERS CONSIDERED, AND QUALIFICATIONS AND LIMITATIONS ON THE REVIEW UNDERTAKEN, IS INCLUDED IN APPENDIX B TO THIS DOCUMENT AND IS INCORPORATED HEREIN BY REFERENCE. THE SUMMARY OF THE UPDATED MERRILL LYNCH FAIRNESS OPINION SET FORTH IN THIS DOCUMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT THEREOF. YOU ARE URGED TO READ THE UPDATED MERRILL LYNCH FAIRNESS OPINION IN ITS ENTIRETY. No limitations were imposed by GM or the GM Board with respect to the investigations made or procedures followed by Merrill Lynch in rendering its opinion, except that Merrill Lynch was not authorized by General Motors or the GM Board to solicit, nor did Merrill Lynch solicit, third-party indications of interest with respect to a business combination or other extraordinary transaction involving Hughes Electronics or any of its subsidiaries or assets.

The Original Merrill Lynch Fairness Opinion and the Updated Merrill Lynch Fairness Opinion (together, the "Merrill Lynch Fairness Opinions") were provided to the GM Board for its use and benefit and are directed only to the fairness from a financial point of view of the consideration to be provided to General Motors and its subsidiaries and to the GM $\$1 \frac{2}{3}$ Common Stockholders and the GM Class H Common Stockholders in the Hughes Transactions. The Merrill Lynch Fairness Opinions do not constitute a recommendation to any common stockholder of General Motors as to whether such stockholder should consent to the Hughes Transactions. The terms of the Hughes Transactions were developed by the management of General Motors and Hughes Electronics and were approved by the GM Board.

The summary set forth below does not purport to be a complete description of the analyses underlying the Merrill Lynch Fairness Opinions, the October Presentation (as defined below) or the Merrill Lynch October Presentation (as defined below). 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. Additionally, 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. In addition, as described above, the Original Merrill Lynch Fairness Opinion, the October Presentation and the Merrill Lynch October Presentation were among several factors taken into consideration by the GM Board in making its determination to approve the Hughes Transactions. Consequently, the Merrill Lynch analyses and the joint Merrill Lynch/Salomon Brothers analyses described below should not be viewed as determinative of the decision of the GM Board with respect to the fairness of the Hughes Transactions.

In arriving at its opinion, Merrill Lynch, among other things: (1) reviewed GM's Annual Reports, Forms 10-K and related financial information for the three fiscal years ended December 31, 1996, GM's Forms 10-Q and the related unaudited financial information for the quarterly periods ended March 31, 1997 and June 30, 1997 and unaudited financial information for the quarterly period ended September 30, 1997; (2) reviewed Raytheon's Annual Reports, Forms 10-K and related financial information for the three fiscal years ended December 31, 1996, Raytheon's Forms 10-Q and the related unaudited financial information for the quarterly periods ended March 31, 1997 and June 30, 1997 and unaudited financial information for the quarterly period ended September 30, 1997; (3) reviewed Hughes Electronics' Annual Reports and related financial information

for the three fiscal years ended December 31, 1996; (4) reviewed certain information, including historical financial data and financial projections, relating to the business, earnings, cash flow, assets, liabilities and prospects of Hughes Electronics, Hughes Defense, Delco, Hughes Telecom and Raytheon furnished to Merrill Lynch by General Motors, Hughes Electronics and Raytheon, as the case may be; (5) conducted discussions with members of senior management of General Motors, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon concerning their respective businesses and prospects and their views regarding the strategic rationale for, and the financial effects on General Motors, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon of the Hughes Transactions, the combination of the operations of Delco and Delphi that is expected by GM management to be implemented subsequent to the consummation of the Hughes Transactions (the "Delco/Delphi Combination") and the Raytheon Merger; (6) 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 Raytheon Merger (the "Raytheon Merger Expected Synergies"), furnished to Merrill Lynch by General Motors, Hughes Electronics, Hughes Defense and Raytheon; (7) conducted discussions with members of senior management of General Motors, Hughes Electronics, Hughes Defense and Raytheon concerning the Raytheon Merger Expected Synergies; (8) 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 Delco/Delphi Combination (the "Delco/Delphi Expected Synergies"), furnished to Merrill Lynch by General Motors, Delco and Delphi; (9) conducted discussions with members of senior management of General Motors, Delco and Delphi concerning the Delco/Delphi Expected Synergies; (10) conducted discussions with members of senior management of General Motors, Hughes Electronics and Hughes Telecom concerning recent and pending regulatory changes in the telecommunications industry, the competitive environment of the telecommunications and space industry and the need for Hughes Telecom to maintain the financial flexibility to enable Hughes Telecom to respond to competitive challenges and to avail itself of potential opportunities in such environment; (11) compared the results of operations of Hughes Defense, Delco and Raytheon with those of certain companies that Merrill Lynch deemed to be reasonably similar to Hughes Defense, Delco and Raytheon, respectively; (12) considered the pro forma effects, including accounting, profit sharing and other pro forma effects, on each of GM, Hughes Defense and Hughes Telecom of the Hughes Transactions and the Raytheon Merger; (13) reviewed the Raytheon Merger Agreement and exhibits thereto; (14) reviewed the Implementation Agreement; (15) reviewed the form of the Master Separation Agreement and exhibits thereto attached to the Implementation Agreement as Exhibit B; (16) reviewed the form of the GM Spin-Off Merger Agreement attached to the Implementation Agreement as Exhibit A; (17) reviewed the GM Certificate of Incorporation and the GM By-Laws; (18) reviewed this document, including the text of Article Fourth of the GM Certificate of Incorporation, as proposed to be amended in connection with the GM Spin-Off Merger, and the new GM Board policy statement regarding GM's dual-class common stock capital structure set forth therein; (19) reviewed the IRS Ruling and the request to the IRS for such ruling; and (20) 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 the Updated Merrill Lynch Fairness 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 Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon 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 Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom or Raytheon. With respect to the financial projections and the analyses of the Raytheon Merger Expected Synergies and the Delco/Delphi Expected Synergies furnished to or discussed with Merrill Lynch by General Motors, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon, as the case may be, Merrill Lynch assumed that they are reasonably prepared and reflect the best currently available estimates and judgments of the managements of General Motors, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom or

Raytheon as to the expected future financial performance of Hughes Electronics, Hughes Defense, Delco, Hughes Telecom or Raytheon, and as to the Raytheon Merger Expected Synergies and the Delco/Delphi Expected Synergies, as the case may be. Merrill Lynch assumed that each of the Hughes Transactions and the Raytheon Merger will be consummated in accordance with its terms. Merrill Lynch also assumed that the Hughes Transactions will have the accounting treatment set forth in this document. The Updated Merrill Lynch Fairness Opinion is necessarily based upon market, economic, financial and other conditions as they existed and could be evaluated as of the date of the Updated Merrill Lynch Fairness Opinion. Merrill Lynch was not authorized by General Motors or the GM Board to solicit, nor did it solicit, third-party indications of interest with respect to a business combination or other extraordinary transaction involving Hughes Electronics or any of its subsidiaries or assets. Merrill Lynch expressed no opinion as to the prices at which either the New GM Class H Common Stock or the GM \$1 2/3 Common Stock will trade subsequent to the consummation of the Hughes Transactions.

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 Electronics. Pursuant to an engagement letter dated November 22, 1996 (the "Merrill Lynch Engagement Letter"), General Motors agreed to pay Merrill Lynch fees of (1) \$2,000,000 on the date of the Merrill Lynch Engagement Letter; (2) \$3,000,000 upon the announcement of the Hughes Transactions; (3) \$5,000,000 upon the approval by the GM Board of either the Hughes Defense Spin-Off or the transfer of Delco from Hughes Electronics to GM (the "Delco Transfer"); (4) \$5,000,000 upon consummation of the Hughes Defense Spin-Off and (5) \$5,000,000 upon consummation of the Delco Transfer. 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 Merrill Lynch 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 General Motors and its affiliates and Raytheon 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 Common Stock, the GM Class H Common Stock, the Raytheon Common Stock and other securities of General Motors and Raytheon for its own account and for the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities.

Set forth below under "--October Presentation" and "--Merrill Lynch October Presentation" is a summary of the analyses performed by Merrill Lynch in connection with the preparation of the Original Merrill Lynch Fairness Opinion. Merrill Lynch reviewed and updated such analyses in connection with its preparation of the Updated Merrill Lynch Fairness Opinion.

SALOMON BROTHERS FAIRNESS OPINION

Salomon Brothers has delivered its written opinion, dated October 6, 1997, to the GM Board to the effect that, based upon and subject to the assumptions, factors and limitations set forth therein, taking into account all relevant aspects of the Hughes Transactions and the Raytheon Merger, as of such date, the consideration to be provided to General Motors and its subsidiaries and to GM's common stockholders in the Hughes Transactions is fair, from a financial point of view, to the GM \$1 2/3 Common Stockholders and to the GM Class H Common Stockholders (the "Original Salomon Brothers Fairness Opinion"). On October 6, 1997, Salomon Brothers delivered its written opinion to the GM Board confirming, as of such date, the Original Salomon Brothers Fairness Opinion (the "Updated Salomon Brothers Fairness Opinion").

The Original Salomon Brothers Fairness Opinion and the Updated Salomon Brothers Fairness Opinion do not address the fairness of the Raytheon Merger, which is addressed, to the extent specified therein, in the Goldman Sachs Fairness Opinion. See "Description of the Raytheon Merger--Raytheon Merger Fairness Opinion: Goldman Sachs" below. The Original Salomon Brothers Fairness Opinion and the Updated Salomon Brothers Fairness Opinion were provided to the GM Board for its use and benefit and are directed only to the fairness from a financial point of view of the consideration to be provided to General Motors and its subsidiaries and to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders in the Hughes Transactions. The Original Salomon Brothers Fairness Opinion and the Updated Salomon Brothers Fairness Opinion do not address General Motors' underlying business decision to effect the Hughes Transactions or constitute a recommendation to any holder of GM \$1 2/3 Common Stock or any holder of GM Class H Common Stock as to how such holder should vote with respect to the Hughes Transactions.

THE FULL TEXT OF THE UPDATED SALOMON BROTHERS FAIRNESS OPINION, WHICH SETS FORTH THE ASSUMPTIONS MADE, GENERAL PROCEDURES FOLLOWED, MATTERS CONSIDERED AND LIMITS ON THE REVIEW UNDERTAKEN, IS INCLUDED IN APPENDIX B TO THIS DOCUMENT AND IS INCORPORATED INTO THIS DOCUMENT BY REFERENCE. THE SUMMARY OF THE UPDATED SALOMON BROTHERS FAIRNESS OPINION SET FORTH IN THIS DOCUMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT THEREOF. GM CLASS H COMMON STOCKHOLDERS AND GM \$1 2/3 COMMON STOCKHOLDERS ARE URGED TO READ THE UPDATED SALOMON BROTHERS FAIRNESS OPINION IN ITS ENTIRETY. NO LIMITATIONS WERE IMPOSED BY GENERAL MOTORS OR THE GM BOARD WITH RESPECT TO THE INVESTIGATIONS MADE OR PROCEDURES FOLLOWED BY SALOMON BROTHERS IN RENDERING ITS OPINION, EXCEPT THAT SALOMON BROTHERS WAS NOT REQUESTED TO SOLICIT, AND ACCORDINGLY DID NOT SOLICIT, ALTERNATIVE PROPOSALS WITH RESPECT TO THE DISPOSITION OF, OR ANY OTHER EXTRAORDINARY TRANSACTION INVOLVING, ANY OF HUGHES DEFENSE, DELCO OR HUGHES TELECOM.

This summary and the summary set forth below under "--October Presentation" and "--Salomon Brothers October Presentation" do not purport to be a complete description of the analyses performed by Salomon Brothers or of its presentations to the GM Board. The preparation of financial analyses and fairness opinions is a complex process involving subjective judgments as to the significance and relevance of the

analyses and factors considered. Salomon Brothers made no attempt to assign specific weights to particular analyses or factors considered, but rather made qualitative judgments as to the significance and relevance of the analyses and factors considered. Accordingly, Salomon Brothers believes that its analyses (and the summary set forth below) must be considered as a whole, and that selecting portions of such analyses and of the factors considered by Salomon Brothers, without considering all of such analyses and factors, could create a misleading or incomplete view of the processes underlying the analyses conducted by Salomon Brothers and its opinion. With regard to the public company analysis and the private market analysis summarized below, Salomon Brothers selected comparable companies on the basis of various factors, including the size of the public company and similarity of the line of business; however, no public company or transaction utilized as a comparison is identical to Delco, any business segment of Delco or the Hughes Transactions or any component thereof. Accordingly, an analysis of the foregoing is not mathematical; rather, it involves complex considerations and judgments concerning differences in the potential financial and operating characteristics of the comparable companies and other factors in relation to the trading and acquisition values of the comparable companies and transactions to which Delco and the Hughes Transactions are being compared. In its analyses, Salomon Brothers made numerous assumptions with respect to General Motors, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon, industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of General Motors, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon. Any estimates contained in Salomon Brothers' 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. Estimates of values of companies do not purport to be appraisals or necessarily to reflect the prices at which companies may actually be sold. Because such estimates are inherently subject to uncertainty, none of General Motors, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon, Salomon Brothers or any other person assumes responsibility for their accuracy.

In connection with rendering its opinion, Salomon Brothers reviewed and analyzed, among other things, (1) a draft of this document; (2) the Raytheon Merger Agreement; (3) the merger agreement pursuant to which the Hughes Defense Spin-Off will be effected; (4) a draft version of the Master Separation Agreement; (5) certain publicly available information concerning General Motors and Hughes Electronics; (6) certain publicly available information concerning Raytheon; (7) certain internal information, primarily financial in nature, including forecasts concerning the business and operations of General Motors, Hughes Defense, Delco, Delphi, and Hughes Telecom furnished by General Motors, Hughes Defense, Delco, Delphi and Hughes Telecom for purposes of its analysis; (8) certain other internal information, primarily financial in nature, including forecasts concerning the business and operations of Raytheon furnished to Salomon Brothers by Raytheon for purposes of its analysis; (9) certain publicly available information concerning the trading of, and the trading market for, the GM \$1 2/3 Common Stock, the GM Class H Common Stock and the Raytheon Common Stock; (10) the GM Certificate of Incorporation and the amendments thereto contemplated as part of the Hughes Transactions; (11) the Policy Statement to be adopted by the GM Board with respect to General Motors' two classes of common stock upon issuance of the New GM Class H Common Stock; (12) certain publicly available information with respect to certain other companies that it believes to be comparable to each of Hughes Defense, Delco, Hughes Telecom and Raytheon and the trading markets for certain of such other companies' securities; (13) the IRS Ruling and the request for such ruling; and (14) certain publicly available information concerning the nature and terms of certain other transactions that Salomon Brothers considered relevant to its inquiry. Salomon Brothers also considered such other information, financial studies, analyses, investigations and financial, economic and market criteria that it deemed relevant. Salomon Brothers also met with certain officers and employees of General Motors, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon to discuss the foregoing as well as other matters it deemed relevant.

In its review and analysis and in arriving at its opinion, Salomon Brothers assumed and relied upon the accuracy and completeness of all of the financial and other information provided to it or publicly available and neither attempted independently to verify nor assumed any responsibility for verifying any of such information. Salomon Brothers did not conduct or assume any responsibility for conducting a physical inspection of any of the properties or facilities of Hughes Defense, Delco, Delphi, Hughes Telecom or Raytheon, nor has it made or obtained or assumed any responsibility for making or obtaining any independent evaluations or appraisals of any of such properties or facilities. With respect to projections (including estimates of projected revenue and cost synergies resulting from the Raytheon Merger and from the Delco/Delphi integration), Salomon Brothers assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of the respective companies as to the respective future financial performances of such companies. Salomon Brothers expressed no view with respect to the accuracy or completeness of such projections or the assumptions on which they were based.

Salomon Brothers assumed, based upon the advice of General Motors, that in the absence of the other Hughes Transactions (or another transaction or series of transactions resulting in the transfer of Delco from Hughes Electronics to General Motors such that the tracking stock interest in the earnings of Delco held by GM Class H Common Stockholders is reallocated to GM \$1 2/3 Common Stockholders), General Motors would be unable to realize fully the anticipated benefits of the Delco/Delphi integration. Salomon Brothers also assumed that the Hughes Transactions will be consummated on the terms described, and in accordance with the timing contemplated, in this document and in accordance with all applicable laws and the provisions of the GM Certificate of Incorporation and other constituent instruments.

In conducting its analysis and arriving at its opinion, Salomon Brothers considered such financial and other factors as it deemed appropriate under the circumstances including, among others, the following: (1) the historical and current financial position and results of operations of each of Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon; (2) the business prospects of each of Hughes Defense, Delco, Delphi, Hughes Telecom, Raytheon and New Raytheon; (3) the historical and current market for the GM \$1 2/3 Common Stock, the GM Class H Common Stock, the Raytheon Common Stock, and for the equity securities of certain other companies that it believes to be comparable to Hughes Defense, Delco, Delphi, Hughes Telecom, Raytheon and

New Raytheon; (4) the prospective market for each of the New GM Class H Common Stock and the common stock of New Raytheon following the Hughes Transactions; (5) the expected cost savings and other financial synergies to be realized by General Motors as a result of the Delco/Delphi integration; (6) the expected impact of the Hughes Transactions on profit sharing payments from General Motors required under collective bargaining agreements; and (7) the nature and terms of certain other transactions that Salomon Brothers believes to be relevant. Salomon Brothers took into account its assessment of general economic, market and financial conditions and its knowledge of the defense, telecommunications and automotive component industries as well as its experience in connection with similar transactions and securities valuation generally. Salomon Brothers was not requested to solicit, and accordingly did not solicit, alternative proposals with respect to the disposition of, or any other extraordinary transaction involving, any of Hughes Defense, Delco or Hughes Telecom.

Salomon Brothers is an internationally recognized investment banking firm engaged, among other things, in the valuation of businesses and their securities in connection with restructurings, mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. General Motors selected Salomon Brothers to act as its financial advisor on the basis of Salomon Brothers' international reputation. Salomon Brothers has previously rendered certain other investment banking and financial advisory services to General Motors and its subsidiaries, including Hughes Electronics, and to Raytheon, including advice with respect to various acquisitions and capital market transactions, for which it received substantial compensation. In the ordinary course of business, Salomon Brothers may actively trade the debt and equity securities of General Motors (including its subsidiaries) and Raytheon 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.

Pursuant to a letter agreement dated November 22, 1996 (the "Salomon Brothers Engagement Letter"), General Motors engaged Salomon Brothers to act as its financial advisor in connection with the Hughes Transactions. Pursuant to the terms of the Salomon Brothers Engagement Letter, General Motors has already paid Salomon Brothers \$5 million and will be obligated to pay Salomon Brothers additional fees of \$15 million in the event that the Hughes Transactions (or certain similar transactions) are completed on or before December 31, 2000. General Motors has also agreed to reimburse Salomon Brothers for its reasonable travel and other out-of-pocket expenses incurred in connection with its engagement (including the reasonable fees and disbursements of its counsel) and to indemnify Salomon Brothers against certain liabilities and expenses relating to or arising out of its engagement, including certain liabilities under the federal securities laws.

As noted under "Recommendations of the Capital Stock Committee and the GM Board; Fairness of the Hughes Transactions," the Original Salomon Brothers Fairness Opinion was only one of the many factors considered by the GM Board in determining to approve the Hughes Transactions. The Distribution Ratio and amount of the Class H Defense Distribution and of the $\$1 \frac{2}{3}$ Defense Distribution was determined by the GM Board, in consultation with its financial advisors and other representatives, and was not established by such financial advisors.

Set forth below under "--October Presentation" and "--Salomon Brothers October Presentation" is a summary of the analyses performed by Salomon Brothers in connection with the preparation of the Original Salomon Brothers Fairness Opinion. Salomon Brothers reviewed and updated such analyses in connection with its preparation of the Updated Salomon Brothers Fairness Opinion.

OCTOBER PRESENTATION

On October 6, 1997, Merrill Lynch and Salomon Brothers made a joint presentation (the "October Presentation") to the GM Board regarding the Hughes Transactions. A description of the October Presentation is set forth below. The written presentations of Merrill Lynch and Salomon Brothers to the GM Board in January and October 1997 have been filed as exhibits to the Schedule 13E-3 which was filed with the SEC with

respect to the Hughes Transactions and copies of these presentations in the forms filed with the SEC may be inspected and copied, and obtained by mail, from the SEC as set forth under "Where You Can Find More Information" in Chapter 7 and will be made available for inspection and copying at the principal executive offices of General Motors Corporation at General Motors Corporation, 100 Renaissance Center, Detroit, Michigan 48243-7301 during regular business hours by any interested common stockholder of General Motors or his or her representative who has been so designated in writing.

Overview of Analyses. In reviewing the Hughes Transactions, Merrill Lynch and Salomon Brothers noted that, as a result thereof, the GM Class H Common Stockholders will (1) relinquish their approximately 25% tracking stock interest in Hughes Defense but will receive approximately 25% of the Class A Common Stock, which will reflect the benefits of the Hughes Defense Spin-Off and the Raytheon Merger; (2) relinquish their approximately 25% tracking stock interest in Delco (in addition to that percentage of any funding from Hughes Defense transferred by Hughes Telecom to General Motors) but will receive additional shares of Class A Common Stock to compensate them for the Net Transaction Effect and (3) will maintain an approximately 25% tracking stock interest in Hughes Telecom (which will have received approximately \$3.9 to \$4.0 billion in new funding) through their ownership of New GM Class H Common Stock. Merrill Lynch and Salomon Brothers also noted that, as a result of the Hughes Transactions, the GM \$1 2/3 Common Stockholders will (1) relinquish their approximately 75% tracking stock interest in Hughes Defense but will receive, subject to clause (2) below, approximately 75% of the Class A Common Stock, which will reflect the benefits of the Hughes Defense Spin-Off and the Raytheon Merger; (2) acquire the approximately 25% tracking stock interest in Delco currently held by the GM Class H Common Stockholders in exchange for shares of Class A Common Stock transferred to the GM Class H Common Stockholders and (3) maintain an approximately 75% tracking stock interest in Hughes Telecom through their continued ownership of GM \$1 2/3 Common Stock.

In connection with the October Presentation, Merrill Lynch and Salomon Brothers each performed certain valuation analyses of Hughes Defense and New Raytheon, as described below. In addition, Merrill Lynch and Salomon Brothers identified for the GM Board, but did not quantify, certain effects of the Hughes Transactions and the Raytheon Merger on the GM Class H Common Stockholders which were not quantifiable, including (1) that the GM Class H Common Stockholders would own an asset-based investment in New Raytheon in lieu of a tracking stock interest in Hughes Defense and Delco, (2) that a potential tracking stock discount might be reflected in New GM Class H Common Stock, (3) that the terms of the New GM Class H Common Stock would prevent the GM Board from electing to recapitalize the New GM Class H Common Stock into GM \$1 2/3 Common Stock until after December 31, 2002 and would require such a recapitalization under certain circumstances, (4) that the voting and liquidation rights of the New GM Class H Common Stock are at least as favorable as those of the GM Class H Common Stock and (5) that the GM Board had indicated it did not anticipate paying dividends initially on the New GM Class H Common Stock and that the then-current dividend policy of the GM Board was to pay dividends on the GM Class H Common Stock at an annual rate of 35% of the Available Separate Consolidated Net Income of Hughes Electronics for the prior year. Merrill Lynch and Salomon Brothers also identified for the GM Board, but did not quantify, certain effects of the Hughes Transactions and the Raytheon Merger on the GM \$1 2/3 Common Stockholders which were not quantifiable, including (1) that the GM \$1 2/3 Common Stockholders would own an asset-based investment in New Raytheon, (2) that the GM \$1 2/3 Common Stockholders would own a 100% interest in the Delco/Delphi Combination, (3) that there may be indirect benefits to General Motors, as an original equipment manufacturer, of the improved products to be produced as a result of the Delco/Delphi Combination, (4) that the consummation of the Delco/Delphi Combination may facilitate a possible partial initial public offering of the combined company, (5) that a potential tracking stock discount and potential conglomerate discount might be reflected in their approximately 75% tracking stock interest in Hughes Telecom, (6) that the terms of the New GM Class H Common Stock would prevent the GM Board from electing to recapitalize the New GM Class H Common Stock into GM \$1 2/3 Common Stock until after December 31, 2002 and (7) that the voting and liquidation rights of the GM \$1 2/3 Common Stockholders might be slightly diluted, when compared to their voting and liquidation rights prior to the Hughes Transactions, because of the voting and liquidation rights of the New GM Class H Common Stock. Merrill Lynch and Salomon Brothers noted that the new funding of approximately

\$3.9 billion to \$4.0 billion to be received from Hughes Defense prior to the Hughes Defense Spin-Off, when added to current cash and ordinary-course borrowing capacity, will provide adequate funding and financial flexibility for Hughes Telecom to pursue its current business plan. With respect to GM $\frac{2}{3}$ Common Stockholders, Merrill Lynch and Salomon Brothers also noted (1) that the management of General Motors expected that the Hughes Defense Spin-Off may result in an incremental profit sharing charge for 1997 of \$236 million (although the gain on the Hughes Defense Spin-Off will not necessarily result in a payout to plan participants equivalent to that amount because numerous other factors may affect GM's pre-tax net income for the entire calendar year), an amount which Merrill Lynch and Salomon Brothers noted is approximately equal, on a net present value basis, to the amount by which management of General Motors expects future profit sharing payments to be reduced as a result of the elimination of Hughes Defense's net contribution to GM's income and (2) that the Hughes Transactions would result in the elimination of a \$101 million annual charge to GM's net earnings for goodwill related to the acquisition of Hughes Defense.

Hughes Defense Comparable Public Companies Analysis. Merrill Lynch performed a comparable public companies analysis pursuant to which it compared certain publicly available historical financial and operating data, estimates of future financial performance (based on First Call estimates and available equity research analyst reports) and market statistics (calculated based upon closing stock prices on September 26, 1997) of Litton Industries and Lockheed Martin, both of which are publicly traded companies that Merrill Lynch deemed to be engaged in businesses that are reasonably similar to Hughes Defense (together, the "Merrill Lynch Hughes Defense Comparable Public Companies"). Historical financial information used in connection with this analysis was as of the date of the most recent financial statements publicly available for each company.

For each of the Merrill Lynch Hughes Defense Comparable Public Companies, Merrill Lynch calculated multiples of (1) closing stock price to estimated 1998 earnings, (2) closing stock price to adjusted estimated 1998 earnings (which eliminate from earnings the effects of amortization of intangible assets, including goodwill), (3) market capitalization (which was defined, for purposes of this analysis, as the market value of equity, plus debt minus cash ("net debt")) to estimated 1997 earnings before interest, taxes, depreciation and amortization ("EBITDA") and (4) market capitalization to estimated 1998 EBITDA. Such analysis yielded multiples of (1) closing stock price to estimated 1998 earnings ranging from 14.6x to 15.8x, (2) closing stock price to adjusted estimated 1998 earnings ranging from 12.3x to 12.8x, (3) market capitalization to estimated 1997 EBITDA ranging from 6.1x to 7.4x and (4) market capitalization to estimated 1998 EBITDA ranging from 6.9x to 7.8x.

Salomon Brothers performed a similar comparable companies analysis using financial information with respect to Boeing Company, General Dynamics, Litton Industries, Lockheed Martin and Northrop Grumman (the "Salomon Brothers Hughes Defense Comparable Companies"). Such analysis was based upon publicly available company information, in the case of historical data, and brokerage research reports reported by First Call, in the case of projected data.

Based upon its review, Salomon Brothers established, as of September 17, 1997, for each of the Salomon Brothers Hughes Defense Comparable Companies multiples of firm value to last twelve months' ("LTM"), 1997 estimated and 1998 estimated EBITDA and earnings before interest and taxes ("EBIT") and LTM sales revenue, and multiples of equity value to LTM, 1997 estimated and 1998 estimated earnings. The multiples obtained with respect to the Salomon Brothers Hughes Defense Comparable Companies are as follows: (1) a range of implied ratios of firm value to LTM EBITDA of 6.9x to 12.8x, with a median of 8.1x; (2) a range of implied ratios of firm value to 1997 estimated EBITDA of 7.4x to 11.4x, with a median of 7.9x; (3) a range of implied ratios of firm value to 1998 estimated EBITDA of 6.8x to 9.7x, with a median of 7.7x; (4) a range of implied ratios of firm value to LTM EBIT of 10.8x to 18.8x, with a median of 12.5x; (5) a range of implied ratios of firm value to 1997 estimated EBIT of 8.9x to 16.2x, with a median of 11.0x; (6) a range of implied ratios of firm value to 1998 estimated EBIT of 8.5x to 11.2x, with a median of 10.3x; (7) a range of implied ratios of equity value to LTM earnings of 16.4x to 27.2x, with a median of 19.3x; (8) a range of implied ratios of equity value to 1997 estimated earnings of 14.2x to 23.5x, with a median of 17.5x; (9) a range of implied

ratios of equity value to 1998 estimated earnings of 12.6x to 16.7x, with a median of 15.5x; (10) a range of implied ratios of equity value to goodwill adjusted LTM earnings of 11.4x to 25.6x, with a median of 14.4x; (11) a range of implied ratios of equity value to goodwill adjusted 1997 estimated earnings of 9.3x to 22.3x, with a median of 13.8x; and (12) a range of implied ratios of equity value to goodwill adjusted 1998 estimated earnings of 8.6x to 16.7x, with a median of 13.0x.

Merrill Lynch applied the multiples it derived of (1) closing stock price to estimated 1998 earnings, (2) closing stock price to adjusted estimated 1998 earnings, (3) market capitalization to estimated 1997 EBITDA and (4) market capitalization to estimated 1998 EBITDA, and Salomon Brothers applied the multiples it derived of (1) firm value to LTM EBITDA, (2) firm value to estimated 1997 EBITDA, (3) firm value to 1998 estimated EBITDA, (4) firm value to LTM EBIT, (5) firm value to 1997 estimated EBIT, (6) firm value to 1998 estimated EBIT, (7) equity value to LTM earnings, (8) equity value to 1997 estimated earnings, (9) equity value to 1998 estimated earnings, (10) equity value to goodwill adjusted LTM earnings, (11) equity value to goodwill adjusted 1997 estimated earnings and (12) equity value to goodwill adjusted 1998 estimated earnings, in each case to comparable data for Hughes Defense (which, in the case of estimates of future financial performance including assumptions regarding operations as a separate, stand-alone company, were provided to Merrill Lynch and Salomon Brothers by management of Hughes Defense). As a result thereof, Merrill Lynch and Salomon Brothers derived a range of estimated enterprise value (defined, for purposes of this analysis, as equity plus net debt) of Hughes Defense of \$6.2 billion to \$7.2 billion, and a range of estimated implied equity value (assuming net debt of \$3.9 billion) of Hughes Defense of \$2.3 billion to \$3.3 billion.

No company used in the comparable public companies analysis was identical to Hughes Defense. Accordingly, an analysis of the results of such a comparison is not purely mathematical; rather, it involves complex considerations and judgments, based on the financial advisors' professional experience, concerning differences in historical and projected financial and operating characteristics of the comparable companies and other factors that could affect the public trading value of the comparable companies or company to which they are being compared.

New Raytheon Pro Forma Comparable Public Companies Analysis. Merrill Lynch and Salomon Brothers performed a comparable public companies analysis in which they compared certain publicly available historical financial and operating data, estimates of future financial performance (based on First Call estimates and available equity research analyst reports) and market statistics (calculated based upon closing stock prices on September 26, 1997) of Lockheed Martin, Litton Industries and Boeing, all of which are publicly traded companies that Merrill Lynch and Salomon Brothers deemed to be reasonably similar to the businesses of New Raytheon (the "New Raytheon Comparable Public Companies"). Historical financial information used in connection with this analysis was as of the date of the most recent financial statements publicly available for each company.

For each of the New Raytheon Comparable Public Companies and New Raytheon (using a representative stock price for Raytheon of \$60 per share), Merrill Lynch and Salomon Brothers calculated multiples of (1) closing stock price to estimated 1998 earnings, (2) closing stock price to adjusted estimated 1998 earnings (which eliminate from earnings the effect of goodwill) and (3) market capitalization (pro forma for recent acquisitions based on publicly available information) to estimated 1998 EBITDA. Such analysis yielded multiples of (1) closing stock price to estimated 1998 earnings of 15.7x for New Raytheon, 15.8x for Lockheed Martin, 14.6x for Litton Industries and 16.3x for Boeing, (2) closing stock price to adjusted estimated 1998 earnings of 12.6x for Raytheon, 12.3x for Lockheed Martin, 12.8x for Litton Industries and 15.9x for Boeing and (3) market capitalization to estimated 1998 EBITDA of 9.4x for New Raytheon, 7.8x for Lockheed Martin, 6.9x for Litton Industries and 8.5x for Boeing. Merrill Lynch and Salomon Brothers observed that the multiples derived for New Raytheon were consistent with those of the New Raytheon Comparable Public Companies.

Given the variety of businesses of New Raytheon, among other things, no company used in the comparable public companies analysis was identical to New Raytheon. Accordingly, an analysis of the results of such a comparison is not purely mathematical; rather, it involves complex considerations and judgments

concerning differences in historical and projected financial and operating characteristics of the comparable companies and other factors that could affect the public trading value of the comparable companies or company to which they are being compared.

Comparable Transactions Analysis. Merrill Lynch and Salomon Brothers reviewed certain publicly available information regarding selected transactions (the "Selected Transactions"). The Selected Transactions comprised the business combinations involving Lockheed Martin and Northrop Grumman, Raytheon and Texas Instruments, Boeing and McDonnell Douglas, and Lockheed Martin and Loral. For each of the Selected Transactions and the Raytheon Merger, Merrill Lynch and Salomon Brothers calculated the transaction value (defined, for purposes of this analysis, as the offer price for stock or assets purchased plus assumed net debt) as

a multiple of LTM EBITDA. Such analysis indicated that the transaction value as a multiple of LTM EBITDA was 10.0x for Lockheed Martin/Northrop Grumman, 9.5x for Raytheon/Texas Instruments, 10.3x for Boeing/McDonnell Douglas, 9.0x for Lockheed Martin/Loral and an implied multiple for Hughes Defense of 11.0x in the Raytheon Merger. Merrill Lynch and Salomon Brothers noted that the implied multiple of transaction value to LTM EBITDA for Hughes Defense in the Raytheon Merger compared favorably to the multiples of transaction value to LTM EBITDA for the Selected Transactions, and that the then-current transaction value for Hughes Defense of \$10.1 billion (assuming a per share stock price of New Raytheon of \$60) represented a 40% to 63% premium on the range of estimated enterprise values, and an 87% to 169% premium on the range of estimated implied equity values, of Hughes Defense.

MERRILL LYNCH OCTOBER PRESENTATION

On October 6, 1997, Merrill Lynch made a presentation (the "Merrill Lynch October Presentation") to the GM Board regarding the Hughes Transactions. A description of the Merrill Lynch October Presentation is set forth below.

Delco Comparable Public Companies Analysis. Merrill Lynch performed a comparable public company analysis in which it compared certain publicly available historical financial and operating data, estimates of future financial performance (reflecting First Call estimates calendarized to December year-end) and market statistics (calculated based upon closing stock prices on September 26, 1997) of three categories of publicly traded companies that Merrill Lynch deemed to be reasonably similar to Delco (collectively, the "Delco Comparable Public Companies"). The first category of comparable public companies (the "Comparable Systems Suppliers") comprised Borg-Warner Automotive Inc., Dana Corp., Johnson Controls, Lear Corp., Magna International, Tower Automotive and Walbro Corp. The second category of comparable public companies (the "Comparable Non-Systems Suppliers") comprised Arvin, Breed Technologies Inc., Donnelley Corp., Dura Automotive Systems, Excel, Gentex, Hayes Wheels International Inc., Intermet Corp., MascoTech, Simpson Industries and Standard Products. The third category of comparable public companies (the "Comparable Conglomerates") comprised AlliedSignal, Eaton, ITT, Tenneco, Textron, TRW and United Technologies. Historical financial information used in connection with this analysis was as of the date of the most recent financial statements publicly available for each company.

For each of the Delco Comparable Public Companies, Merrill Lynch calculated multiples of (1) closing stock price to estimated 1997 earnings, (2) closing stock price to estimated 1998 earnings, (3) market capitalization to LTM EBITDA, (4) market capitalization to estimated 1997 EBITDA, (5) market capitalization to estimated 1998 EBITDA and (6) market capitalization to LTM EBIT.

For the Comparable Systems Suppliers, such analysis yielded multiples (excluding, in each case, multiples that Merrill Lynch considered anomalies) of (1) closing stock price to estimated 1997 earnings ranging from 12.4x to 16.1x, with a mean of 14.7x; (2) closing stock price to estimated 1998 earnings ranging from 11.1x to 14.6x, with a mean of 13.0x; (3) market capitalization to LTM EBITDA ranging from 5.0x to 7.9x, with a mean of 6.8x; (4) market capitalization to estimated 1997 EBITDA ranging from 5.4x to 7.2x, with a mean of 6.5x and (5) market capitalization to estimated 1998 EBITDA ranging from 5.3x to 6.8x, with a mean of 5.9x.

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For the Comparable Non-Systems Suppliers, such analysis yielded multiples (excluding, in each case, multiples that Merrill Lynch considered anomalies) of (1) closing stock price to estimated 1997 earnings ranging from 10.4x to 15.6x, with a mean of 13.4x; (2) closing stock price to estimated 1998 earnings ranging from 9.3x to 14.2x, with a mean of 11.7x; (3) market capitalization to LTM EBITDA ranging from 3.7x to 7.8x, with a mean of 6.1x; (4) market capitalization to estimated 1997 EBITDA ranging from 3.7x to 8.4x, with a mean of 5.5x and (5) market capitalization to estimated 1998 EBITDA ranging from 3.5x to 7.4x, with a mean of 5.2x.

For the Comparable Conglomerates, such analysis yielded multiples (excluding, in each case, multiples that Merrill Lynch considered anomalies) of (1) closing stock price to estimated 1997 earnings ranging from 14.2x to 15.9x, with a mean of 15.2x; (2) closing stock price to estimated 1998 earnings ranging from 12.9x to 14.5x, with a mean of 13.7x; (3) market capitalization to LTM EBITDA ranging from 5.9x to 8.3x, with a mean of 6.9x; (4) market capitalization to estimated 1997 EBITDA ranging from 5.5x to 8.3x, with a mean of 6.6x and (5) market capitalization to estimated 1998 EBITDA ranging from 5.0x to 7.6x, with a mean of 6.0x.

Applying the multiples of (1) closing stock price to estimated 1997 earnings, (2) closing stock price to estimated 1998 earnings, (3) market capitalization to LTM EBITDA, (4) market capitalization to estimated 1997 EBITDA and (5) market capitalization to estimated 1998 EBITDA derived for the Comparable Systems Suppliers, the Comparable Non-Systems Suppliers and the Comparable Conglomerates to comparable data for Delco (which, in the case of estimates of future financial performance, were provided to Merrill Lynch by management of Delco), Merrill Lynch derived a range of implied enterprise value of Delco (including DSO) of \$4.4 billion to \$5.4 billion.

No company utilized in the comparable public companies analysis was identical to Delco. Accordingly, an analysis of the results of such a comparison is not purely mathematical; rather, it involves complex considerations and judgments, based on the financial advisors' professional experience, concerning differences in historical and projected financial and operating characteristics of the comparable companies and other factors that could affect the public trading value of the comparable companies or company to which they are being compared.

Comparable Transactions Analysis. Merrill Lynch reviewed certain publicly available information regarding selected acquisitions completed from 1994 to 1996 (the "Selected Acquisitions"). The Selected Acquisitions comprised the business combinations involving Autoliv and Morton International, Johnson Controls and Prince Corporation, Lucas Industries and Varsity, Robert Bosch GmbH and AlliedSignal, and Lucas Industries and Lake Center Industries.

For each of the Selected Acquisitions Merrill Lynch calculated, to the extent information was publicly available, the transaction value as a multiple of (1) LTM sales, (2) LTM EBITDA, (3) LTM EBIT, (4) estimated sales for the twelve months following LTM ("LTM plus one"), (5) estimated LTM plus one EBITDA, (6) LTM plus one EBIT, (7) estimated sales for the twelve months following LTM plus one ("LTM plus two"), (8) LTM plus two EBITDA and (9) LTM plus two EBIT. Such analysis yielded multiples of transaction value to (1) LTM sales ranging from 0.70x to 1.79x, with a mean of 1.16x, (2) LTM EBITDA ranging from 7.7x to 8.4x, with a mean of 8.1x, (3) LTM EBIT ranging from 11.0x to 15.3x, with a mean of 13.3x, (4) estimated LTM plus one sales ranging from 0.68x to 1.76x, with a mean of 1.09x, (5) estimated LTM plus one EBITDA ranging from 6.4x to 8.2x, with a mean of 7.1x, (6) LTM plus one EBIT ranging from 10.0x to 10.8x, with a mean of 10.4x, (7) estimated LTM plus two sales of 0.78x, (8) LTM plus two EBITDA of 6.1x and (9) LTM plus two EBIT of 9.0x. Based on its professional judgment and expertise, Merrill Lynch selected the following ranges of multiples, and applied such ranges to comparable data for Delco (which, in the case of estimates of future financial performance, were provided to Merrill Lynch by management of Delco): transaction value as a multiple of (1) LTM EBITDA ranging from 7.5x to 8.5x, (2) LTM plus one EBITDA ranging from 6.5x to 8.0x, (3) LTM plus one EBIT ranging from 10.0x to 11.0x and (4) LTM sales ranging from 0.8x to 1.4x.

Merrill Lynch also reviewed certain publicly available information regarding 84 OEM supplier acquisitions completed from February 1994 to September 1997 (the "OEM Supplier Acquisitions"). For each of the OEM Supplier Acquisitions, Merrill Lynch calculated, to the extent information was publicly available, (1) the offer value as a multiple of (x) LTM net income and (y) last fiscal quarter ("LFQ") equity and (2) the

transaction value (which was defined, for purposes of this analysis, as the offer value plus preferred equity at liquidation value, short-term debt, long-term debt and minority interest, less cash and marketable securities and exercisable options proceeds) as a multiple of (x) LTM EBITDA, (y) LTM EBIT and (z) LTM sales. Such analysis yielded mean and median multiples (excluding, in each case, multiples that Merrill Lynch considered anomalies) of (1) offer value to (x) LTM net income of 16.0x and 16.2x, respectively, and (y) LFQ equity of 3.17x and 2.51x, respectively, and (2) transaction value to (x) LTM EBITDA of 7.31x and 7.14x, respectively; (y) LTM EBIT of 11.3x and 11.0x, respectively, and (z) LTM sales of 0.79x and 0.74x, respectively. Based on its professional judgment and expertise, Merrill Lynch selected the following ranges of multiples, and applied such ranges to comparable data for Delco (which, in the case of estimates of future financial performance, were provided to Merrill Lynch by management of Delco): transaction value as a multiple of (1) LTM EBITDA ranging from 6.5x to 8.0x, (2) LTM EBIT ranging from 10.0x to 12.0x and (3) LTM sales ranging from 0.6x to 1.0x.

Based on these analyses, and using comparable data for Delco (which, in the case of estimates of future financial performance, were provided to Merrill Lynch by management of Delco), Merrill Lynch derived an implied enterprise value range of Delco (including DSO) of \$5.6 billion to \$6.6 billion.

Discounted Cash Flow Analysis. Merrill Lynch performed a discounted cash flow analysis of Delco (1) on a stand-alone basis, based upon estimates of projected financial performance prepared by the management of Delco (the "Stand-Alone Case"), (2) on a stand-alone basis, based upon estimates of projected financial performance which include certain benefits of the Delco/Delphi Combination, prepared by the managements of Delco and Delphi (the "Competitive Case") and (3) on a stand-alone basis, based upon estimates of projected financial performance which include full benefits of the Delco/Delphi Combination prepared by the managements of Delco and Delphi (the "Delco/Delphi Combination Case"). Using these projections, Merrill Lynch calculated ranges of total enterprise value for Delco and, in so doing, utilized (1) terminal multiples of fiscal year 2007 EBITDA of 5.0x to 6.5x for the Stand-Alone Case, and 6.0x to 7.5x for each of the Competitive Case and the Delco/Delphi Combination Case and (2) discount rates, reflecting Delco's weighted average cost of capital, ranging from 10% to 12%. The analysis yielded total enterprise values for Delco (including DSO) of (1) \$3.6 billion to \$4.7 billion, based upon the Stand-Alone Case, (2) \$4.6 billion to \$6.0 billion, based upon the Competitive Case and (3) \$5.3 billion to \$7.0 billion, based upon the Delco/Delphi Combination Case. Merrill Lynch advised the GM Board that its discounted cash flow analysis of each case was an appropriate and relevant method of financial analysis for the GM Board's consideration.

Merrill Lynch performed a sensitivity analysis of the Stand-Alone Case assuming a lower annual growth rate for non-GM NAO revenues from 1998 to 2007, fixed structural costs through 2001 and constant operating margins from 2003 to 2007, and calculated ranges of implied enterprise value of Delco utilizing terminal multiples of fiscal year 2007 EBITDA of 5.0x to 6.5x and discount rates ranging from 10% to 12%. Such analysis resulted in a decrease in the implied enterprise value of Delco of \$500 million to \$700 million. Merrill Lynch also performed a sensitivity analysis of the Stand-Alone Case assuming a reduction in GM NAO vehicle volume in 1999, 2000 and 2001, and fixed structural costs through 2001, and calculated ranges of implied enterprise value of Delco utilizing terminal multiples of fiscal year 2007 EBITDA of 5.0x to 6.5x and discount rates ranging from 10% to 12%. Such analysis resulted in a decrease in the implied enterprise value of Delco of \$200 million.

Merrill Lynch also performed a sensitivity analysis of the Competitive Case assuming an increase in per vehicle savings and calculated ranges of implied enterprise value of Delco utilizing terminal multiples of fiscal year 2007 EBITDA of 6.0x to 7.5x and discount rates ranging from 10% to 12%. Such analysis resulted in an increase in the implied enterprise value of Delco of \$100 million.

Analysis of Other Factors Impacting Net Transaction Effect Base Amount. Merrill Lynch identified for the GM Board, but did not quantify, certain effects of the Hughes Transactions and the Raytheon Merger on the GM Class H Stockholders which were not quantifiable, including (1) that there would be a potential positive impact of (a) owning an asset-based investment in New Raytheon in lieu of a tracking stock interest in Hughes Defense and Delco, due to the elimination of any potential tracking stock discount, (b) owning New GM Class H Common Stock which will be a more focused tracking stock investment than GM Class H Common Stock, thereby reducing any potential conglomerate discount and (c) the terms of the New GM Class H Common Stock that prevent the GM Board from electing to recapitalize the New GM Class H Common Stock into GM \$1 2/3 Common Stock until after December 31, 2002; (2) that there would be a potential neutral impact of (a) the potential stock price volatility of the New GM Class H Common Stock and (b) the dividend rights of the New GM Class H Common Stock as compared to the GM Class H Common Stock; and (3) that there would be a potential negative impact of the Hughes Transactions not resulting in a recapitalization of GM Class H Common Stock into GM \$1 2/3 Common Stock at a 120% exchange ratio. Merrill Lynch also identified for the GM Board, but did not quantify, certain effects of the Hughes Transactions and the Raytheon Merger on the GM \$1 2/3 Common Stockholders which were not quantifiable, including (1) that there would be a potential positive impact of (a) owning a conventional common stock interest in New Raytheon in lieu of a tracking stock interest in Hughes Defense, due to the elimination of any potential tracking stock discount, (b) General Motors, as an original equipment manufacturer, receiving full benefits of the Delco/Delphi Combination and (c) the elimination of a charge to GM's earnings for goodwill related to the acquisition of Hughes Defense; and (2) that there would be a potential negative impact of the terms of the New GM Class H Common Stock that prevent the GM Board from electing to recapitalize the New GM Class H Common Stock into GM \$1 2/3 Common Stock until after December 31, 2002. Merrill Lynch also identified for the GM Board, but did not quantify, certain effects of the Hughes Transactions and the Raytheon Merger on the GM \$1 2/3 Common Stockholders, including the potential neutral impact of (1) any effects on GM's credit ratings and (2) any impact on profit sharing costs.

Analysis of Net Transaction Effect Base Amount. Using the ranges of implied enterprise values of Delco (including DSO) identified above, Merrill Lynch calculated ranges of implied values of a 25% interest in Delco and compared such ranges to \$1.625 billion, which was assumed to be the Net Transaction Effect Base Amount.

SALOMON BROTHERS OCTOBER PRESENTATION

On October 6, 1997, Salomon Brothers made a presentation (the "Salomon Brothers Presentation") to the GM Board regarding the Hughes Transactions. The following is a description of the Salomon Brothers Presentation and certain of the financial analyses used by Salomon Brothers (in addition to those analyses described above under "--October Presentation") in connection with providing the Original Salomon Brothers Fairness Opinion.

Summary of Analyses. Salomon Brothers considered the financial impact on the GM \$1 2/3 Common Stockholders and GM Class H Common Stockholders of the allocation of Class A Common Stock between GM \$1 2/3 Common Stockholders and GM Class H Common Stockholders based upon the Net Transaction Effect (representing compensation to the GM Class H Common Stockholders for relinquishing their tracking stock interest in Delco and for other factors affecting their interests, as determined by the GM Board, and the value of any additional shares of Class A Common Stock to be distributed to the GM Class H Stockholders in the event that any of the cash borrowed by Hughes Defense prior to the Hughes Defense Spin-Off is distributed to General Motors). Salomon Brothers performed a number of analyses with respect to the value of Delco, both on a base case basis and after giving effect to management's estimates of the value of the net benefits of the Delco/Delphi integration. In its analyses, Salomon Brothers took into account an agreed value of approximately \$97 million attributed to Delco Systems Operations in connection with the agreement to transfer the Delco Systems Operations business to General Motors in connection with the Hughes Reorganization. Salomon Brothers compared the results of these valuation analyses with the total value of Delco implied by the Net

Transaction Effect Base Amount. Salomon also noted that the Delco/Delphi integration pursuant to the Hughes Transactions could facilitate a future offering of some form of equity stock relating to the combined business of Delco and Delphi, but did not ascribe any value thereto.

Discounted Cash Flow Analysis--Base Case. Using a discounted cash flow ("DCF") methodology, Salomon Brothers valued Delco by estimating the present value of future free cash flows available to debt and equity holders if Delco were to perform on a stand-alone basis in accordance with management forecasts through 2007 (without giving effect to any operating or other efficiencies arising from the Delco/Delphi integration). Free cash flow represents the amount of cash generated and available for principal, interest and dividend payments after providing for ongoing business operations. Salomon Brothers aggregated the present value (utilizing discount rates ranging from 10.5% to 12.5%) of the free cash flow with the present value of the range of terminal values described below. The range of terminal values was calculated by applying multiples ranging from 5.5x to 7.5x to Delco's earnings before interest, taxes, depreciation and amortization ("EBITDA"). This range of terminal values represented Delco's value beyond 2007. The DCF analysis resulted in a firm value range for Delco of approximately \$3.7 billion to \$5.0 billion. In particular, Salomon Brothers focused on the results obtained by utilizing discount rates ranging from 11% to 12% and multiples ranging from 6.0x to 7.0x, which resulted in a firm value range for approximately \$4.0 to \$4.6 billion.

Discounted Cash Flow Analysis--Synergies. Starting with the firm value range of approximately \$4.0 to \$4.6 billion resulting from the base DCF analysis described above, Salomon Brothers determined a range of firm values for Delco after taking into account the Delco profit improvement, administrative cost savings and Delphi profit improvement expected to result from the Delco/Delphi integration (collectively, the "Synergies"). Salomon Brothers' analysis was based on a weighted average cost of capital of 11% to 12%, terminal EBITDA multiples of 6.0x to 7.0x for the Delco and Delphi profit improvement, and no growth in administrative cost savings. This analysis resulted in a value range for the assumed Synergies of approximately \$1.36 to \$1.75 billion and a range of Delco valuations, including such assumed Synergies, of approximately \$5.4 billion to \$6.4 billion.

Public Company Analysis. Salomon Brothers compared selected financial data of Delco with certain financial data from publicly traded companies that participate in the automotive components business. The comparison group consisted of: Arvin Industries, Inc.; Dana Corporation; Eaton Corporation; Harman International Industries, Inc.; ITT Industries Inc.; Johnson Controls Inc.; Lear Corporation; Magna International Inc.; Simpson Industries, Inc.; and Superior Industries International, Inc. (the "Comparable Companies").

Based upon its review of certain publicly available information, Salomon Brothers established, as of September 26, 1997, for each of the Comparable Companies multiples of firm value to LTM, 1997 estimated and 1998 estimated EBITDA and EBIT, and multiples of equity value to LTM, 1997 estimated and 1998 estimated earnings. The multiples obtained by Salomon Brothers with respect to the Comparable Companies were as follows: (1) a range of implied ratios of firm value to LTM EBITDA of 5.4x to 9.0x, with a median of 6.9x; (2) a range of implied ratios of firm value to 1997 estimated EBITDA of 5.9x to 8.8x, with a median of 6.6x; (3) a range of implied ratios of firm value to 1998 estimated EBITDA of 5.2x to 7.8x, with a median of 5.7x; (4) a range of implied ratios of firm value to LTM EBIT of 8.3x to 14.0x, with a median of 10.2x; (5) a range of implied ratios of firm value to 1997 estimated EBIT of 8.7x to 12.8x, with a median of 9.7x; (6) a range of implied ratios of firm value to 1998 estimated EBIT of 7.4x to 11.1x, with a median of 8.1x; (7) a range of implied ratios of equity value to LTM earnings of 10.5x to 20.3x, with a median of 16.7x; (8) a range of implied ratios of equity value to 1997 estimated earnings of 14.2x to 17.1x, with a median of 15.5x; and (9) a range of implied ratios of equity value to 1998 estimated earnings of 10.5x to 14.6x, with a median of 13.0x. Applying these multiples of firm value to LTM, 1997 estimated and 1998 estimated EBITDA and EBIT and of equity value to LTM, 1997 estimated and 1998 estimated earnings to the financial results (actual and estimated) of Delco, Salomon Brothers obtained a reference range for the firm value of Delco of \$4.9 billion to \$5.7 billion.

For purposes of comparison, Salomon Brothers then obtained ratios of the \$6.5 billion firm value of Delco (corresponding to the Net Transaction Effect Base Amount established by the GM Board, both including and excluding \$1.6 billion of expected Synergies) to EBITDA and EBIT as follows: (1) firm value to LTM EBITDA of 8.2x for Delco with Synergies and 6.2x without Synergies; (2) firm value to 1997 estimated EBITDA of 8.5x for Delco with Synergies and 6.4x without Synergies; (3) firm value to 1998 estimated EBITDA of 7.7x for Delco with Synergies and 5.9x without Synergies; (4) firm value to LTM EBIT of 11.1x for Delco with Synergies and 8.4x without Synergies; (5) firm value to 1997 estimated EBIT of 11.9x for Delco with Synergies and 9.0x without Synergies; and (6) implied ratios of firm value to 1998 estimated EBIT of 11.0x for Delco with Synergies and 8.4x without Synergies. In addition, Salomon Brothers established ranges of ratios of equity value to earnings based upon both a \$5.0 billion equity valuation derived from the Net Transaction Effect Base Amount established by the GM Board (assuming approximately \$1.5 billion of debt, a 7% interest rate and a 38% tax rate in order to make Delco's financial results more comparable to those of other automotive component companies) and a \$3.4 billion equity valuation (after excluding \$1.6 billion to reflect the mid-point of the implied value of the Delco business without the expected Synergies): (1) equity value to LTM earnings of 16.8x for Delco with Synergies and 11.4x without Synergies; (2) equity value to 1997 estimated earnings of 18.3x for Delco with Synergies and 12.5x without Synergies; and (3) equity value to 1998 estimated earnings of 16.4x for Delco with Synergies and 11.2x without Synergies. Salomon Brothers observed that the ratios implied by the Net Transaction Effect Base Amount generally were consistent with the ratios obtained with respect to the Comparable Companies.

Private Market Analysis. Salomon Brothers reviewed publicly available information regarding 37 selected transactions in the automotive components industry between December 1995 and September 1997 and focusing in particular on four transactions over \$1 billion. These four automotive component industry transactions in excess of \$1 billion and the dates such transactions were announced are as follows: Johnson Controls Inc.'s acquisition of Prince Holding Corporation (July 1996); Lucas Industries Inc.'s acquisition of Varsity Corporation (May 1996); Robert Bosch GmbH's acquisition of the brake business of AlliedSignal Inc. (February 1996); and Tomkins PLC's acquisition of The Gates Rubber Company (December 1995) (the "Comparable Transactions"). Based upon its review of certain publicly available information, Salomon Brothers established, as of September 26, 1997, for each of the Comparable Transactions multiples of firm value to LTM, 1997 estimated and 1998 estimated EBITDA and EBIT, and multiples of equity value to LTM, 1997 estimated and 1998 estimated earnings, from which Salomon Brothers established the following reference ranges: (1) a range of implied ratios of firm value to LTM EBITDA of 8.5x to 9.5x; (2) a range of implied ratios of firm value to 1997 estimated EBITDA of 7.0x to 8.0x; (3) a range of implied ratios of firm value to 1998 estimated EBITDA of 6.5x to 7.5x; (4) a range of implied ratios of firm value to LTM EBIT of 13.5x to 14.5x; (5) a range of implied ratios of firm value to 1997 estimated EBIT of 11.0x to 13.0x; (6) a range of implied ratios of firm value to 1998 estimated EBIT of 8.5x to 10.5x; (7) a range of implied ratios of equity value to LTM earnings

of 18.0x to 20.0x; (8) a range of implied ratios of equity value to 1997 estimated earnings of 13.5x to 15.5x; and (9) a range of implied ratios of equity value to 1998 estimated earnings of 12.5x to 15.0x. Applying these multiples of firm value to LTM, 1997 estimated and 1998 estimated EBITDA and EBIT and of equity value to LTM, 1997 estimated and 1998 estimated earnings to the financial results (actual and estimated) of Delco, Salomon Brothers obtained a reference range for the firm value of Delco of \$5.4 billion to \$6.4 billion. Salomon Brothers also noted that the ratios implied by the Net Transaction Effect Base Amount generally were consistent with the ratios obtained with respect to the Comparable Transactions.

Other Valuation Metrics. Salomon Brothers determined a range of Delco implied firm value of approximately \$5.9 billion to \$7.0 billion by applying a 30% minority interest premium (representing Salomon Brothers' judgment of the middle of the range of average premiums paid to stock prices one month prior to announcement, based on a Salomon Brothers study of minority interest purchase transactions since 1984) to the public trading equity value of approximately \$3.4 billion to \$4.2 billion, which was derived from the public market valuation described above by subtracting \$1.5 billion of assumed net debt in order to make Delco's financial results more comparable to those of other automotive component companies. Salomon Brothers also determined a range of Delco implied firm value of approximately \$6.1 billion to \$7.2 billion by applying a 35%

merger premium (representing Salomon Brothers' judgment of the middle of the range of premiums paid in merger transactions involving public automotive component companies) to the public market trading equity value of approximately \$3.4 billion to \$4.2 billion, which was derived from the public market valuation described above by subtracting \$1.5 billion of assumed net debt. In addition, Salomon calculated the mean of low and high estimates of Delco's firm value as determined by selected Wall Street analysts, which resulted in a range of \$5.6 billion to \$6.6 billion. Salomon Brothers used the estimates of the following Wall Street analysts in calculating this range of firm value: Roger R. Threlfall (J.P. Morgan Securities), Kenneth M. Leon (ABN AMRO Chicago), von Rumohr/Wood/Staehly (Cowen & Co.), Paul H. Nisbet (JSA Research, Inc.), J. Modzelewski (PaineWebber, Inc.) and Dennis H. Leibowitz (Donaldson, Lufkin & Jenrette).

Premium to GM Class H Common Stockholders and IRR to GM \$1 2/3 Common Stockholders. Salomon Brothers analyzed the premium to GM Class H Common Stockholders represented by the Delco implied firm value of \$6.5 billion and implied equity value of \$5.0 billion (assuming \$1.5 billion of pro forma net debt was assumed in order to make Delco's financial results more comparable to those of other automotive component companies) and internal rate of return ("IRR") to GM \$1 2/3 Common Stockholders based upon the Net Transaction Effect Base Amount. Salomon Brothers computed that the \$6.5 billion implied firm value and \$5.0 billion implied equity value represented an implied firm value premium of 62%, 50% or 40% and an implied equity premium of 98%, 77% and 59% to low, middle and high base DCF firm values (without Synergies) of \$4.0 billion, \$4.3 billion and \$4.6 billion, respectively. Salomon Brothers also computed that the \$6.5 billion implied firm value and \$5.0 billion implied equity value represented an implied firm value premium of 33%, 23% or 14% and an implied equity premium of 47%, 32% and 19% to low, middle and high estimated public market firm values (without Synergies) of \$4.9 billion, \$5.3 billion and \$5.7 billion, respectively. Salomon Brothers computed low, middle and high implied IRR to GM \$1 2/3 Common Stockholders of 16.7%, 17.6% and 18.4% on an investment in Delco in the amount of the Net Transaction Effect Base Amount, assuming low, middle and high values for a 25.6% interest in Delco (representing the Class H Fraction as of September 30, 1997), before Synergies, of \$1.03, \$1.11 and \$1.19 billion, respectively, and low, middle and high values of 100% of the Synergies of \$1.36, \$1.56 and \$1.75 billion, respectively.

REQUISITE STOCKHOLDER APPROVAL OF THE HUGHES TRANSACTIONS

In order to consummate the Hughes Transactions, General Motors must obtain the consent of the holders of:

- . a majority of the outstanding shares of GM \$1 2/3 Common Stock, voting as a separate class; and
- . a majority of the outstanding shares of GM Class H Common Stock, voting as a separate class.

If General Motors obtains both of these approvals, General Motors will also have obtained, as required by applicable law, the approval of a majority of the voting power of all outstanding shares of both classes of GM common stock, voting together as a single class based on their respective per share power pursuant to the provisions set forth in the GM Certificate of Incorporation. We sometimes refer in this document to these approvals collectively as the "Requisite Stockholder Approval." See "Description of the Hughes Transactions-- Stockholder Approval of the Hughes Transactions" below and "Solicitation of Written Consent of GM's Common Stockholders" in Chapter 7.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS RELATING TO CERTAIN OF THE HUGHES TRANSACTIONS

The following discussion is a general summary of the material U.S. federal income tax consequences of certain of the Hughes Transactions. This discussion does not address all aspects of U.S. federal income taxation that might be relevant to you in light of your status or personal investment circumstances; nor does it discuss the consequences to those of you who are subject to special treatment under the U.S. federal income tax laws, such as non-U.S. persons, dealers in securities, regulated investment companies, life insurance companies, other financial institutions, tax-exempt organizations, pass-through entities, or taxpayers who will hold GM \$1 2/3

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Common Stock, New GM Class H Common Stock or Class A Common Stock as part of a "straddle," "hedge" or "conversion transaction" or who have a "functional currency" other than the U.S. dollar. In addition, this discussion does not address the tax consequences to holders of options in respect of GM common stock or other persons who have received their GM common stock as compensation. Also, this discussion does not address the tax consequences of the Hughes Transactions under U.S. state or local and non-U.S. tax laws. Furthermore, the following discussion does not cover the tax consequences of every transaction included in the Hughes Transactions or the Raytheon Merger. We assume for purposes of this discussion that the GM common stock you now hold, and the Class A Common Stock to be distributed to you in the Hughes Defense Spin-Off, will be held by you as a capital asset on the date of the Hughes Defense Spin-Off.

This discussion is based upon the Code, regulations proposed or promulgated thereunder, judicial precedent relating thereto and current rulings and administrative practice of the IRS, in each case as in effect as of the date of this document and all of which are subject to change at any time, possibly with retroactive effect.

Any such change could alter the tax consequences to General Motors or you as its common stockholders as described directly below.

YOU SHOULD CONSULT YOUR TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE HUGHES TRANSACTIONS, INCLUDING THE APPLICABILITY AND EFFECT OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX LAWS. For a description of certain U.S. federal income tax considerations relating to the Raytheon Merger, see "--Certain U.S. Federal Income Tax Considerations Relating to the Raytheon Merger" below.

HUGHES DEFENSE SPIN-OFF

The following discussion summarizes those U.S. federal income tax considerations resulting from the Hughes Defense Spin-Off that materially affect General Motors and you (its common stockholders).

General Motors has received the IRS Ruling, which holds, among other things, that the Hughes Defense Spin-Off will be treated as a reorganization under Section 368(a) of the Code and as a tax-free distribution under Section 355 of the Code. Based on the foregoing IRS Ruling, for U.S. federal income tax purposes:

- . no gain or loss will be recognized by General Motors upon the distribution of the Class A Common Stock to you (as part of the Hughes Defense Spin-Off);
- . no gain or loss will be recognized by you (and no amount will otherwise be included in your income) upon your receipt of the Class A Common Stock (as part of the Hughes Defense Spin-Off);
- . the tax basis in the Class A Common Stock which you will receive will be determined by allocating your existing tax basis in your GM common stock immediately before the Hughes Defense Spin-Off between your Class A Common Stock and GM common stock immediately after the consummation of the Hughes Defense Spin-Off, based on the stocks' relative fair market values immediately after such consummation; and
- . the holding period of the Class A Common Stock which you will receive will include the holding period of your GM common stock upon which such Class A Common Stock will have been distributed.

The IRS Ruling also holds that General Motors will not recognize any gain or loss as a result of certain transactions included in the Hughes Reorganization that are generally preparatory to the Hughes Defense Spin-Off, such as the transfer of Delco from Hughes Electronics to General Motors and the Hughes Telecom Spin-Off.

The IRS Ruling does not specifically address how tax bases and holding periods should be allocated among shares of Class A Common Stock received in the Hughes Defense Spin-Off by stockholders who own two or more blocks of either the GM Class H Common Stock or the GM $\$1 \frac{2}{3}$ Common Stock (or both) with different per share bases and/or holding periods. If you fall into this category of stockholders, you are encouraged to consult with your own tax advisor regarding the possible tax basis and holding period consequences of the Hughes Defense Spin-Off.

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The IRS Ruling, while generally binding on the IRS, is based upon certain factual representations and assumptions described in the IRS Ruling. If any such factual representations or assumptions are incorrect or untrue in any material respect, the IRS Ruling may be invalidated. We are not aware of any facts or circumstances which would cause any such representations or assumptions to be incorrect or untrue in any material respect. Nevertheless, if the Hughes Defense Spin-Off were held to be taxable, both General Motors and holders of GM common stock potentially would incur material tax liabilities.

Current Treasury Regulations require each GM stockholder who receives Class A Common Stock pursuant to the Hughes Defense Spin-Off to attach to such stockholder's federal income tax return for the year in which the Hughes Defense Spin-Off occurs a statement setting forth such data as may be appropriate in order to show the applicability of Section 355 of the Code to the Hughes Defense Spin-Off. We will provide such information to you after the consummation of the Hughes Transactions and the Raytheon Merger so that you can comply with these regulations.

TAX-FREE STATUS OF THE EDS SPLIT-OFF

The IRS Ruling also holds that the consummation of the transactions contemplated by the Spin-Off Merger Agreement and the consummation of the Raytheon Merger will not adversely affect the tax-free status of the EDS Split-Off. We sometimes refer in this document to this component of the IRS Ruling as the "IRS Supplemental Ruling." As described below under "Description of the Hughes Transactions--GM Spin-Off Merger Agreement," the absence of any notification from the IRS that the IRS Supplemental Ruling has been withdrawn, invalidated or modified is a condition to GM's obligation to consummate the GM Spin-Off Merger. As of the date of this document, this condition to the GM Spin-Off Merger has been satisfied.

CERTAIN LEGISLATION

On August 5, 1997, President Clinton signed legislation that, under certain circumstances, causes a corporation to recognize gain on the distribution of the stock of a subsidiary in a spin-off transaction. This legislation will not apply to the Hughes Defense Spin-Off and the Hughes Telecom Spin-Off under the transition provisions enacted as part of this legislation, provided that these transactions occur as described in this document.

If the Hughes Transactions are not consummated, any future transactions involving Hughes Defense, if structured in a manner similar to the Hughes Transactions, would be subject to this legislation and thus would cause General Motors to recognize taxable gain for U.S. income tax purposes if consummated. While there may be other transactions involving Hughes Defense that potentially could be effected without generating taxable gain to General Motors or its stockholders (such as, among other things, a spin-off of Hughes Defense in the absence of a pre-arranged merger of Hughes Defense with a third party), there can be no assurance that any such alternative transaction (or transactions) would address Hughes Defense's strategic challenges, would be proposed or, if proposed, consummated.

RECAPITALIZATION AND CONVERSION OF GM CLASS H COMMON STOCK

The following discussion summarizes those U.S. federal income tax considerations that materially affect General Motors and you as its stockholders resulting from the recapitalization and conversion of each issued and outstanding share of GM Class H Common Stock into one share of New GM Class H Common Stock and the right to receive a distribution of Class A Common Stock in accordance with the Distribution Ratio. For a description of the GM Recapitalization, see "Description of the Hughes Transactions--GM Spin-Off Merger Agreement--Recapitalization and Conversion of GM Class H Common Stock" below.

The GM Spin-Off Merger is conditioned on the receipt by General Motors of an opinion of GM's outside tax counsel, Kirkland & Ellis, to the effect that (1) the recapitalization of GM Class H Common Stock into

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New GM Class H Common Stock will be tax-free to General Motors and the GM Class H Common Stockholders and (2) each of GM Class H Common Stock and New GM Class H Common Stock is stock of General Motors for U.S. federal income tax purposes.

Based on the foregoing opinion of counsel, for U.S. federal income tax purposes:

- . no gain or loss will be recognized by General Motors upon the issuance of New GM Class H Common Stock in exchange for GM Class H Common Stock as part of the Hughes Defense Spin-Off;
- . no gain or loss will be recognized by you (and no amount will otherwise be included in your income) upon your receipt of the New GM Class H Common Stock in exchange for GM Class H Common Stock as part of the Hughes Defense Spin-Off;
- . the tax basis in the New GM Class H Common Stock which you will receive will be equal to your existing tax basis in your GM Class H Common Stock immediately before the Hughes Defense Spin-Off, but reduced by the amount of such existing tax basis which is allocated to the Class A Common Stock which you receive in the Hughes Defense Spin-Off; and
- . the holding period of the New GM Class H Common Stock which you will receive will include the holding period of your GM Class H Common Stock.

GM expects to receive the GM Recapitalization Opinion from Kirkland & Ellis described above prior to the GM Spin-Off Merger Effective Time. Although the condition regarding receipt of the opinion described above is waivable by General Motors, General Motors does not intend to waive such condition to consummation of the GM Spin-Off Merger.

The GM Recapitalization Opinion is subject to certain limitations and qualifications described therein, and will be based on current law and upon certain factual representations and assumptions described therein, which if incorrect or untrue in any material respect would jeopardize the conclusions reached by counsel in the GM Recapitalization Opinion. We are not aware of any facts or circumstances which would cause any such representations or assumptions to be incorrect or untrue in any material respect. General Motors has not requested a letter ruling from the IRS regarding the GM Recapitalization. The GM Recapitalization Opinion neither binds the IRS or the courts, nor precludes the IRS from adopting a contrary position. If the GM Recapitalization were held to be taxable, both General Motors and holders of GM Class H Common Stock potentially would incur material tax liabilities. In addition, the IRS Ruling relating to the Hughes Defense Spin-Off is based in part on a representation that the GM Recapitalization qualifies as a tax-free reorganization for U.S. federal income tax purposes.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS RELATING TO THE RAYTHEON MERGER

GENERAL

The following discussion is a general summary of the material U.S. federal income tax consequences of the Raytheon Merger. This discussion is based upon the Code, regulations proposed or promulgated thereunder, judicial precedent relating thereto and current rulings and administrative practice of the IRS, in each case as in effect as of the date of this document and all of which are subject to change at any time, possibly with retroactive effect. Any such change could alter the tax consequences to General Motors, Hughes Defense or you as a stockholder of these corporations as described directly below. We assume for purposes of this discussion that the Class A Common Stock to be distributed to you in the Hughes Defense Spin-Off will be held by you as a capital asset on the date of the Raytheon Merger. This discussion does not address all aspects of U.S. federal income taxation that might be relevant to you in light of your status or personal investment circumstances; nor does it discuss the consequences to those of you who are subject to special treatment under the U.S. federal income tax laws, such as non-U.S. persons, dealers in securities, regulated investment companies, life insurance companies, other financial institutions, tax-exempt organizations, pass-through

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entities, or taxpayers who will hold Class A Common Stock as part of a "straddle," "hedge" or "conversion transaction" or who have a "functional currency" other than the U.S. dollar. In addition, this discussion does not address the tax consequences to holders of options in respect of GM Class H Common Stock or other persons who have received their GM common stock as compensation.

YOU SHOULD CONSULT YOUR TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE RAYTHEON MERGER, INCLUDING THE APPLICABILITY AND EFFECT OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX LAWS.

We intend that the Raytheon Merger qualify as a reorganization under Section 368(a) of the Code. It is a condition to Hughes Defense's obligation to consummate the Raytheon Merger that Hughes Defense receive an opinion from its outside tax counsel, Weil, Gotshal & Manges LLP, to the effect that the Raytheon Merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to Raytheon's obligation to consummate the Raytheon Merger that Raytheon receive an opinion from its outside tax counsel, Wachtell, Lipton, Rosen & Katz, to the same effect.

Based on the foregoing opinion of counsel to Hughes Defense, for U.S. federal income tax purposes:

- . no gain or loss will be recognized by Hughes Defense or Raytheon as a result of the Raytheon Merger;
- . no gain or loss will be recognized by you (and no amount will otherwise be included in your income) as a result of the Raytheon Merger (other than with respect to cash received instead of fractional shares of Class A Common Stock, as discussed below); and
- . neither the tax basis nor the holding period of your Class A Common Stock will be affected as a result of the Raytheon Merger.

In rendering the Raytheon Merger Opinions, counsel to each of Hughes Defense and Raytheon will rely upon certain assumptions and certain representations made by Hughes Defense and Raytheon, and such opinions are subject to certain limitations and qualifications set forth therein. We are not aware of any facts or circumstances which would cause any such representations or assumptions to be incorrect or untrue in any material respect. The Raytheon Merger Opinions neither bind the IRS or the courts, nor preclude the IRS from adopting a contrary position. If the Raytheon Merger were held to be taxable, Raytheon, its stockholders and Hughes Defense potentially would incur material tax liabilities. In addition, the IRS Ruling relating to the Hughes Defense Spin-Off is based in part on a representation that the Raytheon Merger qualifies as a tax-free reorganization for U.S. federal income tax purposes.

Hughes Defense and Raytheon expect to receive their respective Raytheon Merger Opinions as described above prior to the Raytheon Merger Effective Time. Although the Hughes Defense condition regarding receipt of its Raytheon Merger Opinion above is waivable by Hughes Defense, Hughes Defense does not intend to waive such condition to consummation of the Raytheon Merger.

RECEIPT OF CASH IN LIEU OF FRACTIONAL SHARES

Fractional shares of Class A Common Stock will be distributed to GM's common stockholders in the Hughes Defense Spin-Off. However, all fractional shares so distributed will be converted into an equivalent number of fractional shares of Class B Common Stock in the Raytheon Merger, and these fractional shares will then be aggregated and sold by the Raytheon Merger Exchange Agent and the proceeds will be distributed to the owners of such fractional shares.

Cash received by a holder of GM common stock in lieu of a fractional share interest will be treated as having been received in exchange for such fractional share interest, and gain or loss will be recognized for U.S. federal income tax purposes. This gain or loss will be measured by the difference between the amount of cash received and the portion of such GM common stockholder's tax basis allocable to such fractional share interest. Such gain or loss will generally be treated as capital gain or loss. For taxpayers who are individuals, if their fractional share interest has a holding period for U.S. federal income tax purposes of more than one year but

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not more than 18 months, any gain will generally be subject to a maximum rate of 28%; if their interest has a holding period of more than 18 months, any gain will generally be subject to a maximum rate of 20%. In general, a person's holding period for a fractional share interest will include the period during which such person held the GM common stock with respect to which the distribution of such fractional share interest was received.

Under the Code, as a holder of fractional share interests in Class A Common Stock you may be subject, under certain circumstances, to backup withholding at a 31% rate with respect to your fractional share interests unless you provide proof of an applicable exemption or a correct taxpayer identification number, and otherwise comply with applicable requirements of the backup withholding rules. Any amounts withheld under the backup withholding rules are not an additional tax and may be refunded or credited against your U.S. federal income tax liability, provided you furnish the required information to the IRS.

STOCKHOLDER LITIGATION RELATING TO THE HUGHES TRANSACTIONS

After our announcement of the Hughes Transactions on January 16, 1997, the following nine lawsuits were filed in Delaware Chancery Court: Levine v. General Motors Corporation, et al.; Patinkin v. General Motors Corporation, et al.; Rosenwald v. General Motors Corporation, et al.; Verkouteren v. General Motors Corporation, et al.; Whited et al. v. General Motors Corporation, et al.; Strauss v. General Motors Corporation, et al.; Andrew Carlucci, I.R.A. v. General Motors Corporation, et al.; Mantel v. General Motors Corporation, et al.; and John P. McCarthy Profit Sharing Plan v. General Motors Corporation, et al. These suits were filed in February and March 1997. All of these lawsuits have been consolidated. Each suit is denominated as a class action and is purportedly brought on behalf of specified holders of GM Class H Common Stock against the defendants, General Motors and its directors. The complaints make essentially the same allegations, namely, that the defendants have breached and are continuing to breach their fiduciary and alleged contractual duties to specified holders of GM Class H Common Stock by proposing and pursuing the Hughes Transactions, which plaintiffs variously contend would unfairly benefit General Motors and/or GM \$1 2/3 Common Stockholders to the detriment of GM Class H Common Stockholders.

More specifically, the lawsuits allege that the Hughes Transactions unfairly effect a disposition of Hughes Defense without providing for a recapitalization of the GM Class H Common Stock into GM \$1 2/3 Common Stock at a 120% exchange ratio, as currently provided for under certain circumstances in the GM Certificate of Incorporation. Certain actions further allege that the GM Class H Common Stockholders have contractual rights to recapitalize their shares of GM Class H Common Stock at the 120% exchange ratio and that the proposed Hughes Transactions would result in a breach of those alleged rights. Other actions allege that GM Class H Common Stockholders are being coerced into forfeiting the benefits of current provisions of the GM Certificate of Incorporation that would result under certain circumstances in a recapitalization of GM Class H Common Stock at a 120% exchange ratio in order to receive the benefits of the Hughes Transactions. Certain actions also allege that no independent representative is separately representing the interests of GM Class H Common Stockholders in connection with the Hughes Transactions. Some of the actions also allege that the shares of New GM Class H Common Stock and the shares of Class A Common Stock to be received by GM Class H Common Stockholders in the GM Spin-Off Merger are substantially less valuable than the shares of GM \$1 2/3 Common Stock that such holders would otherwise receive under a recapitalization subject to the 120% exchange ratio.

The lawsuits seek preliminary and permanent injunctions against the Hughes Transactions (or any other disposition of Hughes Defense in the absence of a recapitalization of the GM Class H Common Stock into GM \$1 2/3 Common Stock at the 120% exchange ratio) and compensatory damages. We intend to defend against them vigorously.

Additional suits may be filed after the date of this document.

DESCRIPTION OF THE HUGHES TRANSACTIONS

GENERAL

You are being asked to approve the Hughes Transactions. There are two principal steps to the Hughes Transactions: the Hughes Reorganization and the GM Spin-Off Merger. Each of these principal steps is described below.

If approved by GM's common stockholders and completed, the Hughes Transactions will have the following principal effects:

- . Hughes Defense will be spun off in its entirety to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders and it then will merge with Raytheon.
- . Delco will be transferred from Hughes Electronics to General Motors such that the tracking stock interest in the earnings of Delco currently held by GM Class H Common Stockholders will be reallocated to GM \$1 2/3 Common Stockholders and the operations of Delco can be more fully integrated with those of Delphi.
- . GM Class H Common Stock will be recapitalized and converted into New GM Class H Common Stock, whose earnings pool for dividend purposes will track the financial performance of New Hughes Electronics.
- . Hughes Telecom will receive approximately \$3.9 billion of the proceeds of debt of Hughes Defense outstanding at the time of the Hughes Defense Spin-Off, which Hughes Telecom will use to fund its capital needs. The obligation to repay this debt will remain with Hughes Defense.

ORGANIZATIONAL CHARTS BEFORE AND AFTER THE HUGHES TRANSACTIONS AND THE RAYTHEON MERGER

The following charts present in simplified form the organizational structure of General Motors and Hughes Electronics before the Hughes Transactions and after the completion of the Hughes Transactions and the Raytheon Merger. The transactions are described in greater detail after the charts.

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BEFORE THE HUGHES TRANSACTIONS

LOGO

AFTER THE HUGHES TRANSACTIONS AND THE RAYTHEON MERGER

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HUGHES REORGANIZATION

The Hughes Reorganization includes a number of preliminary transactions which are necessary to prepare Hughes Defense to be spun off to GM's common stockholders and to separate the businesses of Hughes Defense, Delco and Hughes Telecom. The Hughes Reorganization will be effected largely pursuant to transactions described in the Master Separation Agreement and the agreements contemplated thereby. See "Separation and Transition Arrangements."

The following is a description of certain significant aspects of the Hughes Reorganization:

- . Certain assets and liabilities will be transferred among Hughes Defense, Delco and Hughes Telecom and their respective subsidiaries so that each will have the appropriate assets and liabilities for its business.
- . Hughes Defense will make available to Hughes Telecom the proceeds of new debt (up to \$4.0 billion) incurred by Hughes Defense with third party lenders immediately prior to the Hughes Defense Spin-Off as contemplated by the Raytheon Merger Agreement. To the extent such proceeds exceed \$4.0 billion, the funds will be used to repay intercompany loans made by Delco to Hughes Defense. Since Delco will be transferred to General Motors as part of the Hughes Transactions, such funds will effectively be made available to General Motors. See "Description of the Raytheon Merger--Raytheon Merger Agreement--Certain Covenants--Indebtedness" below.
- . Hughes Electronics will be merged with General Motors. As a result, both Hughes Defense and Delco will be direct wholly owned subsidiaries of General Motors.
- . Hughes Aircraft, which is the subsidiary of Hughes Defense which principally operates the defense electronics business, will be merged with Hughes Defense.
- . Hughes Defense will distribute 100% of the stock of Hughes Telecom to General Motors in a tax-free transaction. This distribution of Hughes Telecom stock constitutes the Hughes Telecom Spin-Off. In connection with the Hughes Telecom Spin-Off, Hughes Telecom will be renamed "Hughes Electronics Corporation."

After the completion of these components of the Hughes Reorganization, each of Hughes Defense, Delco and Hughes Telecom will be a direct wholly owned subsidiary of General Motors. Hughes Defense will hold all of the assets and liabilities of the defense electronics business of Hughes Electronics, Delco will continue to hold all of the assets and liabilities of the automotive electronics business of Hughes Electronics and Hughes Telecom will hold all of the assets and liabilities of the telecommunications and space business of Hughes Electronics.

As part of the Hughes Reorganization, Hughes Defense will recapitalize its capital stock so as to authorize Class A Common Stock, Class B Common Stock and preferred stock, which will be New Raytheon Preferred Stock upon consummation of the Raytheon Merger. These three classes of stock will represent all of the authorized capital stock of New Raytheon upon consummation of the Raytheon Merger. The Class A Common Stock (all of which will be held by General Motors after the transactions described above) will be distributed by General Motors to its common stockholders in the Hughes Defense Spin-Off. Immediately following the Hughes Defense Spin-Off, Hughes Defense and Raytheon will merge and Class B Common Stock will be issued to Raytheon's common stockholders in the Raytheon Merger. See "Description of the Raytheon Merger" below. For a description of Class A Common Stock and Class B Common Stock, see "New Raytheon Capital Stock" in Chapter 6.

Prior to the GM Spin-Off Merger, Hughes Defense will adopt a shareholder rights plan to be effective immediately prior to the GM Spin-Off Merger Effective Time, which will become the shareholder rights plan of New Raytheon upon the consummation of the Raytheon Merger. See "New Raytheon Capital Stock--New Raytheon Rights Agreement" in Chapter 6. Each share of Class A Common Stock distributed in the GM Spin-Off Merger, and each share of Class B Common Stock issued in the Raytheon Merger, will have a share purchase right attached to such share.

GM SPIN-OFF MERGER

Subject to the terms and conditions of the GM Spin-Off Merger Agreement, Merger Sub, a wholly owned subsidiary of General Motors formed in order to effect the GM Spin-Off Merger, will merge with General Motors. General Motors will be the surviving corporation of the merger. Pursuant to the GM Spin-Off Merger, among other things, the following will occur:

- . each outstanding share of GM Class H Common Stock will be recapitalized and converted automatically into one share of New GM Class H Common Stock and each GM Class H Common Stockholder will receive a distribution of Class A Common Stock in accordance with the Distribution Ratio;
- . each outstanding share of GM \$1 2/3 Common Stock will remain outstanding and each GM \$1 2/3 Common Stockholder will receive a distribution of Class A Common Stock in accordance with the Distribution Ratio; and
- . the GM Certificate of Incorporation will be amended to delete provisions relating to the GM Class H Common Stock and to add provisions setting forth the terms of the New GM Class H Common Stock.

For additional information regarding the Distribution Ratio, including the methodology used to determine the Distribution Ratio formula and the Net Transaction Effect, see "Special Factors--The Distribution Ratio" and "--Background to the Hughes Transactions--Development of the Hughes Transactions and the Raytheon Merger--September 23, 1997 Capital Stock Committee Meeting" above. For information regarding the provisions of the New GM Class H Common Stock, see "New GM Class H Common Stock" in Chapter 6.

Following the Hughes Reorganization and the GM Spin-Off Merger, Hughes Defense will be an independent, publicly held company, comprising the defense electronics business of Hughes Electronics. Immediately thereafter, Hughes Defense and Raytheon will merge. See "Description of the Raytheon Merger" below.

GM SPIN-OFF MERGER AGREEMENT

INTRODUCTION

As described above, several components of the Hughes Transactions will be effected pursuant to the GM Spin-Off Merger. The GM Spin-Off Merger will be consummated pursuant to the GM Spin-Off Merger Agreement. The following is a summary description of the principal provisions of the GM Spin-Off Merger Agreement.

THE DESCRIPTION OF THE GM SPIN-OFF MERGER AGREEMENT SET FORTH BELOW, WHICH SUMMARIZES THE MATERIAL TERMS OF THE AGREEMENT, DOES NOT PURPORT TO BE COMPLETE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE GM SPIN-OFF MERGER AGREEMENT, A COPY OF WHICH IS ATTACHED AS APPENDIX A TO THIS DOCUMENT AND IS INCORPORATED INTO THIS DOCUMENT BY REFERENCE. WE THEREFORE URGE YOU TO READ THE GM SPIN-OFF MERGER AGREEMENT, INCLUDING EXHIBIT A THERETO, CAREFULLY.

EFFECTIVENESS OF THE GM SPIN-OFF MERGER

Promptly following the satisfaction or waiver of the conditions to the GM Spin-Off Merger set forth in the GM Spin-Off Merger Agreement, the parties will file a certificate of merger with the Secretary of State of the State of Delaware, at which time (or at such later time as set forth in the certificate of merger) the GM Spin-Off Merger will become effective. At the GM Spin-Off Merger Effective Time, Merger Sub will merge with General Motors and the separate corporate existence of Merger Sub will cease. General Motors will be the surviving corporation of the GM Spin-Off Merger. The Raytheon Merger will be completed immediately after the GM Spin-Off Merger Effective Time.

AMENDMENT OF THE GM CERTIFICATE OF INCORPORATION

In the GM Spin-Off Merger, Article Fourth of the GM Certificate of Incorporation will be amended to:

- . Delete the provisions which relate to the GM Class H Common Stock; and

. Add provisions which relate to the New GM Class H Common Stock.

As part of the GM Spin-Off Merger, the GM Certificate of Incorporation will be amended so that the Hughes Transactions will not result in a recapitalization of GM Class H Common Stock into GM \$1 2/3 Common Stock at a 120% exchange ratio. As a result, by consenting to the Hughes Transactions, you will in effect be waiving application of such recapitalization to the Hughes Transactions. For additional information regarding the GM Class H Common Stock and the New GM Class H Common Stock, see "GM Class H Common Stock" and "New GM Class H Common Stock" in Chapter 6.

The GM Certificate of Incorporation, as so amended, will be the certificate of incorporation of General Motors as the surviving corporation of the GM Spin-Off Merger. Article Fourth of the GM Certificate of Incorporation, in the form proposed to be amended, is included in Appendix A to this document (as Exhibit A to the GM Spin-Off Merger Agreement). The GM By-Laws will be unchanged except for necessary amendments to provisions regarding GM Class H Common Stock and New GM Class H Common Stock (including with respect to uncertificated shares). The directors and officers of General Motors will be the directors and officers of General Motors as the surviving corporation of the GM Spin-Off Merger.

RECAPITALIZATION AND CONVERSION OF GM CLASS H COMMON STOCK

At the GM Spin-Off Merger Effective Time, each issued and outstanding share of GM Class H Common Stock will be recapitalized and converted into one share of New GM Class H Common Stock and the right to receive a distribution of Class A Common Stock in accordance with the Distribution Ratio. Accordingly, immediately after the GM Spin-Off Merger Effective Time, (1) for purposes of determining the record holders of New GM Class H Common Stock and Class A Common Stock, the GM Class H Common Stockholders immediately prior to the GM Spin-Off Merger Effective Time will be deemed to be holders of New GM Class H Common Stock and Class A Common Stock and (2) subject to any transfer of such stock (including pursuant to the provisions of the Raytheon Merger Agreement regarding fractional shares), such holders will be entitled to receive all dividends payable on, and exercise voting rights and all other rights and privileges with respect to, New GM Class H Common Stock and Class A Common Stock. Fractional shares of Class A Common Stock will be cashed out as described below under "Description of the Raytheon Merger--Raytheon Merger Agreement--Exchange of Shares."

BankBoston, N.A., as the Hughes Transactions Exchange Agent, will mail, as promptly as practicable following the GM Spin-Off Merger Effective Time to each record holder of GM Class H Common Stock as of the GM Spin-Off Merger Effective Time a letter of transmittal and related materials for use in surrendering the certificates which formerly represented such holder's GM Class H Common Stock. GM Class H Common Stockholders will be instructed to mail the certificates formerly representing their GM Class H Common Stock to the Hughes Transactions Exchange Agent accompanied by such letter of transmittal. However, since New GM Class H Common Stock will be issued as uncertificated shares registered in book-entry form through the Direct Registration System (unless you request certificates representing your shares of New GM Class H Common Stock), no certificates representing shares of New GM Class H Common Stock will be mailed to you. As a result, instead of receiving share certificates, you will receive account statements reflecting your respective ownership interest in shares of New GM Class H Common Stock. Your book-entry shares will be held with the GM Transfer Agent, who will serve as the record keeper for all New GM Class H Common Stockholders. However, any stockholder who wants to receive a physical certificate evidencing his or her shares of New GM Class H Common Stock will be able to obtain a certificate at no charge by contacting the GM Transfer Agent.

After the Hughes Transactions are completed, upon the surrender by GM Class H Common Stockholders of their share certificates, the GM Transfer Agent will mail account statements reflecting ownership of shares of New GM Class H Common Stock as of the close of business on the day on which the GM Spin-Off Merger Effective Time falls.

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Pursuant to the Raytheon Merger Agreement, each GM Class H Common Stockholder will also receive a check for cash instead of fractional shares of Class A Common Stock received by such holder as a result of the GM Spin-Off Merger. GM Class H Common Stockholders will not need any letter of transmittal in order to receive their whole shares of Class A Common Stock. Since Class A Common Stock will also be issued as uncertificated shares registered in book-entry form through the Direct Registration System (unless you request certificates representing your shares of Class A Common Stock), no certificates representing whole shares of Class A Common Stock will be mailed to you. As a result, instead of receiving share certificates you will receive account statements reflecting your respective ownership interest in shares of Common Stock. Your book-entry shares will be held with New Raytheon's transfer agent, who will serve as the record keeper for all Class A Common Stockholders. However, any stockholder who wants to receive a physical certificate evidencing his or her shares of Class A Common Stock will be able to obtain a certificate at no charge by contacting New Raytheon's transfer agent.

After the Hughes Transactions and the Raytheon Merger are completed, New Raytheon's transfer agent will begin mailing account statements reflecting ownership of shares of Class A Common Stock as of the close of business on the day on which the GM Spin-Off Merger Effective Time falls.

DO NOT RETURN THE CERTIFICATES REPRESENTING YOUR SHARES OF GM CLASS H COMMON STOCK WITH THE CONSENT CARD ENCLOSED WITH THIS DOCUMENT.

DISTRIBUTION ON AND CONVERSION OF GM \$1 2/3 COMMON STOCK

At the GM Spin-Off Merger Effective Time, each issued and outstanding share of GM \$1 2/3 Common Stock will be converted into one share of GM \$1 2/3 Common Stock of General Motors as the surviving corporation of the GM Spin-Off Merger (such that GM \$1 2/3 Common Stock effectively will remain outstanding after the consummation of the GM Spin-Off Merger) and the right to receive a distribution of Class A Common Stock in accordance with the Distribution Ratio. Accordingly, immediately after the GM Spin-Off Merger Effective Time, (1) for purposes of determining the record holders of Class A Common Stock, the GM \$1 2/3 Common Stockholders immediately prior to the GM Spin-Off Merger Effective Time will be deemed to be Class A Common Stockholders and (2) subject to any transfer of such stock (including pursuant to the provisions of the Raytheon Merger Agreement regarding fractional shares), such holders will be entitled to receive all dividends payable on, and exercise voting rights and all other rights and privileges with respect to, Class A Common Stock. Fractional shares of Class A Common Stock will be cashed out as described under "Description of the Raytheon Merger--Raytheon Merger Agreement--Exchange of Shares."

Following the GM Spin-Off Merger Effective Time, each GM \$1 2/3 Common Stockholder will receive a check for cash instead of fractional shares of Class A Common Stock received by such holder as a result of the GM Spin-Off Merger. GM \$1 2/3 Common Stockholders will not need any letter of transmittal to receive their whole shares of Class A Common Stock. Since Class A Common Stock will be registered in book-entry form through the Direct Registration System (unless you request certificates representing your shares of Class A Common Stock), no certificates representing whole shares of Class A Common Stock will be mailed to you. For a description of the Direct Registration System, see "--Recapitalization and Conversion of GM Class H Common Stock" above. The certificates representing the shares of GM \$1 2/3 Common Stock outstanding prior to the GM Spin-Off Merger Effective Time will represent the shares of GM \$1 2/3 Common Stock of General Motors as the surviving corporation of the GM Spin-Off Merger after the GM Spin-Off Merger Effective Time.

DO NOT RETURN THE CERTIFICATES REPRESENTING YOUR SHARES OF GM \$1 2/3 COMMON STOCK WITH THE CONSENT CARD ENCLOSED WITH THIS DOCUMENT. THOSE CERTIFICATES WILL CONTINUE TO REPRESENT YOUR SHARES OF GM \$1 2/3 COMMON STOCK AFTER THE HUGHES TRANSACTIONS.

CONDITIONS TO CLOSING

Under the GM Spin-Off Merger Agreement, GM's obligation to consummate the GM Spin-Off Merger is subject to, among other things, satisfaction or waiver of the following conditions:

- . The absence of a good faith determination by the GM Board, in the exercise of its fiduciary obligations under applicable law, on the basis of oral or written advice of outside counsel, that the consummation of the Hughes Transactions would not be both in the best interests of General Motors and its common stockholders and fair to the GM \$1 2/3 Common Stockholders and to the GM Class H Common Stockholders;
- . The absence of any order, injunction, decree, statute, rule or regulation preventing the consummation of any of the transactions contemplated by the GM Spin-Off Merger Agreement;
- . The Requisite Stockholder Approval of the Hughes Transactions shall have been obtained;
- . None of the Updated Merrill Lynch Fairness Opinion, the Updated Salomon Brothers Fairness Opinion and the Goldman Sachs Fairness Opinion shall have been withdrawn, revoked or modified;
- . The absence of any notification from the IRS that the IRS Ruling has been withdrawn, invalidated or modified in any way and the absence of a good faith determination by the GM Board, on the basis of advice of tax counsel, that the representations and assumptions underlying the IRS Ruling are not true and correct in all material respects;
- . The absence of any notification from the IRS that the IRS Supplemental Ruling has been withdrawn, invalidated or modified in any way and the absence of a good faith determination by the GM Board, on the basis of advice of tax counsel, that the representations and assumptions underlying the IRS Supplemental Ruling are not true and correct in all material respects;
- . The receipt of an opinion from Kirkland & Ellis, outside tax counsel to General Motors, to the effect that, on the basis of and subject to the assumptions, representations, limitations and other matters set forth therein, (1) the recapitalization of GM Class H Common Stock into New GM Class H Common Stock will be tax-free to the holders thereof and to General Motors and (2) each of GM Class H Common Stock and New GM Class H Common Stock is stock of General Motors for U.S. federal income tax purposes;
- . The consummation of the Hughes Reorganization;
- . The execution and delivery of the Separation Agreements;
- . The satisfaction or waiver of all conditions to the Raytheon Merger, other than the consummation of the GM Spin-Off Merger, and the preparedness of Raytheon and Hughes Defense to cause the consummation of the Raytheon Merger immediately following the GM Spin-Off Merger Effective Time;
- . The absence of any issuance of, or proceeding initiated for the purpose of issuing, a stop order suspending the effectiveness of either of the Registration Statements of which this document forms a part by the SEC; and
- . The payment in full of the Intercompany Payment.

TERMINATION

General Motors may terminate the GM Spin-Off Merger Agreement for any of the following reasons at any time prior to the GM Spin-Off Merger Effective Time:

- . In the event that the GM Board determines in good faith, in the exercise of its fiduciary obligations under applicable law, on the basis of oral or written advice of outside counsel, (1) that the consummation of the Hughes Transactions would not be both in the best interests of General Motors and its common stockholders and fair to the GM \$1 2/3 Common Stockholders and GM Class H Common Stockholders and (2) that such determination could not reasonably be avoided by adjusting the Distribution Ratio to enable (A) the GM Board to conclude, as of the date of the adjustment of the Distribution Ratio, that the Hughes Transactions, taken as a whole, are both in the best interests of General Motors and its common

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stockholders and fair to the GM \$1 2/3 Common Stockholders and GM Class H Common Stockholders and (B) Merrill Lynch to provide the Updated Merrill Lynch Fairness Opinion and Salomon Brothers to provide the Updated Salomon Brothers Fairness Opinion;

- . In the event that the Updated Merrill Lynch Fairness Opinion, the Updated Salomon Brothers Fairness Opinion or the Goldman Sachs Fairness Opinion is withdrawn or revoked;
- . In the event that General Motors has been notified by the IRS that the IRS Ruling has been withdrawn, invalidated or modified in an adverse manner or has been notified by the IRS or otherwise reasonably determines, on the basis of advice of outside tax counsel, that the consummation of (1) either of (A) the distribution of Class A Common Stock to GM's common stockholders in the Hughes Defense Spin-Off or (B) the Hughes Telecom Spin-Off will not constitute a tax-free distribution under applicable sections of the Code or (2) the recapitalization of GM Class H Common Stock into New GM Class H Common Stock will not be tax-free to General Motors and the holders thereof;
- . In the event that General Motors has been notified by the IRS that the IRS Supplemental Ruling has been withdrawn, invalidated or modified or has been notified by the IRS or otherwise reasonably determines, on the basis of advice of outside tax counsel, that the consummation of the transactions contemplated by the GM Spin-Off Merger Agreement will jeopardize the tax-free status of the EDS Split-Off;
- . In the event that the Hughes Transactions fail to receive the Requisite Stockholder Approval at the time contemplated; or
- . In the event that either the Raytheon Merger Agreement or the Implementation Agreement is terminated in accordance with its terms.

General Motors has agreed that, unless the Implementation Agreement has been terminated, it will not, and will not permit Merger Sub to, terminate (except as may be permitted by the terms of the GM Spin-Off Merger Agreement) or waive any condition of the GM Spin-Off Merger Agreement, without the prior written consent of Raytheon.

AMENDMENT

Subject to certain provisions set forth in the Implementation Agreement, the GM Spin-Off Merger Agreement may be amended at any time and from time to time by General Motors and Merger Sub, provided that any such amendment made after the Hughes Transactions have been approved by GM's common stockholders may not alter or change (1) the amount or kind of shares to be distributed in respect of, or the rights to be received in exchange for or on recapitalization and conversion of, the GM Class H Common Stock, (2) the amount or kind of shares to be distributed to, or the rights to be received by, the GM \$1 2/3 Common Stockholders, (3) any term of the certificate of incorporation of General Motors as the surviving corporation of the GM Spin-Off Merger or (4) any of the terms and conditions of the GM Spin-Off Merger Agreement if such alteration or change would adversely affect the holders of any class or series of GM capital stock.

Pursuant to the Implementation Agreement, General Motors has agreed to consult with Raytheon regarding any changes or additions that are proposed to be made to the GM Spin-Off Merger Agreement prior to the Raytheon Merger. General Motors has also agreed that, except for any amendment to the GM Spin-Off Merger Agreement to adjust the Distribution Ratio (as described above), General Motors will not permit any such change or addition to be made prior to the Raytheon Merger Effective Time to the GM Spin-Off Merger Agreement without Raytheon's consent (which consent will not be unreasonably withheld or delayed), unless such change or addition could not reasonably be foreseen (1) to have an adverse effect on the business, assets, liabilities or financial condition of Hughes Defense or, following the Raytheon Merger, New Raytheon or (2) to delay materially the consummation of the Raytheon Merger on the terms and subject to the conditions of the Implementation Agreement and the other agreements relating to the Hughes Transactions and the Raytheon Merger.

ALLOCATION OF HUGHES DEFENSE DEBT PROCEEDS; HUGHES TELECOM FUNDING

The GM Board has determined, based on the recommendations of GM management, Hughes Electronics management and the Capital Stock Committee, that the proceeds of the new debt to be incurred by Hughes Defense as contemplated by the Raytheon Merger Agreement shall be made available to Hughes Telecom (up to \$4.0 billion) and the amount, if any, in excess of \$4.0 billion shall be used to repay loans to Delco and therefore shall be available to General Motors. See "Description of the Raytheon Merger--Raytheon Merger Agreement--Certain Covenants--Indebtedness" below. For a description of the new debt to be incurred by Hughes Defense, see "New Debt of Hughes Defense To Be Assumed By New Raytheon" in Chapter 5. We currently estimate that no debt proceeds will be made available to General Motors unless the Raytheon stock price as applied under the Raytheon Merger Agreement is \$53.59 per share or less and that in no event will more than \$0.9 billion be made available to General Motors. See "-- Distribution Ratio." Any proceeds made available to General Motors will be used for general working capital purposes.

Hughes Electronics management currently expects to apply the debt proceeds to be made available to Hughes Telecom to the repayment of approximately \$1.725 billion borrowed from General Motors in connection with the PanAmSat Merger and the repayment of commercial paper borrowings of Hughes Electronics, which are currently estimated to be approximately \$1.3 billion at the time of the closing of the Hughes Transactions. As a result, Hughes Telecom would have approximately \$0.9 billion of the debt proceeds remaining. Together with other expected Hughes Telecom cash balances as of the closing of approximately \$1.1 billion, New Hughes Electronics would thus have total cash of approximately \$2 billion at the time of the closing of the Hughes Transactions. Since its only significant third party debt is expected to be \$1.1 billion at PanAmSat, Hughes Electronics management expects that net liquidity would be \$0.9 billion. Hughes Electronics management expects that this initial cash and ordinary course borrowing capacity will provide New Hughes Electronics with adequate capital to execute its business plan. In this regard, Hughes Electronics management has indicated that cash needs beyond those reflected in the base business plan, such as for large strategic acquisitions, will require access to additional funding. Merrill Lynch and Salomon Brothers, financial advisors to General Motors, also reviewed the adequacy of the funding available to Hughes Telecom and its ability to pursue its business plan. See "Special Factors--Hughes Transactions Fairness Opinions: Merrill Lynch and Salomon Brothers" above.

NO RECAPITALIZATION AT A 120% EXCHANGE RATIO

In considering the possibility of strategic transactions involving Hughes Electronics and its three principal businesses, the GM Board was advised by GM management that substantial dilution of the GM \$1 2/3 Common Stock would occur if any such transaction were to result in a recapitalization of GM Class H Common Stock into GM \$1 2/3 Common Stock at a 120% exchange ratio, as currently provided for under certain circumstances in the GM Certificate of Incorporation. This dilution would be expected to have an adverse effect not only on the market value of the GM \$1 2/3 Common Stock held by existing stockholders but also on the market value of such stock to be issued to holders of GM Class H Common Stock in any such recapitalization. Further, if a transaction structured along the lines of the Hughes Transactions resulted in a recapitalization, the GM Class H Common Stock would be eliminated and investors in that stock would be deprived of an ongoing tracking stock interest in Hughes Electronics' telecommunications and space business, which GM management and Hughes Electronics management believe currently offers the greatest growth potential of the three principal businesses of Hughes Electronics. The GM Board considered its belief that most holders of GM Class H Common Stock had purchased such stock in order to invest in a tracking stock related to the businesses of Hughes Electronics and that such holders would not necessarily desire to hold GM \$1 2/3 Common Stock, so that the issuance of GM \$1 2/3 Common Stock to them in a recapitalization would frustrate this investment objective and likely result in substantial trading activity that would exacerbate the anticipated adverse effect on market value for all stockholders. In addition, the telecommunications and space business would be subsumed within the broader business operations of General Motors, with a resulting loss of the benefits of a tracking stock structure related to that business, including the flexibility of General Motors to finance the business through the issuance of equity interests relating to Hughes Telecom without incurring corporate-level tax and the ability of General Motors to use tracking stock as a focused security for management compensation.

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GM management also noted certain practical difficulties related to the mechanics of the recapitalization provisions in the context of a complex series of transactions such as the Hughes Transactions. These difficulties included the difficulty of achieving an appropriate valuation period for any such exchange in the context of the negotiation, announcement and consummation of a strategic transaction that would be subject to substantial uncertainties as to the timing of disclosure, the possibility of market leaks and the likelihood of consummation. Moreover, GM management and legal counsel advised the GM Board that there was substantial uncertainty as to whether any likely strategic transactions, such as a possible spin-off of Hughes Defense and transfer of Delco to General Motors, would in fact trigger the nondiscretionary recapitalization provision of the GM Certificate of Incorporation, which is only effective upon the consummation of a sale, transfer, assignment or other disposition of substantially all of the business of Hughes Aircraft (i.e., the entity that currently owns both the defense electronics business and the telecommunications and space business of Hughes Electronics) or the sale or other disposition of substantially all of the other business of Hughes Electronics (i.e., Delco's automotive electronics business) to a person, entity or group of which General Motors is not a majority owner.

Based on the foregoing factors, 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, the GM Board determined that it would be in the best interests of all of GM's common stockholders to structure a potential strategic transaction involving Hughes Electronics or any of its three principal businesses so as not to result in a recapitalization of GM Class H Common Stock into GM \$1 2/3 Common Stock. GM management and legal counsel have advised the GM Board that there is substantial uncertainty as to whether the Hughes Transactions would trigger the nondiscretionary recapitalization provision in the GM Certificate of Incorporation. Accordingly, as part of the GM Spin-Off Merger, the GM Certificate of Incorporation will be amended to eliminate any possible application of the recapitalization provision to the Hughes Transactions and, by voting in favor of the Hughes Transactions, you will in effect be waiving any application of the recapitalization provision to the Hughes Transactions.

STOCKHOLDER APPROVAL OF THE HUGHES TRANSACTIONS

As described above, in order to consummate the Hughes Transactions, General Motors must obtain the Requisite Stockholder Approval, which consists of the consent of the holders of:

- . a majority of the outstanding shares of GM \$1 2/3 Common Stock, voting as a separate class; and
- . a majority of the outstanding shares of GM Class H Common Stock, voting as a separate class.

The series of related transactions comprising the Hughes Transactions are all part of a single plan. By approving and consenting to the Hughes Transactions, you will be ratifying each of these transactions and adopting the GM Spin-Off Merger Agreement. You are not being asked to approve the Raytheon Merger, which has already been approved by Hughes Electronics (in its capacity as the sole stockholder of Hughes Defense). See "Solicitation of Written Consent of GM's Common Stockholders" in Chapter 7.

IF THE HUGHES TRANSACTIONS ARE NOT APPROVED BY GM'S COMMON STOCKHOLDERS, NONE OF THE HUGHES TRANSACTIONS WILL BE CONSUMMATED AND THE RAYTHEON MERGER WILL NOT BE COMPLETED.

In certain circumstances, termination of the Raytheon Merger Agreement requires Hughes Defense to make certain payments to Raytheon. See "Description of the Raytheon Merger--Raytheon Merger Agreement--Effect of Termination; Termination Fees" below.

THE GM BOARD HAS UNANIMOUSLY APPROVED THE HUGHES TRANSACTIONS AND HAS DETERMINED THAT THE HUGHES TRANSACTIONS, ARE IN THE BEST INTERESTS OF GENERAL MOTORS AND IN YOUR BEST INTERESTS AS COMMON STOCKHOLDERS OF GENERAL MOTORS. THE GM BOARD ALSO HAS DETERMINED THAT THE HUGHES TRANSACTIONS ARE FAIR TO BOTH CLASSES OF GM'S COMMON STOCKHOLDERS. THE GM BOARD RECOMMENDS THAT YOU VOTE TO APPROVE THE HUGHES TRANSACTIONS.

NO APPRAISAL RIGHTS

The Delaware General Corporation Law does not provide appraisal rights to GM's common stockholders in connection with the Hughes Transactions. Appraisal rights will not be available to GM Class H Common Stockholders because, among other things, the GM Class H Common Stock is, and the New GM Class H Common Stock and the Class A Common Stock will both be, listed on the NYSE. GM \$1 2/3 Common Stockholders will not be entitled to appraisal rights because, among other things, GM \$1 2/3 Common Stock is listed on the NYSE and the holders thereof will not exchange or otherwise relinquish any such stock pursuant to the GM Spin-Off Merger. Similarly, no appraisal rights will be available to GM's common stockholders in connection with the Raytheon Merger.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

For a description of certain U.S. federal income tax considerations relating to certain of the Hughes Transactions and the Raytheon Merger, see "Special Factors--Certain U.S. Federal Income Tax Considerations Relating to Certain of the Hughes Transactions" and "--Certain U.S. Federal Income Tax Considerations Relating to the Raytheon Merger" above.

CERTAIN LITIGATION

For a description of certain stockholder litigation relating to the Hughes Transactions, see "Special Factors--Stockholder Litigation Relating to the Hughes Transactions" above.

ACCOUNTING TREATMENT

General Motors will record the distribution of Hughes Defense to GM \$1 2/3 Common Stockholders and GM Class H Common Stockholders at "fair value" and will recognize and report a gain of approximately \$3.9 to \$4.5 billion as "Other Income" (approximately \$5.56 to \$6.41 per share of earnings from continuing operations attributable to GM \$1 2/3 Common Stock) in GM's consolidated financial statements so long as the market price of Raytheon Common Stock is within a range of \$44.42 and \$54.29 per share. The Recent Raytheon Stock Price (\$56.94 per share on October 15, 1997) is above the collar range and would indicate a total transaction value of approximately \$9.8 billion, with a resulting gain of approximately \$4.3 billion based on the net book value of Hughes Defense at June 30, 1997 (approximately \$6.13 per share of earnings from continuing operations attributable to GM \$1 2/3 Common Stock). In addition, we currently anticipate that there will be a reduction of GM stockholders' equity of between \$0.6 and \$1.6 billion as a result of the Hughes Transactions (based on the Recent Raytheon Stock Price and the net assets of Hughes Defense at June 30, 1997, the overall reduction in GM stockholders' equity is estimated to be approximately \$1.5 billion). The exact amount of such reduction will depend on several variables, the most significant of which is the amount of debt incurred by Hughes Defense prior to the Hughes Defense Spin-Off.

REGULATORY REQUIREMENTS

In order to consummate the Hughes Transactions and the Raytheon Merger, we and Raytheon must make certain filings and receive certain various authorizations from various governmental agencies, both in the United States and internationally, with respect to the proposed transactions. These filings, notifications and authorizations relate primarily to competition and securities law issues.

The Raytheon Merger is subject to the requirements of the Hart-Scott-Rodino Act, which provides that certain transactions may not be consummated until required information and materials are furnished to the Antitrust Division of the U.S. Department of Justice and the U.S. Federal Trade Commission (the "FTC") and the requisite waiting period has expired or is terminated. General Motors and Raytheon have reached a preliminary agreement with the U.S. Department of Justice and the Department of Defense regarding the basis upon which the Raytheon Merger can proceed. The preliminary agreement contemplates certain divestitures and

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operating agreements, the implementation of which General Motors and Raytheon do not expect to be materially adverse to the business of New Raytheon. General Motors and Raytheon expect to finalize the agreement and antitrust clearance in October 1997.

We believe that no material U.S. state, foreign or other regulatory requirements remain to be complied with, and no further material approvals thereunder must be obtained, in order to consummate the Hughes Transactions or the Raytheon Merger.

SALES TO GENERAL MOTORS

Approximately 32% of Hughes Electronics' 1996 total revenues were attributable to sales to General Motors and its affiliates. Substantially all of these sales were by Delco, with approximately 81% of Hughes Electronics' 1996 revenues in its automotive electronics business segment attributable to sales to GM NAO, and approximately 9% attributable to sales to GM operations outside of North America and affiliates of General Motors. See "Business of Delco--Sales to GM NAO" and "--International and Other Sales" in Chapter 4. Hughes Electronics and General Motors periodically provide research and technological services to each other pursuant to contractual arrangements.

Approximately 3% of Hughes Defense's 1996 total revenues were attributable to sales to General Motors and its affiliates. Among other things, Hughes Defense provides advanced training system services to General Motors, both in Europe and at several GM facilities in the United States. See "Business of Hughes Defense--Information Systems--Hughes Training Inc." in Chapter 4. After the Hughes Transactions, all transactions between New Raytheon on the one hand and General Motors and its affiliates on the other hand will be subject to GM's worldwide purchasing process.

We do not currently expect sales by New Hughes Electronics to General Motors and its affiliates following the consummation of the Hughes Transactions to be significant. On a pro forma basis giving effect to the consummation of the Hughes Transactions, less than 1% of Hughes Telecom's 1996 total revenues were attributable to General Motors and its affiliates.

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DESCRIPTION OF THE RAYTHEON MERGER

GENERAL

OVERVIEW

Immediately after the completion of the Hughes Defense Spin-Off and the other Hughes Transactions, Raytheon and Hughes Defense will consummate the Raytheon Merger. Hughes Defense will be the surviving corporation of this merger and will be renamed "Raytheon Company." Pursuant to the Raytheon Merger, among other things,

- . each whole share of Class A Common Stock distributed to GM common stockholders in the Hughes Defense Spin-Off will remain outstanding and will be unchanged;
- . all fractional shares of Class A Common Stock distributed to GM's common stockholders in the Hughes Defense Spin-Off will be converted into an equivalent number of fractional shares of Class B Common Stock, which will then be aggregated and sold by the Raytheon Merger Exchange Agent and the proceeds distributed to the owners of such fractional shares on a pro rata basis; and
- . each outstanding share of Raytheon Common Stock will be converted into one share of Class B Common Stock.

See "--Raytheon Merger Agreement" below.

Immediately following the Raytheon Merger, the Class A Common Stock will represent approximately 30% of the common stock of New Raytheon and the Class B Common Stock will represent approximately 70% of the common stock of New Raytheon. The Class A Common Stockholders will be entitled, in the aggregate, to 80.1% of the total voting power of New Raytheon for the election and removal of directors. The Class B Common Stockholders will be entitled, in the aggregate, to 19.9% of the total voting power of New Raytheon for the election and removal of directors. With respect to all other matters, separate class approvals of the Class A Common Stockholders and the Class B Common Stockholders will be required. See "New Raytheon Capital Stock" in Chapter 6. Class A Common Stock and Class B Common Stock will be identical in all other respects. General Motors, Hughes Defense and Raytheon agreed to the terms of the Class A Common Stock and the Class B Common Stock for the sole purpose of permitting General Motors to obtain the IRS Ruling described herein with respect to the U.S. federal income tax consequences of the Hughes Defense Spin-Off and certain related transactions. The IRS Ruling is premised on the fact that GM's common stockholders will receive in the Hughes Defense Spin-Off stock possessing at least 80% of the voting power in the election of directors of New Raytheon.

INDICATED VALUE OF THE HUGHES DEFENSE SPIN-OFF AND THE RAYTHEON MERGER TO
GENERAL MOTORS AND ITS COMMON STOCKHOLDERS

Under the terms of the Raytheon Merger Agreement, the Hughes Defense Spin-Off and the Raytheon Merger have a total indicated value of approximately \$9.8 billion to General Motors and its common stockholders based on the Recent Raytheon Stock Price. We believe that this value represents a substantial premium to the enterprise value of Hughes Defense under the current General Motors and Hughes Electronics ownership structure. The spin-off and merger transactions would have a total indicated value of \$9.5 billion so long as the market price of Raytheon Common Stock is within a collar ranging from \$44.42 to \$54.29 per share. Raytheon stock prices above \$54.29 per share (such as the Recent Raytheon Stock Price) would result in transaction values higher than \$9.5 billion, while Raytheon stock prices below \$44.42 per share would result in transaction values less than \$9.5 billion.

This total transaction value consists of a combination of:

- . the Class A Common Stock to be distributed to GM's common stockholders in the Hughes Defense Spin-Off, which has an indicated value of approximately \$5.8 billion based on the Recent Raytheon Stock Price; and

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. the amount of debt (including new debt which Hughes Defense will incur prior to the Hughes Defense Spin-Off) that Hughes Defense is permitted to have immediately before the Raytheon Merger Effective Time, which is approximately \$3.9 billion based on the Recent Raytheon Stock Price. This debt will remain with New Raytheon (and not constitute obligations of General Motors, New Hughes Electronics or their respective subsidiaries) after the Raytheon Merger.

Because the value of the shares of Class A Common Stock which you will receive in the Hughes Defense Spin-Off will vary based on the market price of Raytheon Common Stock, the total value of the Hughes Defense Spin-Off and the Raytheon Merger at the Raytheon Merger Effective Time could be either higher or lower than that indicated by the Recent Raytheon Stock Price.

The actual amount of new debt to be incurred by Hughes Defense prior to the Hughes Defense Spin-Off will be determined by subtracting from \$9.5 billion any other outstanding debt of Hughes Defense as of the Raytheon Merger Effective Time and also subtracting the product of (x) the total number of shares of Class A Common Stock to be distributed to GM common stockholders (i.e., 102,630,503 shares) and (y) the average closing market price of Raytheon Common Stock during the 30-day period ending on the fifth day prior to consummation of the Raytheon Merger, provided that in the event such average price is less than \$44.42, it will be deemed to be \$44.42, and in the event such price is more than \$54.29, it will be deemed to be \$54.29. This amount of new debt is referred to in the Raytheon Merger Agreement as the "Intercompany Payment Amount." Based on the Recent Raytheon Stock Price and our expectation that Hughes Defense will not have any other significant debt as of the time it is spun off, the Intercompany Payment Amount is currently expected to be \$3.9 billion. To the extent that such amount exceeds \$4.0 billion, the excess will be made available to General Motors as described under "Special Factors--The Distribution Ratio" in Chapter 3.

The table below shows the range of reported per share closing prices on the NYSE Composite Tape for the Raytheon Common Stock for the periods indicated.

MONTH -----	HIGH	LOW
-----	-----	-----
1996		
October.....	\$55.38	\$45.88
November.....	52.38	49.00
December.....	51.50	46.25
1997		
January.....	50.00	44.75
February.....	47.63	44.38
March.....	48.63	45.13
April.....	45.63	42.75
May.....	47.75	45.25
June.....	53.75	47.38
July.....	56.25	52.56
August.....	57.63	55.00
September.....	60.56	56.94
October (through October 15, 1997).....	60.25	56.94

POST-CLOSING ADJUSTMENT

Within approximately four months after completion of the Raytheon Merger, New Hughes Electronics will prepare and deliver to New Raytheon a final balance sheet for Hughes Defense and its subsidiaries as of immediately prior to the Raytheon Merger (but giving effect to the Hughes Defense Spin-Off) and a related report from New Hughes Electronics' auditors. Within 30 business days after its receipt of this final balance sheet and related auditors' report, New Raytheon will notify New Hughes Electronics of any objections to the balance sheet and report. New Hughes Electronics and New Raytheon will then work together to try to reach

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agreement on any disputed matters and, if the parties cannot reach agreement, all disputed matters will be submitted to arbitration before independent auditors for final resolution.

To the extent that this final balance sheet reflects an adjusted net worth (calculated as described in the Master Separation Agreement) that deviates more than \$50 million from a target amount, a payment will be made from New Hughes Electronics to New Raytheon, or from New Raytheon to New Hughes Electronics, as appropriate, to compensate for the amount of such difference (plus interest thereon from the Raytheon Merger Effective Time to the date of payment). See "Separation and Transition Arrangements--Summary of Master Separation Agreement--Post-Closing Adjustment Between New Hughes Electronics and New Raytheon" below.

THE DESCRIPTIONS OF THE RAYTHEON MERGER AGREEMENT AND THE IMPLEMENTATION AGREEMENT SET FORTH BELOW, WHICH SUMMARIZE THE MATERIAL TERMS OF SUCH AGREEMENTS, DO NOT PURPORT TO BE COMPLETE AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE RAYTHEON MERGER AGREEMENT AND TO THE IMPLEMENTATION AGREEMENT. COPIES OF THESE AGREEMENTS ARE INCLUDED IN GM'S FORM 8-K DATED JANUARY 16, 1997, WHICH WE HAVE INCORPORATED INTO THIS DOCUMENT BY REFERENCE. SEE "WHERE YOU CAN FIND MORE INFORMATION" IN CHAPTER 7.

RAYTHEON MERGER AGREEMENT

GENERAL

The Raytheon Merger Agreement is an agreement between Hughes Defense and Raytheon which provides for the merger of Raytheon with Hughes Defense (which at the time will comprise the defense electronics business of Hughes Electronics). Hughes Defense will be the surviving corporation of the Raytheon Merger. As a result of the Raytheon Merger, the separate corporate existence of Raytheon will cease and Hughes Defense, as the surviving corporation, will continue its existence under the laws of the State of Delaware and its name will be changed to "Raytheon Company." The Raytheon Merger will become effective in accordance with a certificate of merger to be filed with the Secretary of State of the State of Delaware. The closing under the Raytheon Merger Agreement will occur as soon as practicable after the satisfaction or waiver of all of the conditions specified in the Raytheon Merger Agreement, including the consummation of the Hughes Transactions. We and Raytheon are planning to cause the Raytheon Merger to occur immediately after the completion of the GM Spin-Off Merger. Under the Raytheon Merger Agreement, the Hughes Defense Certificate of Incorporation and the Hughes Defense By-Laws described in this document will continue as the certificate of incorporation and the by-laws of New Raytheon following the Raytheon Merger.

As described above, Hughes Defense will be the surviving corporation of the Raytheon Merger. Since Hughes Defense, as the surviving corporation of the Raytheon Merger, will be renamed "Raytheon Company" as part of the merger, we sometimes refer in this document to Hughes Defense as "New Raytheon," particularly where such references relate to periods commencing after the Raytheon Merger Effective Time. References to "Hughes Defense" in the descriptions below of the Raytheon Merger Agreement, the Separation Agreements and the arrangements contemplated by such agreements should be considered, as appropriate, also to be references to "New Raytheon." Similarly, we sometimes refer in this document to the "Hughes Defense Certificate of Incorporation" and the "Hughes Defense By-Laws" as the "New Raytheon Certificate of Incorporation" and the "New Raytheon By-Laws," respectively.

CONSIDERATION TO BE RECEIVED IN THE RAYTHEON MERGER

Under the Raytheon Merger Agreement, each whole share of Class A Common Stock that is issued and outstanding immediately prior to the Raytheon Merger Effective Time (which will be the shares distributed to GM's common stockholders in the Hughes Defense Spin-Off) will remain outstanding and will be unchanged after the Raytheon Merger. Each fractional share of Class A Common Stock that is issued and outstanding immediately prior to the Raytheon Merger Effective Time will be converted into and represent an equivalent

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number of fractional shares of Class B Common Stock, which will be sold by the Raytheon Merger Exchange Agent as described below under "--Raytheon Merger Agreement--Treatment of Fractional Shares of Class A Common Stock." Similarly, the conversion of fractional shares of Class A Common Stock into Class B Common Stock prior to such shares being aggregated and sold as described above is intended to permit such sales without diluting the voting power in the election of directors of New Raytheon to be received by GM's common stockholders in the Hughes Defense Spin-Off, which could have prevented General Motors from receiving the IRS Ruling.

At the Raytheon Merger Effective Time, each issued and outstanding share of Raytheon Common Stock (other than shares to be canceled as described below) will be converted into and represent one share of Class B Common Stock. Each share of Raytheon capital stock held in the treasury of Raytheon or owned by any wholly owned subsidiary of Raytheon will be canceled and retired and no payment will be made in respect thereof.

Each option to purchase Raytheon Common Stock outstanding under stock option plans of Raytheon in effect at the Raytheon Merger Effective Time (each, a "Raytheon Option") will be automatically converted, at the Raytheon Merger Effective Time, into an option to purchase shares of Class B Common Stock (a "New Raytheon Exchange Option"). Each New Raytheon Exchange Option will allow the holder to purchase the same number of shares of Class B Common Stock at the same exercise price as the corresponding Raytheon Option with respect to Raytheon Common Stock, and with other terms and conditions that are the same as the terms and conditions of such Raytheon Option immediately before the Raytheon Merger Effective Time (except for any changes in vesting rights or permitted time of exercise which result from the occurrence of the Raytheon Merger). For information regarding the treatment of stock options in respect of GM Class H Common Stock, see "Separation and Transition Arrangements--Summary of Other Agreements Contemplated by the Master Separation Agreement--Stock Options" below.

TREATMENT OF FRACTIONAL SHARES OF CLASS A COMMON STOCK

As described above, fractional shares of Class A Common Stock will be converted in the Raytheon Merger into an equivalent number of shares of Class B Common Stock. No fractional shares of Class B Common Stock will be distributed to Class A Common Stockholders. Instead, the aggregate number of fractional shares of Class B Common Stock (the "Excess Shares") will be sold by the Raytheon Merger Exchange Agent following the Raytheon Merger Effective Time at then prevailing prices on the NYSE. The sale of the Excess Shares will be in round lots to the extent practicable. The Raytheon Merger Exchange Agent will use all reasonable efforts to complete the sale of the Excess Shares as promptly following the Raytheon Merger Effective Time as is practicable consistent with obtaining the best execution of such sales in light of prevailing market conditions. Until the net proceeds of such sale have been distributed to the holders of such fractional interests in the Class B Common Stock, the Raytheon Merger Exchange Agent will hold such proceeds in trust for such holders. The portion of the proceeds of such sale of Excess Shares to which each holder of such fractional interests in the Class B Common Stock is entitled, as determined by the Raytheon Merger Exchange Agent, will then be distributed, net of any required tax withholding, to such Class B Common Stockholders. New Raytheon will pay all commissions, transfer taxes and other out-of-pocket expenses incurred in connection with such sale of the Excess Shares. For purposes of determining whether a Class A Common Stockholder immediately prior to the Raytheon Merger Effective Time holds a fractional share of Class A Common Stock, all shares of Class A Common Stock held by such holder will be aggregated by the Raytheon Merger Exchange Agent to the extent practicable.

BOARDS, COMMITTEES AND OFFICERS

The Raytheon Merger Agreement provides for the composition of the New Raytheon Board, as well as the composition of various committees of the New Raytheon Board and certain other committees. The Raytheon Merger Agreement also provides that the officers of Raytheon immediately prior to the Raytheon Merger Effective Time will be the officers of New Raytheon immediately following the Raytheon Merger Effective Time. See "New Raytheon--New Raytheon Management--Directors and Executive Officers" in Chapter 5.

CERTAIN COVENANTS

The Raytheon Merger Agreement includes certain provisions which govern the manner in which Raytheon and Hughes Defense must conduct their respective businesses between the date of the Raytheon Merger Agreement and the Raytheon Merger Effective Time. The purpose of these provisions is to ensure that at the Raytheon Merger Effective Time, each company represents approximately the same assets, liabilities and businesses as existed when the Raytheon Merger Agreement was executed.

Conduct of Raytheon's Operations. The Raytheon Merger Agreement provides that until the Raytheon Merger Effective Time, Raytheon will conduct its business and operations in the ordinary course except as expressly contemplated by the Raytheon Merger Agreement and the transactions contemplated thereby, and will use all commercially reasonable efforts to maintain and preserve its business organization and its material rights and franchises and to retain the services of its officers and key employees and maintain relationships with customers, suppliers, lessees, licensees and other third parties so that their goodwill and ongoing business will not be impaired in any material respect.

The Raytheon Merger Agreement also provides that, except in certain circumstances, until the Raytheon Merger Effective Time, Raytheon will not, without the prior written consent of Hughes Defense:

- . do or effect any of the following actions with respect to its securities:
 - (1) adjust, split, combine, recapitalize or reclassify its capital stock,
 - (2) declare or pay any dividend (other than regular quarterly cash dividends consistent as to time of payment and amount with the dividends declared and paid during 1996) or distribution on, or directly or indirectly redeem, purchase or otherwise acquire, any shares of its capital stock or any securities or obligations convertible into or exchangeable for any shares of its capital stock (except for limited purchases of shares of Raytheon Common Stock by Raytheon in the open market),
 - (3) grant any person any right or option to acquire any shares of its capital stock other than in the ordinary course of business, consistent with past practice pursuant to existing option plans or the Raytheon Company Deferral Plan for Directors, the aggregate amount of which will not exceed certain pre-determined limits,
 - (4) issue or sell or agree to issue or sell any shares of its capital stock or any securities, instruments or obligations convertible into or exchangeable or exercisable for any shares of its capital stock or such securities except in certain limited circumstances,
 - or (5) enter into any agreement, understanding or arrangement with respect to the sale or voting of Raytheon's capital stock;
- . except as may be required by changes in applicable law or accounting principles, change any method or principle of accounting in a manner that is inconsistent with past practice;
- . take any action that would reasonably be expected to result in its representations and warranties contained in the Raytheon Merger Agreement becoming false or inaccurate;
- . take any action which could reasonably be expected to adversely affect or delay the ability of any of the parties to the Raytheon Merger Agreement to obtain any approval of any governmental authority required to consummate the transactions contemplated by the Raytheon Merger Agreement; or
- . permit or cause any subsidiary to do any of the foregoing or agree or commit to do any of the foregoing or agree in writing or otherwise to take any of the foregoing actions.

Conduct of Hughes Defense's Operations. The Raytheon Merger Agreement provides that, except in certain circumstances, until the Raytheon Merger Effective Time, Hughes Defense will conduct its business and operations in the ordinary course, and will use all commercially reasonable efforts to maintain and preserve its business organization and its material rights and franchises and to retain the services of its officers and key employees and maintain relationships with customers, suppliers, lessees, licensees and other third parties to the end that their goodwill and ongoing business will not be impaired in any material respect.

The Raytheon Merger Agreement also provides that, except in certain enumerated circumstances, until the Raytheon Merger Effective Time, Hughes Defense will not, without the prior written consent of Raytheon:

- . grant any person any right or option to acquire any shares of its capital stock (other than granting certain options for the purchase of Class B Common Stock to certain employees of Hughes Defense who would have been eligible to receive options to purchase GM Class H Common Stock) or enter into any agreement, understanding or arrangement with respect to the purchase, sale or voting of its capital stock or issue any instrument convertible into or exchangeable for such capital stock, or make, declare or pay any dividend or distribution in respect of any of its capital stock other than in cash;
- . sell, transfer, lease, pledge, mortgage, encumber or otherwise dispose of any material amount of its property or assets other than in the ordinary course of business, consistent with past practice;
- . make or propose any changes in its certificate of incorporation or bylaws;
- . merge or consolidate with any other persons or persons or acquire assets or capital stock of any other person or persons the value of which individually or in the aggregate exceeds \$100 million or enter into any confidentiality agreement with any person with respect to any such transaction;
- . create any subsidiaries which are material to Hughes Defense and which are not, directly or indirectly, wholly owned by Hughes Defense;
- . enter into or modify any employment, severance, termination or similar agreements or arrangements with, or grant any bonuses, salary increases, severance or termination pay to, or otherwise increase the compensation or benefits of, any officer, director, consultant or employee other than increases in salary, compensation or benefits granted in the ordinary course of business consistent (including as to the amount and timing thereof) with past practice, except as may be required by applicable law or a binding written contract in effect on the date of the Raytheon Merger Agreement;
- . except as may be required by changes in applicable law or accounting principles, change any method or principle of accounting in a manner that is inconsistent with past practice;
- . take any action that would reasonably be expected to result in its representations and warranties contained in the Raytheon Merger Agreement becoming false or inaccurate;
- . enter into or carry out any other transaction which is material to Hughes Defense other than in the ordinary and usual course of business;
- . take any action which could reasonably be expected to adversely affect or delay the ability of any parties to the Raytheon Merger Agreement to obtain any approval of any governmental authority required to consummate the transaction contemplated by the Raytheon Merger Agreement;
- . settle any actions, whether now pending or hereafter made or brought, on terms which include a material limitation on the business or operations of New Raytheon; or
- . permit or cause any subsidiary to do any of the foregoing or agree or commit to do any of the foregoing or agree in writing or otherwise to take any of the foregoing actions.

Indebtedness. The Raytheon Merger Agreement also provides that as of or prior to the Raytheon Merger Effective Time, Hughes Defense will incur indebtedness for borrowed money in an amount equal to the Intercompany Payment Amount (as defined below). For a description of the new debt to be incurred by Hughes Defense, see "New Debt of Hughes Defense To Be Assumed By New Raytheon" in Chapter 5. The proceeds of such indebtedness (up to \$4.0 billion) will be made available as capital to Hughes Telecom. The proceeds of such indebtedness, if any, above \$4.0 billion will be used to repay intercompany loans owing to Delco and, therefore, since Delco is being transferred to General Motors as part of the Hughes Transactions, any such proceeds will be available to General Motors. See "Special Factors--Allocation of Hughes Defense Debt Proceeds; Hughes Telecom Funding." The Raytheon Merger Agreement uses the term "Intercompany Payment" to apply to these applications of proceeds. We currently estimate that such proceeds will exceed \$4.0 billion only if the average closing price of Raytheon Common Stock as described below is \$53.59 or less.

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The "Intercompany Payment Amount" will be equal to \$9.5 billion minus the "Class A Common Stock Amount" (as defined below) and minus the principal amount of all other indebtedness for borrowed money of Hughes Defense to be outstanding at the Raytheon Merger Effective Time. The "Class A Common Stock Amount" is equal to 102,630,503 (the fixed number of shares of Class A Common Stock to be distributed to GM's common stockholders in the Hughes Defense Spin-Off) multiplied by the average closing price of Raytheon Common Stock on the NYSE during the 30-day period ending five days prior to the Raytheon Merger Effective Time, provided, however, that in the event such average price is greater than \$54.29 such price will be deemed to be \$54.29, and in the event such average price is less than \$44.42, such price will be deemed to be \$44.42. It is this covenant that gives rise to the \$9.5 billion of indicated total value in the Hughes Defense Spin-Off and Raytheon Merger to General Motors and its common stockholders, as described elsewhere in this document. See "--General--Indicated Value of the Hughes Defense Spin-Off and the Raytheon Merger to General Motors and Its Common Stockholders" above. The Raytheon Merger Agreement requires that no interest in respect of the indebtedness comprising the Intercompany Payment Amount be accrued and unpaid at the Raytheon Merger Effective Time.

Other Actions; Notification of Certain Matters. The Raytheon Merger Agreement provides that, among other things, (1) during the period from and after the date of the Raytheon Merger Agreement, each of the parties will use all commercially reasonable efforts to consummate the Raytheon Merger and the transactions contemplated by the Raytheon Merger Agreement and to cause the conditions to the Raytheon Merger for which they are responsible to be satisfied as soon as practicable and (2) neither party nor its affiliates will take any action that would cause the Raytheon Merger, the Hughes Defense Spin-Off or the Hughes Telecom Spin-Off not to qualify for tax-free treatment under the Code as contemplated by the parties.

The Raytheon Merger Agreement provides that Raytheon and Hughes Defense will promptly notify the other party of (1) the occurrence or non-occurrence of any event which would cause any representation or warranty made by it in the Raytheon Merger Agreement to be untrue or inaccurate in any material respect at or prior to the Raytheon Merger Effective Time and (2) any material failure by it to comply with or satisfy any covenant, condition or agreement to be compiled with or satisfied by it under the Raytheon Merger Agreement, provided, however, that no such notification will limit or otherwise affect the remedies of the parties available under the Raytheon Merger Agreement.

Competing Transactions. The Raytheon Merger Agreement provides that, during its term, without the consent of the other party, neither Raytheon nor Hughes Defense will, and will not authorize or permit any of its subsidiaries or any of its subsidiaries' directors, officers, employees, agents or representatives, directly or indirectly, to (1) solicit, initiate, knowingly encourage or facilitate, or furnish or disclose non-public information in furtherance of, any inquiries or the making of any proposal with respect to a Competing Transaction (as defined below), (2) negotiate, explore or otherwise engage in discussions with any person (other than the other party to the Raytheon Merger Agreement or its respective directors, officers, employees, agents and representatives or, with respect to Hughes Defense, its affiliates) with respect to any Competing Transaction or (3) enter into any agreement, arrangement or understanding therefor requiring it to abandon, terminate or fail to consummate the Raytheon Merger. This prohibition does not apply (1) to Hughes Defense with respect to Competing Transactions that do not include the defense electronics business of Hughes Electronics or the consummation of which would not otherwise result in the termination or material breach of any of the Transaction Agreements, and (2) to Raytheon, with respect to compliance with Rule 14e-2 under the Exchange Act with regard to a tender or exchange offer. In addition, the prohibition does not apply, subject to the observance of certain notice, confidentiality and other requirements, to certain negotiations and discussions relating to any Competing Transaction (1) that is superior to the transactions contemplated by the Raytheon Merger Agreement, (2) in which the offeror has demonstrated that the consideration necessary for such Competing Transaction is reasonably likely to be available, and (3) that Raytheon's board of directors or Hughes Defense's board of directors, as the case may be, concludes in good faith, on the basis of oral or written advice of outside counsel, that such action is necessary for it to act in a manner consistent with its fiduciary duties under applicable law.

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In the event that Raytheon's board of directors or Hughes Defense's board of directors, as the case may be, will have concluded in good faith, after considering applicable provisions of state law, and after seeking to make such adjustments in the terms and conditions of the Raytheon Merger Agreement as would enable such party to proceed with the transactions contemplated by the Raytheon Merger Agreement, that it must accept such Competing Transaction in order to comply with its fiduciary duties under applicable law, then Raytheon or Hughes Defense, as the case may be, may terminate the Raytheon Merger Agreement and pay to the other party: (1) the expenses incurred by such other party and its affiliates in connection with pursuing the Raytheon Merger and the transactions contemplated by the Raytheon Merger Agreement, which amount will not exceed \$20 million, and (2) a termination fee of \$200 million.

"Competing Transaction" means any merger, consolidation or other business combination involving such party, or any acquisition of any capital stock or any material portion of the assets (except for acquisitions of assets in the ordinary course of business consistent with past practice and except for consummation of the Hughes Transactions) of such party, or any combination of the foregoing.

CONDITIONS

Each party's obligation to effect the Raytheon Merger is subject to the satisfaction or waiver of a number of conditions. Failure to satisfy or waive any of these conditions could, therefore, result in the delay or non-consummation of the Raytheon Merger.

Conditions of Each Party's Obligations to Consummate the Raytheon Merger. The respective obligations of Raytheon and Hughes Defense to consummate the Raytheon Merger are subject to fulfillment of the following conditions:

- . no order, injunction or decree which prevents the consummation of the Raytheon Merger will have been issued and remain in effect, and no statute, rule or regulation will have been enacted by any governmental authority which prevents the consummation of the Raytheon Merger;
- . all required approvals of, or filings with, any governmental authority will have been obtained or made, except where failure to do so would have no material adverse effect;
- . all required consents or approvals of all persons (other than governmental authorities) will have been obtained and will be in full force and effect, unless the failure to obtain any such consent or approval is not reasonably likely to have, individually or in the aggregate, a material adverse effect;
- . approval of Raytheon's stockholders;
- . consummation of the Hughes Transactions;
- . the Goldman Sachs Fairness Opinion will not have been withdrawn, revoked or modified;
- . the opinions of Bear, Stearns and Credit Suisse First Boston Corporation, each dated January 16, 1997 (respectively, the "Bear Stearns Fairness Opinion" and the "First Boston Fairness Opinion"), to Raytheon's board of directors, in each case to the effect that, on the basis of and subject to the assumptions, representations, limitations and other matters set forth therein, the financial terms of the Raytheon Merger are fair to the stockholders of Raytheon from a financial point of view (with respect to Bear, Stearns) and the Raytheon Merger Consideration (as defined in the opinion of Credit Suisse First Boston Corporation) is fair to the stockholders of Raytheon from a financial point of view, will not have been withdrawn, revoked or modified;
- . receipt by Raytheon and Hughes Defense respectively, of the tax opinions of Wachtell, Lipton, Rosen & Katz, special counsel to Raytheon, and Weil, Gotshal & Manges LLP, special counsel to Hughes Defense, in each case to the effect that the Raytheon Merger will qualify as a reorganization within the meaning of Section 368 of the Code; and
- . receipt of all required state securities or blue sky permits or approvals.

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Conditions to the Obligations of Raytheon. Raytheon's obligations to consummate the Raytheon Merger are also subject to the fulfillment or waiver of the following conditions:

- . certain representations and warranties of Hughes Defense being true and correct on the date of the Raytheon Merger Agreement and on and as of the closing date as though made on and as of the closing date and certain other representations and warranties of Hughes Defense being true and correct on the date of Raytheon Merger Agreement and on and as of the closing date as though made on and as of the closing date, except for such inaccuracies which would not reasonably be expected to have a material adverse effect on Hughes Defense or New Raytheon;
- . Hughes Defense having performed in all material respects each obligation and agreement and having complied in all material respects with each covenant to be performed and complied with by it under the Raytheon Merger Agreement at or prior to the Raytheon Merger Effective Time; and
- . except to the extent contemplated by the Raytheon Merger Agreement, there will not have been any material adverse change in the assets, liabilities, results of operations, business or financial condition of Hughes Defense and its subsidiaries taken as a whole or any material adverse effect on the ability of Hughes Defense to consummate the transactions contemplated by the Raytheon Merger Agreement.

Conditions to the Obligations of Hughes Defense. Hughes Defense's obligations to consummate the Raytheon Merger are also subject to the fulfillment or waiver of the following conditions:

- . certain representations and warranties of Raytheon being true and correct on the date of the Raytheon Merger Agreement and on and as of the closing date as though made on and as of the closing date and certain other representations and warranties of Raytheon being true and correct on the date of the Raytheon Merger Agreement and on and as of the closing date as though made on and as of the closing date, except for such inaccuracies which would not reasonably be expected to have a material adverse effect on Raytheon or New Raytheon;
- . Raytheon having performed in all material respects each obligation and agreement and having complied in all material respects with each covenant to be performed and complied with by it under the Raytheon Merger Agreement at or prior to the Raytheon Merger Effective Time;
- . except to the extent contemplated by the Raytheon Merger Agreement, there will not have been any material adverse change in the assets, liabilities, results of operations, business or financial condition of Raytheon to consummate the transactions contemplated by the Raytheon Merger Agreement; and
- . the Intercompany Payment will have been duly made in full.

REPRESENTATIONS AND WARRANTIES; NO SURVIVAL

The Raytheon Merger Agreement contains various representations and warranties of Raytheon and Hughes Defense. The representations and warranties of Raytheon relate generally to: due corporate organization and qualification; corporate authority; absence of violations of, among other things, certificates of incorporation, by-laws, contracts and laws; required filings with and consents and approvals of governmental authorities; board recommendation and stockholder voting requirements; the capital structure of Raytheon; the subsidiaries and other equity or ownership interests of Raytheon; documents filed with the SEC by Raytheon, and the accuracy of certain information, including financial statements, contained in such documents and in the Raytheon Registration Statement and this document; financial statements of Raytheon; proper accounting controls; payments to international sales representatives; absence of certain material events and changes; compliance with applicable laws; real estate matters; litigation; taxes; employee benefit plans; environmental matters; takeover statutes; brokers and finders; employees; restrictive agreements; absence of shareholder rights plans; and opinions of financial advisors.

The representations and warranties of Hughes Defense relate generally to: due corporate organization and qualification; corporate authority; absence of violations of, among other things, certificates of incorporation, by-laws, contracts and laws; required filings with and consents and approvals of governmental authorities; board

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and stockholder approvals; the subsidiaries and other equity or ownership interests of Hughes Defense; information filed with the SEC as part of the Raytheon Registration Statement, including the Raytheon Proxy Statement, and the accuracy of information contained in such documents; financial statements with respect to Hughes Defense; proper accounting controls; payments to international sales representatives; absence of certain material changes and events; conduct of operations; absence of undisclosed liabilities; employees; employee benefits and retirement plan assets; real estate matters; environmental matters; restrictive agreements; compliance with applicable laws; litigation; takeover statutes; brokers and finders; and opinions of financial advisors.

The representations and warranties made in the Raytheon Merger Agreement by Raytheon and Hughes Defense will not survive the Raytheon Merger Effective Time.

WAIVER AND AMENDMENT

The Raytheon Merger Agreement provides that, subject to applicable law, the parties may (1) extend the time for the performance of any of the obligations or other acts of the other party, (2) waive any inaccuracies in the representations and warranties contained in the Raytheon Merger Agreement or in any document delivered pursuant thereto or (3) waive compliance with any of the agreements or conditions contained in the Raytheon Merger Agreement, by action of the parties' respective boards of directors and written agreement signed by the party agreeing to such extension or waiver.

In addition, subject to applicable law, the parties to the Raytheon Merger Agreement may amend the Raytheon Merger Agreement by action of their respective board of directors, at any time, provided that after adoption of the Raytheon Merger Agreement by Raytheon's common stockholders or approval of the Hughes Transactions by GM's common stockholders, amendments which by law require further approval or authorization by the stockholders of Raytheon or General Motors, as the case may be, may not be made without such further approval or authorization. In either case, the Raytheon Merger Agreement may not be amended except by a written instrument signed by each party.

TERMINATION

The Raytheon Merger Agreement may be terminated at any time prior to the Raytheon Merger Effective Time by mutual written consent of Raytheon and Hughes Defense or, by either Raytheon or Hughes Defense:

- . if any permanent injunction or other order of a court or other competent governmental authority preventing the consummation of the Raytheon Merger or the Hughes Transactions has become final and nonappealable;
- . in the event of a material breach by the other party of any representation or warranty, or any of the covenants or agreements contained in the Raytheon Merger Agreement which breach cannot be or has not been cured within 30 days after the giving of written notice to the breaching party of such breach;
- . if the Raytheon Merger is not consummated before December 31, 1997, unless such date is extended by the board of directors of both Raytheon and Hughes Defense (provided that the terminating party (or its affiliates) has not failed to perform any material covenant or obligation under the Raytheon Merger Agreement or under the Implementation Agreement, which failure has been the cause of or resulted in the failure of the Raytheon Merger to occur on or before such date);
- . if the requisite vote of Raytheon stockholders to approve the Raytheon Merger and the transactions contemplated hereby is not obtained;
- . if the approval by the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders of the Hughes Transactions sought pursuant to this document is not obtained;
- . upon the occurrence of any event or effect not contemplated by the Raytheon Merger Agreement that has resulted in a material adverse change after the date of the Raytheon Merger Agreement in the assets,

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liabilities, results of operations, businesses or financial condition of the other party and its subsidiaries, taken as a whole, or upon the occurrence of an event which could reasonably be expected to result in such a material adverse change with respect to such party or, after the Raytheon Merger Effective Time, New Raytheon;

- . if the board of directors of the other party or any committee of the board of directors of the other party (1) withdraws or modifies in any adverse manner its approval or recommendation of the Raytheon Merger Agreement or the Raytheon Merger, (2) fails to reaffirm such approval or recommendation upon such party's request, (3) approves or recommends any acquisition of the other party or a material portion of its assets or any tender offer for shares of its capital stock, in each case, other than by a party to the Raytheon Merger Agreement or an affiliate thereof, or (4) resolves to take any of the actions specified in clause (1) above;
- . under the circumstances described above under "--Raytheon Merger Agreement--Certain Covenants--Competing Transactions"; or
- . if the Implementation Agreement is terminated pursuant to its terms.

In the event of a termination of the Raytheon Merger Agreement pursuant to its terms, the Raytheon Merger Agreement (except with respect to payment of the expenses of the other party and payment of a termination fee in certain circumstances, as described below under "--Raytheon Merger Agreement--Effect of Termination; Termination Fees") will become void and have no effect, without any liability, however, on the part of the parties or their directors, officers or stockholders. Nothing in the Raytheon Merger Agreement relieves any party of liability for a willful breach of any provisions of the Raytheon Merger Agreement.

EFFECT OF TERMINATION; TERMINATION FEES

Termination Fees Payable by Hughes Defense: The Raytheon Merger Agreement obligates Hughes Defense to pay all Raytheon Expenses (as defined below) if the Raytheon Merger Agreement is terminated in accordance with its terms in any of the following circumstances:

- . by Raytheon in response to any resolution or action by Hughes Defense's board of directors (i) to withdraw, modify in any adverse manner or decline to reaffirm upon request, its approval or recommendation of the Raytheon Merger Agreement or the Raytheon Merger or (ii) to approve or recommend any acquisition of Hughes Defense or a material portion of its assets by any person other than Raytheon and its affiliates;
- . by Hughes Defense if Hughes Defense's board of directors concludes that, as a result of a Competing Transaction, such action is necessary in order for it to comply with its fiduciary duties under applicable law as described above;
- . by either Raytheon or Hughes Defense if the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders fail to approve the Hughes Transactions as contemplated in this document;
- . by either Raytheon or Hughes Defense in the event that the Implementation Agreement has been terminated for any of the following reasons:
 - (1) by General Motors in the event that the GM Board has determined in good faith, in the exercise of its fiduciary obligations, under applicable law, on the basis of advice of outside counsel, that it must revoke or withdraw its recommendation in favor of the Hughes Transactions set forth in this document and such conclusion cannot reasonably be avoided by adjusting the Distribution Ratio;
 - (2) by Raytheon in the event that the GM Board has made a determination described in paragraph (1) above and has not terminated the Raytheon Merger Agreement within 10 business days thereof;
 - (3) by Raytheon in the event that General Motors revokes, withdraws, modifies in an adverse manner or fails to reaffirm upon request the recommendation of the GM Board in favor of the Hughes Transactions set forth in this document; or

(4) by either General Motors or Raytheon as a result of the termination of the GM Spin-Off Merger Agreement as a result of: (A) determination by the GM Board (and such determination cannot reasonably be avoided by adjusting the Distribution Ratio) that consummation of the Hughes Transactions would not be both in the best interests of General Motors and its common stockholders and fair to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders; (B) the Updated Merrill Lynch Fairness Opinion, the Updated Salomon Brothers Fairness Opinion or (other than in certain limited circumstances) the Goldman Sachs Fairness Opinion being revoked or withdrawn; or (C) the Hughes Transactions failing to receive the requisite approval of GM stockholders; or

. by either Raytheon or Hughes Defense if the Raytheon Merger is not consummated before December 31, 1997, or such later date as agreed by Raytheon and Hughes Defense, and the failure to consummate the Raytheon Merger is based on the failure of General Motors to consummate the GM Spin-Off Merger because either (1) the Updated Merrill Lynch Fairness Opinion or the Updated Salomon Brothers Fairness Opinion is withdrawn or revoked or (2) the GM Board determines in good faith, in the exercise of its fiduciary duties under applicable law, on the basis of the advice of outside counsel, that consummation of the Hughes Transactions would not be in the best interests of General Motors and its common stockholders and fair to the holders of both classes of GM common stock.

Hughes Defense also will be obligated to pay Raytheon \$200 million in the event that the Raytheon Merger Agreement is terminated as described above and either (1) prior to the time of such termination a Competing Transaction involving Hughes Defense is commenced, publicly proposed, publicly disclosed or communicated to Hughes Defense's board of directors or (2) at any time within three months following such termination any agreement with respect to a Competing Transaction involving the defense electronics business of Hughes Electronics is entered into or any such Competing Transaction is consummated.

"Raytheon Expenses" means an amount in cash equal to the aggregate amount of Raytheon's and its affiliates' actual documented out-of-pocket expenses incurred in connection with pursuing the transactions contemplated by the Raytheon Merger Agreement, including legal, accounting and investment banking fees, in an aggregate amount not to exceed \$20 million.

Termination Fees Payable by Raytheon. The Raytheon Merger Agreement obligates Raytheon to pay all Hughes Defense Expenses (as defined below) if the Raytheon Merger Agreement is terminated in accordance with its terms in the following circumstances:

. by Hughes Defense (1) if the requisite vote of Raytheon stockholders to approve the Raytheon Merger is not obtained; or (2) in response to any resolution or action by Raytheon's board of directors to withdraw, modify in any adverse manner or decline to reaffirm upon request, its approval or recommendation of the Raytheon Merger Agreement or the Raytheon Merger or to approve or recommend any acquisition of Raytheon or a material portion of its assets by any person other than Hughes Defense and its affiliates;

. by Raytheon if (1) the requisite vote of Raytheon stockholders to approve the Raytheon Merger is not obtained; or (2) Raytheon's board of directors concludes that, as a result of a Competing Transaction, such action is necessary in order for it to comply with its fiduciary duties under applicable law as described above; or

. by either Raytheon or Hughes Defense if the Raytheon Merger shall not have been consummated before December 31, 1997, or such later date as agreed by Raytheon and Hughes Defense, and the failure to consummate the Raytheon Merger because the Bear Stearns Fairness Opinion or the Credit Suisse Fairness Opinion has been withdrawn or revoked when all other conditions to the Raytheon Merger (other than the consummation of the Hughes Transactions) have been satisfied or are capable of being satisfied if such withdrawal or revocation of the Bear Stearns Fairness Opinion or the Credit Suisse Fairness Opinion does not result from a breach of the representations and warranties of Hughes Defense set forth in the Raytheon Merger Agreement.

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In addition, Raytheon will be obligated to pay Hughes Defense \$200 million in the event that the Raytheon Merger Agreement is terminated as described above and either (1) prior to the time of such termination a Competing Transaction involving Raytheon is commenced, publicly proposed, publicly disclosed or communicated to Raytheon's board of directors, or (2) at any time within three months following such termination any agreement with respect to a Competing Transaction involving Raytheon is entered into or any such Competing Transaction is consummated.

"Hughes Defense Expenses" means an amount in cash equal to the aggregate amount of Hughes Defense's and its affiliates' actual documented out-of-pocket expenses incurred in connection with pursuing the transactions contemplated by the Raytheon Merger Agreement, including legal, accounting and investment banking fees, in an aggregate amount not to exceed \$20 million.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Raytheon Merger Agreement provides that from and after the Raytheon Merger Effective Time, New Raytheon will indemnify, defend and hold harmless each individual who was, at any time prior to the Raytheon Merger Effective Time, an officer or director of Raytheon or Hughes Defense or any of their respective subsidiaries (the "Indemnified Parties") against all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement with the approval of New Raytheon (which approval will not be unreasonably withheld) arising out of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of (1) the fact that such person is or was a director or officer of Raytheon or Hughes Defense or their respective subsidiaries, as the case may be, whether pertaining to any matter existing or occurring at or prior to the Raytheon Merger Effective Time and whether asserted or claimed prior to, or at or after, the Raytheon Merger Effective Time and (2) the Raytheon Merger Agreement or the transactions contemplated thereby, in each case to the full extent Raytheon or Hughes Defense, as the case may be, would have been permitted under Delaware law and its certificate of incorporation and bylaws to indemnify such person, and New Raytheon will pay expenses reasonably incurred by an Indemnified Party in advance of the final disposition of any such action or proceeding to such Indemnified Party to the full extent permitted by law upon receipt of the undertaking contemplated by Section 145(e) of the Delaware General Corporation Law.

Without limiting the generality of the foregoing, in the event any such claim, action, suit, proceeding or investigation is brought against any Indemnified Party (whether arising before or after the Raytheon Merger Effective Time), after the Raytheon Merger Effective Time, New Raytheon (1) will pay all reasonable fees and expenses of any counsel retained by any Indemnified Parties promptly as statements therefor are received, and (2) will use its commercially reasonable efforts to assist in the vigorous defense of any such matter, provided that New Raytheon will not be liable for any settlement of any claim effected without its written consent, which consent, however, will not be unreasonably withheld. Pursuant to the terms of the Raytheon Merger Agreement, any Indemnified Party wishing to claim indemnification, upon learning of any such claim, action, suit, proceeding or investigation, will notify New Raytheon (but the failure so to notify New Raytheon will not relieve it from any liability which it may have except to the extent such failure materially prejudices New Raytheon), and will deliver to new Raytheon the undertaking, if any, contemplated by Section 145(e) of the Delaware General Corporation Law. Under the terms of the Raytheon Merger Agreement, the indemnification provisions are intended to be for the benefit of, and will be enforceable by, each Indemnified Party, his or her heirs and his or her legal representatives.

IMPLEMENTATION AGREEMENT

GENERAL

The Implementation Agreement is an agreement between General Motors and Raytheon, pursuant to which General Motors has agreed to take certain actions to effect the Hughes Transactions.

PROPOSAL OF THE HUGHES TRANSACTIONS

The Implementation Agreement provides that, following the determination of the Distribution Ratio and the execution of the GM Spin-Off Merger Agreement and provided that none of the Original Merrill Lynch Fairness Opinion, the Original Salomon Brothers Fairness Opinion and the Goldman Sachs Fairness Opinion has been revoked, withdrawn or modified in a manner adverse to General Motors or to the GM Board or to either class of GM's common stockholders, General Motors will:

- (1) take all commercially reasonable action in accordance with the federal securities laws, the Delaware General Corporation Law, the GM Certificate of Incorporation and the GM By-Laws necessary to present the Hughes Transactions to GM's common stockholders for their consideration and approval;
- (2) include in this document the recommendation of the GM Board in favor of the Hughes Transactions; and
- (3) use all commercially reasonable efforts to solicit from GM's common stockholders consents with respect to the Hughes Transactions.

Each of these obligations is subject to the fiduciary duties of the GM Board under applicable law.

COVENANTS OF GENERAL MOTORS

No Solicitation. The Implementation Agreement provides that until the Raytheon Merger Effective Time, without the prior written consent of Raytheon, General Motors will not, and will not authorize or permit any of its subsidiaries or any of its or its subsidiaries' directors, officers, employees, agents or representatives to, directly or indirectly, solicit, initiate, knowingly encourage or facilitate, or furnish or disclose non-public information in furtherance of, any inquiries or the making of any proposal with respect to any Competing Transaction (as defined in the Raytheon Merger Agreement) relating to Hughes Defense or the consummation of which would otherwise result in the termination or material breach of any of the Transaction Agreements, or negotiate, explore or otherwise engage in discussions with any person (other than Raytheon or its respective directors, officers, employees, agents and representatives) with respect to any Competing Transaction or enter into any agreement, arrangement or understanding therefor requiring them to abandon, terminate or fail to consummate the Raytheon Merger. The foregoing limitation, however, does not prohibit any of such parties from taking any action to the extent (including compliance by General Motors with the conditions set forth therein) that Hughes Defense could do so pursuant to the comparable provision of the Raytheon Merger Agreement. See "--Raytheon Merger Agreement--Certain Covenants--Competing Transactions."

Transaction Agreements. The Implementation Agreement also provides that:

- . General Motors will enter into, and to cause its subsidiaries to enter into, the Transaction Agreements, as and when contemplated by the Implementation Agreement and the other Transaction Agreements;
- . General Motors will consult with Raytheon regarding any changes, amendments or additions that are proposed to be made to the Transaction Agreements prior to the Raytheon Merger Effective Time, whether before or after any such agreement is entered into by the respective parties to such agreement;
- . General Motors will not permit (except for any amendment to the GM Spin-Off Merger Agreement to adjust the Distribution Ratio under certain circumstances) any change, amendment or addition to be made prior to the Raytheon Merger Effective Time to the forms or terms of the Transaction Agreements without Raytheon's consent (which consent shall not be unreasonably withheld or delayed), unless such change, amendment or addition could not reasonably be foreseen (1) to have an adverse effect on the business, assets, liabilities or financial condition of Hughes Defense or (2) to delay materially the consummation of the Raytheon Merger on the terms and subject to the conditions of the Implementation Agreement and the other Transaction Agreements;

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- . General Motors will not, and will not permit any of its subsidiaries to, terminate (except as may be permitted by the terms of any of the Transaction Agreements) or waive any condition of the Transaction Agreements, without the prior written consent of Raytheon, unless the Implementation Agreement has been terminated; and
- . General Motors will not permit Hughes Defense to make prior to the Raytheon Merger Effective Time any formal election expressly referenced in the Master Separation Agreement to be made by Hughes Defense unless such election is acceptable to Raytheon.

CERTAIN OTHER COVENANTS

The Implementation Agreement further provides that, among other things, each of General Motors and Raytheon will, and will cause its subsidiaries to, use all commercially reasonable efforts to consummate the Hughes Transactions and the Raytheon Merger.

The Implementation Agreement provides that General Motors and Raytheon will promptly notify the other party of (1) the occurrence or non-occurrence of any event which would cause any representation or warranty made by it contained in the Implementation Agreement to be untrue or inaccurate in any material respect at or prior to the Raytheon Merger Effective Time and (2) any material failure by it to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under the Implementation Agreement, provided, however, that no such notification will limit or otherwise affect the remedies of the parties available under the Implementation Agreement.

REPRESENTATIONS AND WARRANTIES; NO SURVIVAL

The Implementation Agreement contains various representations and warranties of General Motors and Raytheon. The representations and warranties of General Motors relate generally to: due corporate organization and qualification; corporate authority; ownership of the capital stock of Hughes Defense; absence of violations of, among other things, certificates of incorporation, by-laws, contracts and laws; required filings with and consents and approvals of governmental authorities; litigation; brokerage and finder's fees; stockholder voting requirements; and the accuracy of certain information contained in the Raytheon Registration Statement and the Raytheon Proxy Statement.

The representations and warranties of Raytheon relate generally to: due corporate organization and qualification; corporate authority; and the accuracy of certain information contained in this document. Raytheon also confirms in the Implementation Agreement all of the representations and warranties of Raytheon set forth in the Raytheon Merger Agreement. See "--Raytheon Merger Agreement--Representations and Warranties; No Survival" above.

The representations and warranties made in the Implementation Agreement by General Motors and Raytheon will not survive the Raytheon Merger Effective Time.

WAIVER AND AMENDMENT

The Implementation Agreement provides that, subject to applicable law, the parties may (1) extend the time for the performance of any of the obligations or other acts of the other party, (2) waive any inaccuracies in the representations and warranties contained in the Implementation Agreement or in any document delivered pursuant thereto and (3) waive compliance with any of the agreements or conditions contained in the Implementation Agreement, by action of the parties' respective boards of directors and written agreement signed by the party agreeing to such extension or waiver.

In addition, subject to applicable law, the parties to the Implementation Agreement may amend the Implementation Agreement by action of their respective boards of directors, at any time, provided, that after

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adoption of the Raytheon Merger Agreement by Raytheon stockholders or approval of the Hughes Transactions by GM stockholders, amendments which by law require further approval or authorization by the stockholders of Raytheon or General Motors, as the case may be, may not be made without such further approval or authorization. In either case, the Implementation Agreement may not be amended except by a written instrument signed by each party.

TERMINATION OF THE IMPLEMENTATION AGREEMENT

The Implementation Agreement may be terminated at any time prior to the Raytheon Merger Effective Time by mutual written consent of General Motors and Raytheon or as follows:

- . by either General Motors or Raytheon at any time following the termination of either of the Raytheon Merger Agreement or the GM Spin-Off Merger Agreement in accordance with the terms thereof;
- . by either General Motors or Raytheon in the event of either: (1) a material breach by the other party of any representation or warranty contained in the Implementation Agreement which breach cannot be or has not been cured within 30 days after the giving of written notice to the breaching party of such breach; or (2) a material breach by the other party of any of the covenants or agreements contained in the Implementation Agreement which breach cannot be or has not been cured within 30 days after the giving of written notice to the breaching party of such breach.
- . by General Motors in the event that the GM Board determines in good faith, in the exercise of its fiduciary obligations under applicable law, on the basis of oral or written advice of outside counsel, (1) that it must revoke or withdraw its recommendation in this document in favor of the Hughes Transactions and (2) that the foregoing determination could not reasonably be avoided by adjusting the Distribution Ratio so as to enable (A) the GM Board to determine that the Hughes Transactions, taken as a whole, are in the best interests of General Motors and its common stockholders and fair to the GM $\frac{2}{3}$ Common Stockholders and the GM Class H Common Stockholders and (B) the Original Merrill Lynch Fairness Opinion and the Original Salomon Brothers Fairness Opinion to be applicable to the Hughes Transactions with the Distribution Ratio as adjusted; or
- . by Raytheon in the event that: (1) the GM Board makes a determination regarding the Distribution Ratio as described in the immediately preceding paragraph and does not terminate the Implementation Agreement within ten business days thereof; or (2) the GM Board withdraws or modifies in any adverse manner its approval or recommendation of the Hughes Transactions or fails to reaffirm such approval or recommendation upon Raytheon's request.

EFFECT OF TERMINATION

In the event of the termination of the Implementation Agreement, the Implementation Agreement will become void and have no effect, without any liability on the part of either party or its subsidiaries or their respective directors, officers or stockholders, except for payment of expenses and a termination fee to the extent provided in the Raytheon Merger Agreement. See "--Raytheon Merger Agreement--Effect of Termination; Termination Fees" above. Notwithstanding the foregoing, nothing in the Implementation Agreement is intended to relieve either party to the Implementation Agreement of liability for a willful breach of any provision of the Implementation Agreement.

GM STOCKHOLDER APPROVAL NOT REQUIRED FOR THE RAYTHEON MERGER

You are not being asked to approve the Raytheon Merger, which has already been approved by Hughes Electronics as the sole stockholder of Hughes Defense. Although you are not being asked to approve the Raytheon Merger, consummation of the Raytheon Merger is conditioned upon, among other things, the consummation of the Hughes Transactions, which requires the approval of GM's common stockholders. IF GM'S COMMON STOCKHOLDERS APPROVE THE HUGHES TRANSACTIONS AND ALL OTHER CONDITIONS ARE SATISFIED OR WAIVED, THE RAYTHEON MERGER WILL BE CONSUMMATED IMMEDIATELY AFTER THE CONSUMMATION OF THE HUGHES

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DEFENSE SPIN-OFF. IF GM'S COMMON STOCKHOLDERS DO NOT APPROVE THE HUGHES TRANSACTIONS, NEITHER THE HUGHES TRANSACTIONS NOR THE RAYTHEON MERGER WILL BE CONSUMMATED.

APPROVALS BY THE CAPITAL STOCK COMMITTEE AND THE GM BOARD; FAIRNESS OF THE RAYTHEON MERGER

The Raytheon Merger was approved by the GM Board on January 16, 1997. This approval was based on, among other things, recommendations of the Capital Stock Committee, the Hughes Defense Spin-Off Committee, Hughes Electronics management and GM management. The Raytheon Merger was also approved by the Hughes Electronics Board. Additional information regarding the January 16, 1997 meetings of the Hughes Electronics Board, the Hughes Defense Spin-Off Committee, the Capital Stock Committee and the GM Board, and certain factors considered at these and other meetings, is set forth above under "Special Factors--Background of the Hughes Transactions." For a description of certain matters considered by the Capital Stock Committee and the GM Board in approving the Raytheon Merger, see "Recommendations of the Capital Stock Committee and the GM Board; Fairness of the Hughes Transactions" above.

RAYTHEON MERGER FAIRNESS OPINION: GOLDMAN SACHS

On January 16, 1997, Goldman Sachs delivered its written opinion to the boards of directors of General Motors, Hughes Electronics and Hughes Defense that, as of the date of such opinion, the Aggregate Consideration (as defined below) is fair to the GM Group as a whole. It is a condition to the completion of the Hughes Transactions that Goldman Sachs has not withdrawn its fairness opinion.

For purposes of the Goldman Sachs Fairness Opinion, Hughes Defense, Hughes Electronics, General Motors and the GM $\$1 \frac{2}{3}$ Common Stockholders and the GM Class H Common Stockholders are collectively referred to as the "GM Group."

For purposes of the Goldman Sachs Fairness Opinion, the ownership by the Class A Common Stockholders, in the aggregate, of approximately 30% of the outstanding common stock of New Raytheon upon the consummation of the Raytheon Merger and the indebtedness for borrowed money of Hughes Defense immediately prior to the Hughes Defense Spin-Off and the Raytheon Merger (which will become the indebtedness of New Raytheon upon the consummation of the Raytheon Merger) are together referred to as the "Aggregate Consideration."

The Goldman Sachs Fairness Opinion does not address the fairness of the Hughes Transactions or the fairness of the distribution to and allocation among the GM $\$1 \frac{2}{3}$ Common Stockholders and GM Class H Common Stockholders of Class A Common Stock in the Hughes Defense Spin-Off. These matters are addressed, to the extent specified therein, in the Updated Merrill Lynch Fairness Opinion and the Updated Salomon Brothers Fairness Opinion. See "Special Factors--Hughes Transactions Fairness Opinions: Merrill Lynch and Salomon Brothers" above.

The Goldman Sachs Fairness Opinion is directed only to the fairness of the Aggregate Consideration to be received by the GM Group as a whole and does not (1) address GM's underlying business decision to effect the Hughes Transactions, (2) address the fairness of the allocation of the Aggregate Consideration among the members of the GM Group or (3) constitute a recommendation concerning whether GM $\$1 \frac{2}{3}$ Common Stockholders and GM Class H Common Stockholders should approve the Hughes Transactions.

THE FULL TEXT OF THE GOLDMAN SACHS FAIRNESS OPINION, WHICH SETS FORTH ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS ON THE REVIEW UNDERTAKEN IN CONNECTION WITH THE OPINION, IS INCLUDED IN APPENDIX B TO THIS DOCUMENT AND IS INCORPORATED INTO THIS DOCUMENT BY REFERENCE. WE URGE YOU TO READ THE GOLDMAN SACHS FAIRNESS OPINION CAREFULLY. A COPY OF THE WRITTEN PRESENTATION BY GOLDMAN SACHS TO THE GM BOARD IN JANUARY 1997 HAS BEEN FILED AS AN EXHIBIT TO THE SCHEDULE 13E-3 FILED WITH THE SEC WITH RESPECT TO THE HUGHES TRANSACTIONS AND A COPY OF THE PRESENTATION IN THE FORM FILED WITH THE SEC MAY BE INSPECTED AND COPIED, AND OBTAINED BY MAIL, FROM THE SEC AS SET FORTH UNDER "WHERE YOU CAN

FIND MORE INFORMATION" IN CHAPTER 7 AND WILL BE MADE AVAILABLE FOR INSPECTION AND COPYING AT THE PRINCIPAL EXECUTIVE OFFICES OF GENERAL MOTORS AT GENERAL MOTORS CORPORATION, 100 RENAISSANCE CENTER, DETROIT, MICHIGAN 48243-7301 DURING REGULAR BUSINESS HOURS BY ANY INTERESTED COMMON STOCKHOLDER OF GENERAL MOTORS OR HIS OR HER REPRESENTATIVE WHO HAS BEEN SO DESIGNATED IN WRITING.

In connection with its opinion, Goldman Sachs reviewed, among other things, (1) the form of the Raytheon Merger Agreement; (2) the form of the Implementation Agreement; (3) the form of the GM Spin-Off Merger Agreement; (4) the form of the Master Separation Agreement; (5) the form of the Spin-Off Separation Agreement; (6) the Annual Reports of Hughes Electronics for the five years ended December 31, 1995; (7) the Annual Reports to Stockholders of Raytheon on Form 10-K for the five years ended December 31, 1995; (8) certain interim reports to stockholders and Quarterly Reports on Form 10-Q for Raytheon; (9) certain other communications from General Motors and Raytheon to their respective stockholders; and (10) certain internal financial analyses and forecasts for Hughes Defense and Raytheon prepared by their respective managements. Goldman Sachs also held discussions with members of the senior management of Hughes Defense and Raytheon regarding the past and current business operations, financial condition, and future prospects of their respective companies, including forecasts of revenue and cost synergies that are expected to result from the Raytheon Merger (collectively, the "Synergies"). In addition, Goldman Sachs reviewed the reported price and trading activity for the shares of Raytheon Common Stock; compared certain financial and stock market information for Raytheon with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the aerospace and defense industry specifically and in other industries generally and performed such other studies and analyses as it considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial and other information reviewed by it and assumed the accuracy and completeness thereof in all material respects for purposes of its opinion. In that regard, Goldman Sachs assumed, with the consent of General Motors, Hughes Electronics and Hughes Defense, that the financial forecasts prepared by Hughes Defense and Raytheon, including without limitation, the Synergies resulting from the Raytheon Merger, have been reasonably prepared on a basis reflecting the best currently available judgments and estimates of Hughes Defense and Raytheon and that such forecasts will be realized in all material respects in the amounts and at the times contemplated thereby. Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities of Hughes Defense or Raytheon or any of their subsidiaries and Goldman Sachs was not furnished with any such evaluation or appraisal. Goldman Sachs' advisory services and opinion were provided for the information and assistance of the boards of directors of each of General Motors, Hughes Electronics and Hughes Defense in connection with their consideration of the Raytheon Merger. Goldman Sachs was informed that the boards of directors of each of General Motors, Hughes Electronics and Hughes Defense were considering the Raytheon Merger in the context of the Hughes Transactions.

In the Goldman Sachs Fairness Opinion, Goldman Sachs does not express any opinion as to the prices at which the Class A Common Stock, the Class B Common Stock or the New GM Class H Common Stock will trade if and when they are issued.

The following is a summary of certain of the financial analyses used by Goldman Sachs in connection with providing the Goldman Sachs Fairness Opinion and in analyzing the Northrop Grumman proposal (as filed with the SEC).

(1) Selected Companies Analysis. Goldman Sachs reviewed certain financial information, ratios and public market multiples for six publicly traded corporations: The Boeing Company (adjusted pro forma for the acquisition of Rockwell International Corporation's Aerospace and Defense business but not including the impact of the then-pending acquisition of McDonnell Douglas Corporation), General Dynamics Corporation, Hughes Electronics, Lockheed Martin Corporation, Northrop Grumman Corporation and Raytheon (adjusted for the then-pending acquisition of Texas Instruments Defense) (the "Selected Companies"). The Selected Companies were chosen because they are publicly traded companies with operations (or, in the case of

Hughes Electronics, track operations) that for purposes of analysis may be considered similar to Hughes Defense. Goldman Sachs calculated and compared various financial multiples and ratios. With respect to the Selected Companies, Goldman Sachs considered levered market capitalization (i.e., market value of common equity plus estimated market value of debt less cash) as a multiple of 1997 estimated earnings before interest, taxes, depreciation and amortization ("EBITDA") and stock price as a multiple of 1997 and 1998 estimated earnings per share ("EPS"). The levered market capitalizations were based on closing stock prices as of January 11, 1997 and balance sheet data as of September 30, 1996. January 11, 1997 represented the most recent closing stock prices and September 30, 1996 represented the most recent publicly-available balance sheet information for the Selected Companies at the time the analysis was performed. The analysis was performed in advance of the GM Board meeting on January 16, 1997 in order to distribute material to the GM Board prior to such meeting. The 1997 EBITDA multiples estimates for each of the Selected Companies were based on Goldman Sachs research as of November 1996 (excluding pension and non-cash income). The 1997 and 1998 price/earnings ("P/E") multiples were based on stock prices as of January 11, 1997 and Institutional Brokers Estimate Service ("IBES") estimates for EPS as of January 8, 1997 (estimates for companies with non-calendar fiscal years ends were calendarized). Goldman Sachs' analysis of the Selected Companies indicated levered market capitalization multiples of 1997 estimated EBITDA ranging from 6.6x to 9.5x with a median of 8.4x and a mean of 8.2x. Goldman Sachs also considered for the Selected Companies estimated 1997 P/E multiples, which ranged from 13.1x to 23.6x with a median of 14.7x and a mean of 16.5x, estimated 1998 P/E multiples, which ranged from 11.8x to 20.4x with a median of 13.8x and a mean of 14.5x, and debt to capitalization ratios, which ranged from 3.0% to 62.6%.

(2) Selected Transactions Analysis. Goldman Sachs analyzed certain information relating to eight selected transactions in the aerospace and defense industry since 1994 (listed by acquirer/target): (1) Raytheon Company/Texas Instruments Defense, (2) The Boeing Company/McDonnell Douglas Corporation, (3) The Boeing Company/Rockwell International Corporation's Aerospace and Defense business, (4) Lockheed Martin Corporation/Loral Corporation, (5) Northrop Grumman Corporation/Westinghouse's Electronic Systems Group business, (6) Raytheon Company/E-Systems, (7) Martin Marietta Corp./Lockheed Corporation, and (8) Northrop Corporation/Grumman Corporation (the "Selected Transactions"). Such analysis indicated that for the Selected Transactions levered consideration as a multiple of (1) current year sales ranged from 0.56x to 1.68x, as compared to 1.53x for the Raytheon Merger and 1.50x for a merger of Northrop Grumman with Hughes Defense, (2) current year earnings before interest and taxes ("EBIT") ranged from 8.6x to 12.9x, as compared to 13.7x for the Raytheon Merger and 13.4 for a merger of Northrop Grumman with Hughes Defense, (3) current year EBITDA ranged from 5.4x to 10.6x, as compared to 11.7x for the Raytheon Merger and 11.4x for a merger of Northrop Grumman with Hughes Defense, (4) next year sales ranged from 0.57x to 1.66x, as compared to 1.43x for the Raytheon Merger and 1.40x for a merger of Northrop Grumman with Hughes Defense, (5) next year EBIT ranged from 8.2x to 12.9x, as compared to 13.0x for the Raytheon Merger and 12.7x for a merger of Northrop Grumman with Hughes Defense, and (6) book value ranged from 1.9x to 9.6x, as compared to 1.9x for the Raytheon Merger and 1.8x for a merger of Northrop Grumman with Hughes Defense.

(3) Discounted Cash Flow Analysis. Goldman Sachs performed a discounted cash flow analysis using Hughes Defense management projections. Goldman Sachs calculated the net present value of the cash flows of Hughes Defense as of January 1, 1997 using discount rates from 10% to 12%. Goldman Sachs calculated terminal values of Hughes Defense based on a multiple of trailing EBITDA in the year 2001 ranging from 7.0x EBITDA to 8.0x EBITDA. These terminal values were then discounted to present value (as of January 1, 1997) using discount rates from 10% to 12%. Such analysis indicated a range of \$6.482 billion to \$7.757 billion. The discount rates used were determined using a number of different factors, including (1) a weighted average cost of capital analysis and (2) expected internal rates of return for Hughes Defense as well as for other companies in the aerospace and defense industry.

(4) Discounted Cash Flow Analysis--Synergies--Raytheon/Hughes Defense. Goldman Sachs performed a discounted cash flow analysis of the Synergies using Raytheon's management projections. Goldman Sachs calculated the net present value of the cash flows as of January 1, 1997 using discount rates from 10% to 12%. Goldman Sachs calculated the terminal values based on a multiple of trailing EBIT in the year 2001

ranging from 8.0x EBIT to 10.0x EBIT. These terminal values were then discounted to present value (as of January 1, 1997) using discount rates from 10% to 12%. Such analysis indicated a range from \$3.396 billion to \$4.321 billion. The discount rates used were determined using a number of different factors, including (1) a weighted average cost of capital analysis and (2) expected internal rates of return for each of Hughes Defense and Raytheon as well as for other companies in the aerospace and defense industry.

(5) Discounted Cash Flow Analysis--Synergies--Northrop Grumman/Hughes Defense. Goldman Sachs performed a discounted cash flow analysis of the Synergies using Northrop Grumman's management projections. Goldman Sachs calculated the net present value of the cash flows as of January 1, 1997 using discount rates from 10% to 12%. Goldman Sachs calculated the terminal values based on a multiple of trailing EBIT in the 2001 ranging from 8.0x EBIT to 10.0x EBIT. These terminal values were then discounted to present value (as of January 1, 1997) using discount rates from 10% to 12%. Such analysis indicated a range from \$1.632 billion to \$2.049 billion.

(6) Contribution Analysis--Raytheon. Goldman Sachs reviewed certain estimated future operating and financial information (including, among other things, revenues, EBITDA, operating income and levered value) for Hughes Defense, Raytheon and the pro forma combined entity resulting from the Raytheon Merger based on Hughes Defense and Raytheon managements' financial forecasts for each of Hughes Defense and Raytheon (which included a pro forma base forecast for the impact of Texas Instruments Defense, before the impact of synergies) and the pro forma combined entity. Goldman Sachs also analyzed the relative income statement contribution of Hughes Defense and Raytheon to the combined company on a pro forma basis based on financial data and on the assumptions provided to Goldman Sachs by Hughes Defense and Raytheon managements. This analysis indicated that in 1997 Hughes Defense would have contributed 28.4% to combined revenues, 27.7% to combined EBITDA and 29.1% to combined operating income. Based on the Aggregate Consideration of \$9.5 billion for Hughes Defense and market prices of Raytheon as of January 10, 1997, Hughes Defense would receive 34.1% of the combined levered value. The 34.1% figure was calculated by taking (a) Hughes Defense's levered value of \$9,500 million as reflected by the Raytheon proposal and dividing it by (b) the combined levered value of \$27,876 million consisting of (x) Hughes Defense's levered value of \$9,500 million plus (y) Raytheon's levered value as of January 10, 1997 of \$18,376 million, which was adjusted to include an additional \$2,950 million of debt from the then-pending acquisition of Texas Instruments Defense business. The figure of 34.1% is the result of dividing \$9,500 million by \$27,786 million.

(7) Contribution Analysis--Northrop Grumman. Goldman Sachs reviewed certain estimated future operating and financial information (including, among other things, revenues, EBITDA, operating income and levered value) for Hughes Defense, Northrop Grumman and the pro forma combined entity resulting from the merger of Hughes Defense and Northrop Grumman based on Hughes Defense and Northrop Grumman managements' financial forecasts for each of Hughes Defense and Northrop Grumman and the pro forma combined entity. Goldman Sachs also analyzed the relative income statement contribution of Hughes Defense and Northrop Grumman to the combined company on a pro forma basis based on financial data and on the assumptions provided to Goldman Sachs by Hughes Defense and Northrop Grumman managements. This analysis indicated the percentage that Hughes Defense in 1997 would have contributed to combined revenues, to combined EBITDA and to combined operating income and based on the aggregate consideration of \$9,301 million for Hughes Defense and market prices of Northrop Grumman as of January 10, 1997, the percentage of the combined levered value that Hughes Defense would have received. The percentage of combined levered value was calculated by taking (a) Hughes Defense's levered value of \$9,301 million as reflected by the Northrop Grumman proposal and dividing it by (b) the combined levered value consisting of (x) Hughes Defense's levered value of \$9,301 million plus (y) Northrop Grumman's levered value as of January 10, 1997. The percentage of combined levered value is the result of dividing \$9,301 million by the sum of (x) and (y) above.

(8) Pro Forma Trading Analysis--Raytheon. Goldman Sachs prepared pro forma analyses of the financial impact of the Raytheon Merger. Using earnings estimates for Raytheon prepared by its management for the years 1997 and 1998, Goldman Sachs compared the EPS of Raytheon Common Stock, on a stand-alone basis, to the EPS of the common stock of the combined companies on a pro forma basis (including the

impact of Raytheon's acquisition of Texas Instruments Defense). Goldman Sachs performed this analysis based on a price of \$49.35 per share (the midpoint of the range used in determining the amount of indebtedness Hughes Defense may have at the Raytheon Merger Effective Time) of Raytheon Common Stock. Based on such analysis the proposed transaction would be dilutive to Raytheon's stockholders on an earnings per share basis in 1997 by 4.7% and accretive to Raytheon's stockholders on an earnings per share basis in 1998 by 1.0%.

(9) Pro Forma Trading Analysis--Northrop Grumman. Goldman Sachs prepared pro forma analyses of the financial impact of a merger between Hughes Defense and Northrop Grumman. Using earnings estimates for Northrop Grumman prepared by its management for the years 1997 and 1998, Goldman Sachs compared the EPS of Northrop Grumman's common stock, on a standalone basis, to the EPS of the common stock of the combined companies on a pro forma basis. Goldman Sachs performed this analysis based on a price of \$81.00 per share (the midpoint of the collar) of Northrop Grumman's common stock. Based on this analysis, the proposed transaction would be dilutive to Northrop Grumman's stockholders on an earnings per share basis in both 1997 and 1998.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying the Goldman Sachs Fairness Opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all such analyses. Goldman Sachs reaches a single conclusion as to fairness based on its experience and professional judgment and its analysis as a whole. Goldman Sachs does not, as part of its process, isolate the various analyses and reach separate conclusions with respect thereto. No company or transaction used in the above analyses as a comparison (other than Hughes Electronics and Raytheon) is directly comparable to General Motors, Hughes Electronics, Hughes Defense or Raytheon or the contemplated transaction. The analyses were prepared solely for purposes of Goldman Sachs providing its opinion to the board of directors of each of General Motors, Hughes Electronics and Hughes Defense as to the fairness of the Aggregate Consideration to the GM Group as a whole and do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by such analyses. Because such analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of General Motors, Hughes Electronics, Hughes Defense, Raytheon, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

As described above, the Goldman Sachs Fairness Opinion was one of many factors taken into consideration by the board of directors of each of General Motors, Hughes Electronics and Hughes Defense in making their respective determinations to approve the Raytheon Merger Agreement. THE FOREGOING SUMMARY DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE ANALYSIS PERFORMED BY GOLDMAN SACHS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE GOLDMAN SACHS FAIRNESS OPINION INCLUDED IN APPENDIX B TO THIS DOCUMENT.

Goldman Sachs, as part of its investment banking business, is continually engaged in the valuation of businesses and their 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. General Motors, Hughes Electronics and Hughes Defense selected Goldman Sachs as their financial advisor because it is a nationally recognized investment banking firm that has substantial experience in transactions similar to the Raytheon Merger. Goldman Sachs is familiar with Hughes Defense having provided certain investment banking services to Hughes Defense and Hughes Electronics from time to time and having acted as financial advisor to Hughes Defense, Hughes Electronics and General Motors in connection with, and having participated in certain of the negotiations leading to, the Raytheon Merger Agreement. Goldman Sachs is also familiar with Raytheon having provided certain investment banking services to Raytheon from time to time, including having acted as its financial advisor in

connection with the acquisition of Chrysler Technologies Airborne Systems in June 1996 and acting as a dealer in connection with Raytheon's issuance of commercial paper.

Goldman Sachs is a full service securities firm and as such may from time to time effect transactions, for its own account or the account of customers, and hold positions in the securities or options on securities of General Motors and/or Raytheon.

Pursuant to a letter agreement dated October 23, 1996 (the "Engagement Letter"), General Motors and Hughes Electronics engaged Goldman Sachs to act as their financial advisor in connection with the Hughes Defense Spin-Off and the Raytheon Merger. Pursuant to the terms of the Engagement Letter, General Motors and Hughes Electronics have agreed to pay Goldman Sachs upon the consummation of the Raytheon Merger a transaction fee based on 0.30% of the aggregate consideration of the Raytheon Merger. General Motors and Hughes Electronics have agreed to reimburse Goldman Sachs for its reasonable out-of-pocket expenses, including the reasonable fees and disbursements of its attorneys, and to indemnify Goldman Sachs against certain liabilities, including certain liabilities under the U.S. federal securities laws. In the opinion of the SEC, indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act and is, therefore, in its view, unenforceable.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

For a description of certain U.S. federal income tax considerations relating to the Raytheon Merger, see "Special Factors--Certain U.S. Federal Income Tax Considerations Relating to the Raytheon Merger" above.

ACCOUNTING TREATMENT

The Raytheon Merger will be accounted for by New Raytheon as a purchase for financial accounting purposes in accordance with GAAP. Raytheon will be treated as the acquiror of Hughes Defense for purposes of preparing the consolidated financial statements of New Raytheon, and New Raytheon will establish a new accounting basis for assets and liabilities of Hughes Defense based upon the fair values thereof and the value of the consideration deemed to be provided to General Motors, its subsidiaries and its common stockholders in connection with the Raytheon Merger, and the costs of the Raytheon Merger. New Raytheon will record as goodwill the excess, if any, of such consideration over such fair values. A final determination of required purchase accounting adjustments, including the allocation of such consideration to the assets acquired and liabilities assumed based on their respective fair values, has not yet been made. Accordingly, the purchase accounting adjustments made in connection with the development of the pro forma condensed combined financial information of New Raytheon appearing elsewhere in this document are preliminary and have been made solely for purposes of developing such pro forma condensed combined financial information. New Raytheon will undertake a study to determine the fair value of certain of Hughes Defense's assets and liabilities (as so adjusted) and will make appropriate purchase accounting adjustments upon completion of that study. For financial reporting purposes, the results of operations of Hughes Defense will be included in New Raytheon's consolidated statement of income following the Raytheon Merger Effective Time. New Raytheon's financial statements for prior periods will not be restated as a result of the Raytheon Merger or related transactions. See "New Raytheon--New Raytheon Unaudited Pro Forma Condensed Combined Financial Statements" in Chapter 5.

SEPARATION AND TRANSITION ARRANGEMENTS

INTRODUCTION

As a condition to the consummation of the Raytheon Merger, Raytheon has required that Hughes Defense be, at the time of the consummation of the Raytheon Merger, an independent, publicly owned company comprising the defense electronics business of Hughes Electronics. This condition will be satisfied by means of the Hughes Reorganization and the Hughes Defense Spin-Off.

The Hughes Reorganization generally will be effected pursuant to the terms of the Master Separation Agreement among General Motors, Hughes Defense, Delco and Hughes Telecom and the agreements contemplated thereby. See "Description of the Hughes Transactions--General--Hughes Reorganization" above. As the surviving corporation of the Raytheon Merger, Hughes Defense (which will be renamed "Raytheon Company") will continue to have rights and obligations pursuant to each of these agreements after the consummation of the Raytheon Merger, except as otherwise described below. Accordingly, references to "Hughes Defense" in the descriptions below of such agreements should be considered, as appropriate, also to be references to "New Raytheon." In addition, in connection with the consummation of the Hughes Transactions, Hughes Telecom will become a direct wholly owned subsidiary of General Motors and will be renamed "Hughes Electronics Corporation." Accordingly, references to "Hughes Telecom" in the descriptions below of such agreements should be considered, as appropriate, also to be references to "New Hughes Electronics."

THE FOLLOWING IS A SUMMARY DESCRIPTION OF CERTAIN OF THE PRINCIPAL PROVISIONS OF THE SEPARATION AGREEMENTS. THIS DESCRIPTION OF THE SEPARATION AGREEMENTS, WHICH SUMMARIZES THE MATERIAL TERMS OF SUCH AGREEMENTS, DOES NOT PURPORT TO BE COMPLETE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE SEPARATION AGREEMENTS. THE FORMS OF EACH OF THE MASTER SEPARATION AGREEMENT, THE SPIN-OFF SEPARATION AGREEMENT AND THE TAX SHARING AGREEMENT HAVE BEEN FILED WITH THE SEC AS EXHIBITS TO THE REGISTRATION STATEMENTS OF WHICH THIS DOCUMENT IS A PART AND ARE INCORPORATED INTO THIS DOCUMENT BY REFERENCE.

SUMMARY OF MASTER SEPARATION AGREEMENT

GENERAL

The Master Separation Agreement is an agreement among General Motors, Hughes Defense, Delco and Hughes Telecom, pursuant to which, among other things, the transfers of certain assets and liabilities (which are required so that each of Hughes Defense, Delco and Hughes Telecom will consist of the respective businesses described in this document after the completion of the Hughes Reorganization) will be effected. The Master Separation Agreement also includes indemnification provisions and provides for a post-closing adjustment between New Hughes Electronics and New Raytheon based on an adjusted net worth of Hughes Defense as of immediately prior to the Raytheon Merger and for certain other separation and transition arrangements. The Master Separation Agreement also requires that certain parties to such agreement enter into the Spin-Off Separation Agreement, the Tax Sharing Agreement and certain other agreements. See "Description of the Hughes Transactions--General--Hughes Reorganization" above.

ASSET AND LIABILITY TRANSFERS

Pursuant to the Master Separation Agreement, prior to the GM Spin-Off Merger Effective Time, General Motors will cause Hughes Electronics (or the appropriate subsidiary of Hughes Electronics) to transfer, as appropriate, to each of Hughes Defense, Delco and Hughes Telecom all of Hughes Electronics' right, title and interest in the assets of Hughes Electronics that are used or held for use primarily in (but not presently owned by) the respective businesses of these entities. See "Description of the Hughes Transactions--General--

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Hughes Reorganization" above. The assets transferred will be transferred "as is where is" and, except as set forth below under "--Summary of Master Separation Agreement--Indemnification," no transferor of the assets described above will make any warranty, either express or implied, including, without limitation, warranties of merchantability or fitness for a particular purpose, with respect to any of the assets transferred. For a description of the transfers with respect to Hughes Electronics' intellectual property, see "--Summary of Other Agreements Contemplated by the Master Separation Agreement--Intellectual Property" below.

Simultaneously with the transfers described above, each of Hughes Defense, Delco and Hughes Telecom, in partial consideration for such transfers, will assume and agree on a timely basis to pay and discharge in accordance with their terms any and all liabilities relating to or arising out of the assets transferred to such entity. Each of Hughes Defense, Delco and Hughes Telecom will also retain or assume, as the case may be, and no other party to the Master Separation Agreement will assume or have any liability with respect to, liabilities relating primarily to, or arising primarily out of, the defense electronics business, the automotive electronics business or the telecommunications and space business, respectively, of Hughes Electronics as conducted at any time prior to, on or after the GM Spin-Off Merger Effective Time, as well as certain other liabilities as identified in the Master Separation Agreement.

Pursuant to the Master Separation Agreement, immediately following the transfers described above, Hughes Electronics will merge with General Motors, with General Motors as the surviving corporation, and Hughes Aircraft will merge with Hughes Defense, with Hughes Defense as the surviving corporation. Hughes Defense will then transfer to General Motors all of its right, title and interest in and to the shares of capital stock of Hughes Telecom in the Hughes Telecom Spin-Off. See "Description of the Hughes Transactions--General--Hughes Reorganization" above.

INDEMNIFICATION

Under the Master Separation Agreement, Hughes Telecom will represent and warrant to Hughes Defense that the assets of Hughes Defense (except for cash and cash equivalents and without giving effect to the sale or anticipated sale of, or other action with respect to, the assets of Hughes Defense relating to the approval process under the Hart-Scott-Rodino Act) as of immediately following the GM Spin-Off Merger Effective Time will include all assets owned by Hughes Electronics (and all assets in which Hughes Electronics has contractual rights) which are primarily used in, or held primarily for use in, the defense electronics business of Hughes Electronics as of the GM Spin-Off Merger Effective Time and will be sufficient to conduct such business after the GM Spin-Off Merger Effective Time as it is conducted immediately prior to the GM Spin-Off Merger Effective Time. Hughes Telecom will indemnify, defend and hold harmless Hughes Defense, New Raytheon, General Motors, Hughes Electronics and Delco, their respective successors-in-interest, subsidiaries and their respective past and present directors, officers, employees, agents, consultants, advisors, accountants, attorneys and representatives against any losses, claims, damages, liabilities or actions arising, whether prior to or following the transfers contemplated by the Master Separation Agreement, out of or in connection with any violation of such representation and warranty and will reimburse them for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action.

Hughes Defense, Delco and Hughes Telecom will each indemnify, defend and hold harmless each other and General Motors and Hughes Electronics, and their respective successors-in-interest, subsidiaries, past and present directors, officers, employees, agents, consultants, advisors, accountants, attorneys and representatives, against any losses, claims, damages, liabilities or actions arising, whether prior to or following the transfers contemplated by the Master Separation Agreement, out of or in connection with their respective assets and liabilities and the conduct of their respective businesses (including, in the case of Hughes Defense, in connection with any breach by Hughes Defense or any of its subsidiaries after the GM Spin-Off Merger Effective Time of any terms of the Transaction Agreements) and will reimburse them for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action.

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Each of Hughes Telecom and Delco will also indemnify, defend and hold harmless General Motors, its successors-in-interest, subsidiaries and past and present directors, officers, employees, agents, consultants, advisors, accountants, attorneys and representatives against any losses, claims, damages, liabilities or actions arising, whether prior to or following the transfers contemplated by the Master Separation Agreement, out of or in connection with the merger of Hughes Electronics with General Motors (other than, in each case, those that primarily relate to the assets, liabilities and conduct of the business of Delco) and will reimburse them for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action. The indemnification by Hughes Telecom of General Motors will include indemnification for losses arising from any guarantees and similar arrangements of Hughes Electronics that become obligations of General Motors as a result of the merger of Hughes Electronics into General Motors as part of the Hughes Reorganization.

POST-CLOSING ADJUSTMENT BETWEEN NEW HUGHES ELECTRONICS AND NEW RAYTHEON

The Master Separation Agreement provides for a payment to be made under the circumstances described below by either New Hughes Electronics or New Raytheon to the other party following the consummation of the Raytheon Merger based upon a comparison of (1) the "adjusted net worth" of Hughes Defense (as determined pursuant to the Master Separation Agreement) as reflected on the September 30, 1996 balance sheet provided to Raytheon as part of the negotiations relating to the Raytheon Merger Agreement, as adjusted pursuant to the terms of the Master Separation Agreement (the "Target Amount"), and (2) the "adjusted net worth" of Hughes Defense as of immediately prior to the Raytheon Merger Effective Time and after the consummation of the Hughes Reorganization as reflected in an audited balance sheet prepared as of such time and in such manner as described in the Master Separation Agreement (the "Closing Date Final Amount").

Within approximately four months after the completion of the Raytheon Merger, New Hughes Electronics will prepare, and its auditors will audit, the final balance sheet for Hughes Defense and its subsidiaries as of immediately prior to the Raytheon Merger Effective Time (but giving effect to the Hughes Reorganization), which will set forth the Closing Date Final Amount, and a related report from New Hughes Electronics' auditors. Within approximately 30 business days after its receipt of this final balance sheet and related auditors' report, New Raytheon will notify New Hughes Electronics of any objections to the balance sheet and report. New Hughes Electronics and New Raytheon will then work together to try to reach agreement on any disputed matters and, if the parties cannot reach agreement, all disputed matters will be submitted to arbitration before independent auditors for final resolution.

If the Target Amount exceeds the Closing Date Final Amount by \$50 million or more, then New Hughes Electronics will be obligated to pay to New Raytheon in cash the amount in excess of \$50 million by which the Target Amount exceeds the Closing Date Final Amount, plus interest thereon from the Raytheon Merger Effective Time to the date of such payment thereof at the per annum rate equal to the rate announced by Citibank, N.A. in the City of New York as its base rate as in effect on the Raytheon Merger Effective Time. If the Closing Date Final Amount exceeds the Target Amount by \$50 million or more, then New Raytheon will be obligated to pay to New Hughes Electronics in cash the amount in excess of \$50 million by which the Closing Date Final Amount exceeds the Target Amount, plus interest thereon calculated in the same manner as described above. In addition to the foregoing, any cash reflected in such audited balance sheet of Hughes Defense will be transferred to New Hughes Electronics at the time of the cash payment described above, or, if no such payment is made, as soon as practicable after the completion of such audited balance sheet, together with interest thereon calculated in the same manner as described above.

CONDITIONS TO CLOSING

The obligations of each of the parties to the Master Separation Agreement to consummate the transactions contemplated by the Master Separation Agreement will be subject to the satisfaction or waiver (by the party for whose benefit such condition exists) of each of the conditions to the closing of the Raytheon Merger as set forth in the Raytheon Merger Agreement (other than the consummation of the Hughes Transactions). See "Description of the Raytheon Merger--Raytheon Merger Agreement--Conditions" above.

SUMMARY OF SPIN-OFF SEPARATION AGREEMENT

GENERAL

The Master Separation Agreement contemplates that, prior to the Raytheon Merger Effective Time, General Motors and Hughes Defense will enter into the Spin-Off Separation Agreement. As noted above, the obligations of Hughes Defense under the Spin-Off Separation Agreement will be obligations of New Raytheon after the Raytheon Merger.

PRESERVATION OF TAX-FREE STATUS OF THE HUGHES TRANSACTIONS AND THE RAYTHEON MERGER

The Spin-Off Separation Agreement contains covenants intended to protect the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger. These covenants could have the effect of delaying, deferring or preventing a change in control of New Raytheon and of limiting the opportunity to realize premiums over prevailing market prices for New Raytheon Common Stock in connection therewith during the period of their applicability. See "Risk Factors--Risk Factors Regarding New Raytheon After the Raytheon Merger--Certain Limitations on Changes in Control of New Raytheon; New Raytheon's Ability to Participate in Future Defense Industry Consolidation" in Chapter 2.

Hughes Defense will indemnify, defend and hold harmless General Motors and its affiliates against any and all tax-related losses incurred by General Motors in connection with any proposed tax assessment or tax controversy with respect to the Hughes Defense Spin-Off or the Raytheon Merger to the extent caused by any breach by Hughes Defense of any of the following covenants.

Hughes Defense will agree that, unless General Motors determines, in its sole and absolute discretion, which discretion will be exercised in good faith solely to preserve the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, that any of the following transactions would not jeopardize the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off or the Raytheon Merger, Hughes Defense will not:

- . for two years after the Raytheon Merger Effective Time, enter into or permit (to the extent Hughes Defense has the right to prohibit) any transaction or series of transactions as a result of which any person or any group of related persons would acquire, or have the right to acquire, (1) from one or more holders of outstanding shares of New Raytheon Capital Stock, a number of shares of New Raytheon Capital Stock that would comprise more than 15% of (A) the value of all outstanding shares of New Raytheon Capital Stock as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series, or (B) the number of the issued and outstanding shares of Class A Common Stock or Class B Common Stock as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series, or (2) from Hughes Defense, all or a substantial portion of its assets or business in exchange in whole or in part for equity interests in such person or group which are received by holders of New Raytheon Capital Stock (a "Proposed Acquisition Transaction");
- . for two years after the Raytheon Merger Effective Time, enter into any transaction or series of transactions as a result of which any person would acquire, or have the right to acquire, from Hughes Defense or an affiliate of Hughes Defense, one or more shares of New Raytheon Capital Stock (a "Proposed Stock Issuance Transaction") if, as a result of such Proposed Stock Issuance Transaction, Hughes Defense would issue a number of shares of New Raytheon Capital Stock that, when aggregated with all other shares of New Raytheon Capital Stock issued pursuant to any Proposed Stock Issuance Transaction occurring prior to or simultaneously with such Proposed Stock Issuance Transaction, would cause (A) the number of shares of Class A Common Stock distributed to GM's common stockholders in the Hughes Defense Spin-Off to constitute less than 80% of the total combined voting power of all outstanding shares of the New Raytheon Capital Stock entitled to vote generally in the election of directors or (B) the issuance of outstanding shares of any class or series of New Raytheon Capital Stock other than New Raytheon Capital Stock which is entitled to vote generally in the election of directors;

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- . for two years after the Hughes Defense Spin-Off, enter into any transaction as a result of which Hughes Defense or an affiliate of Hughes Defense would acquire, or have the right to acquire, one or more shares of New Raytheon Capital Stock if, as a result of such transaction, the then-outstanding shares of Class A Common Stock would constitute less than 80% of the total combined voting power of all outstanding shares of New Raytheon Capital Stock entitled to vote generally in the election of directors; and
- . for three years after the Hughes Defense Spin-Off, amend or change the New Raytheon Certificate of Incorporation or New Raytheon By-Laws in such a way as to affect the composition or size of the New Raytheon Board, the manner in which the New Raytheon Board is elected or the duties and responsibilities of the New Raytheon Board.

For two years after the Hughes Defense Spin-Off, Hughes Defense will also agree:

- . to continue the active conduct of the trade or business (as defined in Section 355(b)(2) of the Code) conducted by Hughes Defense immediately prior to the Raytheon Merger Effective Time (the "Active Trade or Business");
- . not to (A) liquidate, dispose of, or otherwise discontinue the conduct of any portion of the Active Trade or Business with a value in excess of \$1.0 billion or (B) dispose of any business or assets that would cause Hughes Defense to be operated in a manner inconsistent in any material respect with the business purposes for the Hughes Defense Spin-Off as set forth in the representation letters, tax opinions and tax rulings related to the Hughes Transactions and the Raytheon Merger (including, among other things, the IRS Ruling), in each case unless General Motors has determined, in its sole and absolute discretion, which discretion will be exercised in good faith solely to preserve the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, that such liquidation, disposition or discontinuance would not jeopardize the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off or the Raytheon Merger;
- . not to liquidate, dispose of, or otherwise discontinue the conduct of any portion of the Active Trade or Business if such liquidation, disposition or discontinuance would constitute a breach of Section 4.2(e) of the Spin-Off Separation Agreement (which requires that, until two years after the Raytheon Merger Effective Time, and except in the ordinary course of business, neither Hughes Defense nor any of its subsidiaries sell, transfer, or otherwise dispose of or agree to dispose of assets (including any shares of capital stock of such subsidiaries) that, in the aggregate, constitute more than (A) 60% of the gross assets of Hughes Defense (based on the fair market value of each such asset as of the Raytheon Merger Effective Time) or (B) 60% of the consolidated gross assets of Hughes Defense (based on the fair market value of each such asset as of the Raytheon Merger Effective Time), unless prior to the consummation of such transaction General Motors has determined, in its sole and absolute discretion, which discretion will be exercised in good faith solely to preserve the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, that such transaction would not jeopardize the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off or the Raytheon Merger); and
- . not to voluntarily dissolve or liquidate, and except in the ordinary course of business, not to sell, transfer, or otherwise dispose of or agree to dispose of assets (including, for such purpose, any shares of capital stock of its subsidiaries) that, in the aggregate, constitute more than (1) 60% of the gross assets of Hughes Defense (based on the fair market value of each such asset as of the Raytheon Merger Effective Time) or (2) 60% of the consolidated gross assets of Hughes Defense (based on the fair market value of each such asset as of the Raytheon Merger Effective Time), unless prior to the consummation of such transaction General Motors has determined, in its sole and absolute discretion, which discretion will be exercised in good faith solely to preserve the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, that such transaction would not jeopardize the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off or the Raytheon Merger.

Hughes Defense also will agree not to propose at any time a plan of recapitalization (including a Proposed Acquisition Transaction, if, as a result of such transaction, holders of New Raytheon Common Stock

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immediately before the Proposed Acquisition Transaction will own more than 50% of the common equity of the person (or group of related persons) acquiring the New Raytheon Capital Stock immediately after consummation of the Proposed Acquisition Transaction, and, in such case, the person acquiring New Raytheon Capital Stock pursuant to a Proposed Acquisition Transaction will be treated as if such person were Hughes Defense) or amendment to the New Raytheon Certificate of Incorporation or other action providing for (1) the conversion of shares of any class of New Raytheon Common Stock into a different class of New Raytheon Capital Stock, (2) a change in the absolute or relative voting rights of any class of New Raytheon Common Stock from the rights existing at the Raytheon Merger Effective Time, or (3) any other action having an effect similar to that described in clause (1) or (2), unless prior to the consummation of such action General Motors has determined, in its sole and absolute discretion, which discretion will be exercised in good faith solely to preserve the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, that such action would not jeopardize the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off or the Raytheon Merger.

For two years after the Hughes Defense Spin-Off, Hughes Defense also will agree not to take, or permit any of its subsidiaries to take, any other actions or enter into any transaction or series of transactions or agree to enter into any other transactions that would be reasonably likely to jeopardize the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off or the Raytheon Merger, including any action or transaction that would be reasonably likely to be inconsistent with any representation made in the representation letters related to the Hughes Transactions and the Raytheon Merger, unless prior to the consummation of such action or transaction General Motors has determined, in its sole and absolute discretion, which discretion will be exercised in good faith solely to preserve the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, that such action or transaction would not jeopardize the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off or the Raytheon Merger.

In the event that Hughes Defense notifies General Motors that it desires to take one of the actions described above and General Motors concludes that such action would jeopardize the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off or the Raytheon Merger, General Motors will, at the request of Hughes Defense, elect either to (1) use all commercially reasonable efforts to obtain a tax opinion or ruling that would permit Hughes Defense to take the specified action or (2) provide all reasonable cooperation to Hughes Defense in connection with Hughes Defense obtaining such tax ruling or opinion in form and substance reasonably satisfactory to General Motors. The reasonable costs and expenses of obtaining any such tax opinion or ruling will be borne by Hughes Defense.

For purposes of this description of the Spin-Off Separation Agreement, "New Raytheon Capital Stock" means all classes or series of capital stock of Hughes Defense and, upon the consummation of the Raytheon Merger, New Raytheon.

INDEMNIFICATION

In addition to the indemnification for tax matters described above, Hughes Defense will also indemnify, defend and hold harmless General Motors, all of GM's affiliates and each of their respective directors, officers and employees (in their capacities as such), from and against:

- . all losses relating to, arising out of, or due to, directly or indirectly, any breach by Hughes Defense or any affiliate of Hughes Defense of any of the provisions of the Spin-Off Separation Agreement;
- . all losses relating to, arising out of, or due to (1) any untrue statement or alleged untrue statement of a material fact contained in the Hughes Defense Registration Statement or the Raytheon Registration Statement relating to (A) Raytheon, the capital stock of Raytheon, the Raytheon business, financial information and data relating to Raytheon (including both historical and pro forma financial data) or (B) the Raytheon Merger, plans regarding Hughes Defense after the Raytheon Merger (i.e., New Raytheon) and other forward-looking information regarding Hughes Defense (the "Hughes Defense Disclosure

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Portions") or (2) the omission or alleged omission to state in the Hughes Defense Disclosure Portions a material fact required to be stated therein or necessary to make the statements therein not misleading; and

- . all losses relating to or arising out of actions taken (or omitted to be taken) by Raytheon or any affiliate of Raytheon in violation of the Raytheon Merger Agreement.

General Motors will agree to indemnify, defend, and hold harmless Hughes Defense, all affiliates of Hughes Defense, and each of their respective directors, officers and employees (in their capacities as such), from and against:

- . all losses relating to, arising out of, or due to, directly or indirectly, any breach by General Motors or any affiliate of General Motors (excluding Hughes Defense) of any of the provisions of the Spin-Off Separation Agreement;
- . all losses relating to, arising out of, or due to (1) any untrue statement or alleged untrue statement of a material fact contained in any material set forth in either the Hughes Defense Registration Statement or the Raytheon Registration Statement (A) relating to (x) Hughes Defense, the capital stock of Hughes Defense, the business of Hughes Defense, financial information and data relating to Hughes Defense (including both historical and pro forma financial data), in each case prior to the consummation of the Raytheon Merger, or (y) the Hughes Transactions or (B) that otherwise does not constitute a part of a Hughes Defense Disclosure Portion (the "GM Disclosure Portions") or (2) the omission or alleged omission to state in the GM Disclosure Portions a material fact required to be stated therein or necessary to make the statements therein not misleading; and
- . all losses relating to or arising out of any breach of GM's representation that neither the execution and delivery of the Transactions Agreements by General Motors or any of its subsidiaries (other than Hughes Defense) nor the consummation of the transactions on the part of General Motors or any such subsidiary contemplated by the Implementation Agreement will conflict with or result in a breach of any provision of the certificate of incorporation or bylaws of General Motors or any such subsidiary.

ALLOCATION OF COSTS AND EXPENSES

The Spin-Off Separation Agreement allocates responsibility for the payment of fees and expenses incurred in connection with the Hughes Transactions and the Raytheon Merger between (1) Raytheon and Hughes Defense on the one hand and (2) General Motors and its subsidiaries (other than Hughes Defense) on the other hand.

Hughes Defense will pay all costs and expenses relating exclusively to the Raytheon Merger, including, without limitation, all reasonable out-of-pocket costs and expenses of printing and distributing any materials to be sent to Raytheon's stockholders in connection with the Raytheon Merger (including SEC filing fees), the fees associated with making any other federal, state, local or foreign governmental securities law or other regulatory filings exclusively in connection with the Raytheon Merger, the fees and expenses of the New Raytheon Transfer Agent and any proxy or consent solicitation agents, information agents or similar consultants engaged by Raytheon in connection with effecting the Raytheon Merger. Hughes Defense will also pay, unless otherwise agreed between General Motors and Hughes Defense, the fees and expenses of Goldman Sachs and the fees and expenses of Weil, Gotshal & Manges LLP in connection with the Raytheon Merger, provided that such fees and expenses, to the extent to be paid by Hughes Defense after the Raytheon Merger Effective Time, will be included as current liabilities of Hughes Defense on the balance sheet prepared for the purpose of calculating the post-closing adjustment. See "--Summary of Master Separation Agreement--Post-Closing Adjustment Between New Hughes Electronics and New Raytheon" above.

General Motors or one of its subsidiaries (excluding Hughes Defense) will pay all costs and expenses relating to the Hughes Transactions except (1) those relating exclusively to the Raytheon Merger and (2) the fees of any transfer or exchange agent engaged by Hughes Defense and all fees relating to listing New Raytheon Common Stock on any domestic or foreign stock exchange or similar organization, which will be

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paid by Hughes Defense. The costs and expenses to be paid by General Motors or one of such subsidiaries will include, without limitation, the fees and expenses of Merrill Lynch, Salomon Brothers and Kirkland & Ellis, and all costs and expenses relating exclusively to the GM Spin-Off Merger, including, without limitation, all reasonable out-of-pocket costs and expenses of printing and distributing this document and any related materials (including SEC filing fees), the fees associated with making any other federal, state, local or foreign governmental securities law or other regulatory filings exclusively in connection with the GM Spin-Off Merger, and the fees and expenses of the GM Transfer Agent and any proxy or consent solicitation agents, information agents or similar consultants engaged by General Motors in connection with effecting the GM Spin-Off Merger.

SUMMARY OF TAX SHARING AGREEMENT

As part of the Master Separation Agreement and as a condition to the consummation of the Raytheon Merger, General Motors, Hughes Defense and Hughes Telecom will enter into the Tax Sharing Agreement. The Tax Sharing Agreement sets out certain duties and obligations of General Motors, Hughes Defense (i.e., New Raytheon) and Hughes Telecom (i.e., New Hughes Electronics) regarding the preparation and filing of returns relating to and the payment of the liability for U.S. federal, state and local (but not foreign) income taxes ("Income Taxes") of Hughes Defense. Among other things, the Tax Sharing Agreement establishes (1) the obligations for paying Hughes Defense's Income Taxes for taxable periods ending on or before the date of the Hughes Defense Spin-Off (each a "Pre-Distribution Taxable Period"), (2) the obligations for paying New Raytheon's Income Taxes for taxable periods which begin after the date of the Hughes Defense Spin-Off (each a "Post-Distribution Taxable Period"), (3) the obligations for paying New Raytheon's Income Taxes for taxable periods which include but do not end on date of the Hughes Defense Spin-Off (each a "Straddle Period") and (4) certain indemnification rights and obligations among New Raytheon, New Hughes Electronics and General Motors. The Tax Sharing Agreement also sets out the rights of General Motors, New Hughes Electronics and New Raytheon to any refunds of Income Taxes and the rights and obligations of such parties with respect to the effects of certain timing differences and the carryback of certain tax benefits for the various taxable periods. The following summary describes certain of the operative elements of the Tax Sharing Agreement.

Pre-Distribution Taxable Period. General Motors or New Hughes Electronics generally will pay all Income Taxes attributable to Hughes Defense and its subsidiaries for Pre-Distribution Taxable Periods.

Post-Distribution Taxable Period. New Raytheon generally will pay all Income Taxes due with respect to all tax returns required to be filed by New Raytheon for Post-Distribution Taxable Periods.

Straddle Period. The Income Tax liability attributable to Hughes Defense and its subsidiaries for a Straddle Period generally will be allocated between New Hughes Electronics or General Motors, on the one hand, and New Raytheon, on the other hand, based on an interim closing of the books on the date of the Hughes Defense Spin-Off. New Raytheon generally will be allocated the Income Tax liability for income (1) attributable to a member of the Hughes Defense Group (as defined in the Tax Sharing Agreement) for the period subsequent to the date of the Hughes Defense Spin-Off or (2) attributable to any entity which becomes a member of the Hughes Defense Group after the Hughes Defense Spin-Off.

Government Contracts. The Tax Sharing Agreement contains special provisions relating to Income Taxes which may be reimbursed pursuant to government contracts.

Indemnification. Except as provided in the Spin-Off Separation Agreement, General Motors and New Hughes Electronics generally will indemnify New Raytheon for all liabilities (other than foreign income tax liabilities) related to the following:

- . Income Tax liabilities incurred by a member of the GM Consolidated Group (as defined in the Tax Sharing Agreement) arising out of the Hughes Defense Spin-Off or the Raytheon Merger;

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- . all costs, expenses and damages from stockholder litigation or controversies arising in connection with any proposed tax with respect to the Hughes Defense Spin-Off or the Raytheon Merger;
- . all Income Tax liabilities which General Motors or New Hughes Electronics is obligated to pay as set out in the sections above captioned "Post-Distribution Taxable Period," "Pre-Distribution Taxable Period" or "Straddle Period"; and
- . any Income Tax liabilities of the Hughes Defense Group resulting from a breach by New Hughes Electronics or General Motors of any of their covenants contained in the Tax Sharing Agreement.

Under the terms of the Tax Sharing Agreement, New Raytheon generally will indemnify General Motors for all liabilities (other than foreign income tax liabilities) related to the following:

- . all Income Tax liabilities which Hughes Defense/New Raytheon is obligated to pay as set out in the sections above captioned "Post-Distribution Taxable Period," "Pre-Distribution Taxable Period" or "Straddle Period"; and
- . any Income Tax liabilities of any member of the GM Consolidated Group resulting from a breach by New Raytheon of any of its covenants contained in the Tax Sharing Agreement.

The Tax Sharing Agreement provides for arbitration to resolve any disputes in respect of matters covered thereby.

For a description of certain covenants of and related indemnification of General Motors and certain of its affiliates by Hughes Defense (and, after the Raytheon Merger, New Raytheon) which are intended to protect the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, see "--Summary of Spin-Off Separation Agreement--Preservation of Tax-Free Status of the Hughes Transactions and the Raytheon Merger" above.

SUMMARY OF OTHER AGREEMENTS CONTEMPLATED BY THE MASTER SEPARATION AGREEMENT

Pursuant to the Master Separation Agreement, the parties to that agreement will enter into certain other agreements to implement transitional and separation arrangements with respect to such matters as intellectual property, Hughes Research Labs, real estate and environmental matters, employee matters, stock options, insurance, supply arrangements, transition services and corporate purchasing. SET FORTH BELOW IS A SUMMARY DESCRIPTION OF THE MATERIAL TERMS OF SUCH ARRANGEMENTS WITH RESPECT TO EACH OF THESE MATTERS. THIS DESCRIPTION DOES NOT PURPORT TO BE COMPLETE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH AGREEMENTS.

INTELLECTUAL PROPERTY

Pursuant to the provisions of the Master Separation Agreement and the agreements to be entered into pursuant thereto, Hughes Telecom will acquire or otherwise own, and Hughes Defense will assign to Hughes Telecom, all of Hughes Defense's right, title and interest in and to all of Hughes Electronics' or Hughes Electronics' subsidiaries' intellectual property (including trademarks), other than the intellectual property relating primarily to the defense electronics business. Additionally, Hughes Defense will assign to Hughes Telecom (1) Dual Use Technology, which is intellectual property developed by Hughes Defense for the defense electronics business (A) that is useful in the telecommunications and space business as conducted immediately prior to the GM Spin-Off Merger Effective Time and (B) which covers components manufactured or processes that are to be utilized by Hughes Telecom, (2) the intellectual property of Hughes Research Labs that exists as of the GM Spin-Off Merger Effective Time and (3) any trademark, service mark or trade name which contains the name "Hughes." Hughes Defense will grant to Hughes Telecom and Delco a non-exclusive, perpetual,

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royalty-free license to make, have made, use, sell and import products under Hughes Defense's retained intellectual property for use only in the business of Hughes Telecom and the business of Delco, respectively, and any new but related businesses that may be conducted by Hughes Telecom or its affiliates or Delco or its affiliates, as the case may be, after the GM Spin-Off Merger Effective Time that can be reasonably classified under the broad category of a telecommunications or space business or an automotive electronics business, as the case may be. Hughes Telecom will grant a non-exclusive, perpetual, royalty-free license to Hughes Defense to make, have made, use, sell and import products under the Dual Use Technology for use in any business that is not competitive with Hughes Telecom or Delco, in each case as conducted at the GM Spin-Off Merger Effective Time. Hughes Telecom will also grant a non-exclusive, perpetual, royalty-free license to Hughes Defense with respect to the use of certain intellectual property specified in the Master Separation Agreement that is necessary for the business of Hughes Defense as conducted at the GM Spin-Off Merger Effective Time.

Hughes Telecom will grant a non-exclusive, perpetual, royalty-free license to Hughes Defense to make, have made, use, sell and import products under the intellectual property of Hughes Research Labs that exists as of the GM Spin-Off Merger Effective Time for use in any business that is not competitive with Hughes Telecom or Delco, in each case as conducted at the GM Spin-Off Merger Effective Time.

In addition, effective at the GM Spin-Off Merger Effective Time, Hughes Telecom will grant a non-exclusive, perpetual, royalty-free trademark and trade and company name license to Hughes Defense to use the name "Hughes" solely in connection with the business of Hughes Defense as part of any trade and company name of New Raytheon (or any subsidiary or division thereof), provided that the "Raytheon" name is also used as part of such trade or company name and provided further that "Raytheon" precedes the name "Hughes." In no event, however, will Hughes Defense have rights to use the logo of the word "Hughes" in the round-cornered blue rectangle, except for limited circumstances during a transitional period following the Raytheon Merger.

HUGHES RESEARCH LABS

Hughes Defense and Hughes Telecom each will continue to have an interest in Hughes Research Labs, Hughes Electronics' research facility located in Malibu, California. After completion of the transactions contemplated by the Master Separation Agreement, the research facility will be owned and funded 50% by each party.

In general, Hughes Research Labs will own the intellectual property resulting from general research projects and each of Hughes Defense and Hughes Telecom will have a perpetual, royalty-free license to such intellectual property for their respective businesses. In addition, each of Hughes Defense and Hughes Telecom may fund research for special research projects (so long as such projects do not interfere with general research projects) at cost and the funding party will be granted a royalty-free, exclusive license from Hughes Research Labs to intellectual property resulting from such projects. Pursuant to the contemplated arrangements, each of Hughes Defense and Hughes Telecom can dissolve Hughes Research Labs after five years (or earlier if one party becomes affiliated with a competitor of the other party), subject to certain conditions, including a buy-out arrangement which permits the non-dissolving party to purchase the other party's interest.

REAL ESTATE AND ENVIRONMENTAL MATTERS

As contemplated by the Master Separation Agreement, substantially all real property owned or leased by Hughes Electronics and occupied by Hughes Defense will be retained by Hughes Defense, including Hughes Electronics' present corporate headquarters building in Los Angeles. Similarly, substantially all real property owned or leased by Hughes Electronics and occupied by Hughes Telecom will be transferred to Hughes Telecom. Certain facilities, however, will be shared by Hughes Defense and Hughes Telecom, with one party leasing or sub-leasing the shared premises from the other. Additionally, all environmental liabilities will be the responsibility of the business that created the contamination. Thus, for example, the ongoing environmental litigation in Tucson, Arizona will be a liability of New Raytheon after the Raytheon Merger.

EMPLOYEE MATTERS

Pursuant to the Master Separation Agreement, Hughes Defense will agree to maintain for its employees through the end of 1998 compensation and benefits which are, in the aggregate, substantially comparable to those currently provided. Hughes Defense will also agree to continue indefinitely, for contributory participants, without adverse change, the features of the retirement plans which provide for the determination of benefits, the early retirement subsidy and cost of living adjustments. Additionally, Hughes Defense will agree to continue company-paid retiree medical benefits for contributory participants for a period of five years and thereafter as long as such benefits are provided to other retirees of New Raytheon. The aggregate assets and liabilities of the Hughes Bargaining and Nonbargaining Retirement Plans for active and inactive employees will be allocated between Hughes Defense and Hughes Telecom with those allocated to Hughes Defense transferred to separate plans of Hughes Defense.

STOCK OPTIONS

Pursuant to the Master Separation Agreement, all stock options in respect of GM Class H Common Stock, vested and non-vested, held by Hughes Defense employees will be converted into stock options in respect of Class B Common Stock. The formula for conversion is intended to preserve the value of all such stock options (i.e., market value as of the effective time of the transactions less exercise price) in all material respects. The GM Board, based on the recommendation of its Executive Compensation Committee, also has determined that all stock options in respect of GM Class H Common Stock held by Hughes Telecom employees will be converted into stock options in respect of New GM Class H Common Stock and those held by Delco employees will be converted into stock options in respect of GM \$1 2/3 Common Stock. The formulas for conversion are similarly intended to preserve the value of all such options in all material respects. In addition, appropriate adjustments will be made to preserve value in all material respects on options in respect of GM \$1 2/3 Common Stock.

INSURANCE

Hughes Defense will institute a separate insurance program after the GM Spin-Off Merger Effective Time while remaining entitled to assert claims for events, acts or omissions first occurring under policies maintained by Hughes Telecom or General Motors prior to the GM Spin-Off Merger Effective Time. To the extent permitted by law and contract, such policies will remain under the control and administration of Hughes Telecom or General Motors with settlement authority on site-specific environmental claims afforded to Hughes Defense on a basis not prejudicial to Hughes Telecom or General Motors.

SUPPLY ARRANGEMENTS

Hughes Defense and Hughes Telecom will continue to supply various technical services to each other after the GM Spin-Off Merger Effective Time. In addition, Hughes Telecom will procure as prime contractor, and Hughes Defense will make available as subcontractor, certain products and services for a period of two years after the GM Spin-Off Merger Effective Time. The products and services generally will be provided to the other party at market prices.

TRANSITION SERVICES

Hughes Defense and Hughes Telecom will continue to provide various transitional services to each other at cost for a minimum transition period of twelve months after the GM Spin-Off Merger Effective Time (with longer periods for certain information systems services such as payroll). The services to be provided will be substantially similar in scope, level and cost with services provided at the GM Spin-Off Merger Effective Time. If the periods of providing such services are extended beyond the initial transition period pursuant to agreement of New Raytheon and New Hughes Electronics, the applicable services generally will then be provided at cost plus six percent.

CORPORATE PURCHASING

For an initial period of one year after the GM Spin-Off Merger Effective Time (with termination upon 90-day notice thereafter), (1) New Raytheon will have access to GM's Worldwide Purchasing Process, (2) General Motors, New Hughes Electronics and New Raytheon will continue to work together under joint purchasing agreements and (3) General Motors will continue to support Hughes Defense's Tomahawk procurement activities in the manner supported prior to the GM Spin-Off Merger Effective Time until completion of New Raytheon's participation in such program.

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GENERAL MOTORS PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of General Motors and its consolidated subsidiaries at June 30, 1997, and as adjusted to reflect consummation of the Hughes Transactions and a preferred stock exchange that occurred on July 9, 1997. The following table should be read in conjunction with GM's Consolidated Financial Statements (including the notes thereto) and Management's Discussion and Analysis in the GM 1996 Form 10-K, which is incorporated into this document by reference, including the information with respect to Hughes Electronics in Exhibit 99 thereto.

JUNE 30, 1997			
	ACTUAL	ADJUSTMENTS	PRO FORMA
(\$ IN MILLIONS)			
Notes and loans payable	\$ 89,918	\$ 3,890 (c) (3,928)(d) (697)(f)	\$ 89,183
Minority interests.....	716	--	716
Redeemable preferred stock of subsidiary....	402	--	402
General Motors--obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated debentures of General Motors-- Series D.....	--	79 (g)	79
General Motors--obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated debentures of General Motors-- Series G.....	--	143 (g)	143
STOCKHOLDERS' EQUITY			
Preference stocks.....	1	--	1
GM common stock			
GM \$1 2/3 Common Stock (a).....	1,202	--	1,202
GM Class H Common Stock.....	10	(10)(e)	--
New GM Class H Common Stock.....	--	10 (e)	10
Capital surplus (principally paid-in capital) (a).....	17,250	(196)(g)	17,054
Retained earnings.....	9,201	4,299 (b) (5,844)(d) (106)(d) (26)(g)	7,524
Subtotal.....	27,664	(1,873)	25,791
Minimum pension liability adjustment.....	(3,490)	86 (d)	(3,404)
Accumulated foreign currency translation adjustments.....	(642)	20 (d)	(622)
Net unrealized gains on investments in certain debt and equity securities.....	499	--	499
Total stockholders' equity.....	24,031	(1,767)	22,264
Total capitalization.....	\$115,067	\$(2,280)	\$112,787
	=====	=====	=====

	HISTORICAL	ADJUSTMENTS	PRO FORMA
(\$ IN MILLIONS)			
Amount Available for the Payment of Dividends			
GM \$1 2/3 Common Stock.....	\$ 22,986	\$(1,149)(h) (222)(g)	\$ 21,615
GM Class H Common Stock.....	3,465	(396)(h) (3,069)(e)	--
New GM Class H Common Stock.....	--	3,069 (e)	3,069
	\$ 26,451	\$(1,767)	\$ 24,684
	=====	=====	=====

- (a) During the first six months of 1997, General Motors used \$2 billion to acquire 35.5 million shares of GM \$1 2/3 Common Stock, completing 80% of GM's \$2.5 billion stock repurchase program announced in January 1997. General Motors also used approximately \$300 million to repurchase shares of GM \$1 2/3 Common Stock for certain employee benefit plans during the first six months of 1997. Subsequently, on August 4, 1997, General Motors announced that it had completed the \$2.5 billion stock repurchase program that began in the first half of 1997 and announced an additional \$2.5 billion stock repurchase program of GM \$1 2/3 Common Stock to be completed over a 12 month period. The stock repurchases to be made under the second repurchase program would represent about 5% of the outstanding shares of GM \$1 2/3 Common Stock based on the NYSE's closing price of \$64.44 per share on Friday, August 1, 1997.
- (b) Represents the gain on the Hughes Defense Spin-Off, assuming the price of Raytheon Common Stock is \$56.94 (i.e., the Recent Raytheon Stock Price) at the time of the Hughes Defense Spin-Off, calculated as follows (in millions):

Assumed market value of Hughes Defense Net Assets before additional borrowing by Hughes Defense.....	\$9,772
Less: Net Book Value of Hughes Defense Net Assets at June 30, 1997..	5,373
Estimated Transaction Costs.....	100

Gain.....	\$4,299
	=====

The Hughes Defense Spin-Off and the Raytheon Merger would have a total value of \$9.5 billion (so long as the market price of Raytheon Common Stock is within a collar range of \$44.42 and \$54.29 per share). The Recent Raytheon Stock Price (\$56.94 per share on October 15, 1997) was above the collar range and would indicate a total transaction value of approximately \$9.8 billion. For additional information about the collar range, see "Description of the Raytheon Merger--General--Indicated Value of the Hughes Defense Spin-Off and the Raytheon Merger to General Motors and Its Common Stockholders."

- (c) Reflects additional borrowings incurred by Hughes Defense prior to the Hughes Defense Spin-Off.
- (d) Represents the impact of the Hughes Defense Spin-Off, including the additional borrowings of \$3.9 billion incurred by Hughes Defense prior to the Hughes Defense Spin-Off, as well as the elimination of certain minimum pension liability and foreign currency translation adjustments relating to Hughes Defense.
- (e) Reflects the recapitalization of GM Class H Common Stock into New GM Class H Common Stock.
- (f) Reflects the repayment of Hughes Electronics commercial paper with proceeds of the additional borrowings incurred by Hughes Defense prior to the Hughes Defense Spin-Off.
- (g) During July 1997, the General Motors Capital Trust D ("Series D Trust") issued approximately \$79 million of its 8.67% Trust Originated Preferred SecuritiesSM ("TOPrSSM"), Series D ("Series D Preferred Securities"), in a one-for-one exchange for 3,055,255 of the outstanding GM Series D 7.92% Depositary Shares, each representing one-fourth of a share of GM Series D 7.92% Preference Stock, \$0.10 par value per share. In addition, the General Motors Capital Trust G ("Series G Trust") issued approximately \$143 million of its 9.87% Trust Originated Preferred SecuritiesSM ("TOPrSSM"), Series G ("Series G Preferred Securities"), in a one-for-one exchange for 5,064,489 of the outstanding GM Series G 9.12% Depositary Shares, each representing one-fourth of a share of GM Series G 9.12% Preference Stock, \$0.10 par value per share. Concurrently with the exchanges and the related purchases by General Motors from the Series D and Series G Trusts (the "Trusts") of the common securities of such Trusts, representing approximately 3% of the assets of such Trusts, General Motors issued to the Trusts, as the Trusts' sole assets, its 8.67% and 9.87% Junior Subordinated Deferrable Interest Debentures, Series D and Series G, due July 1, 2012 (the "Series D Debentures" and "Series G Debentures" or collectively, the "Debentures"), having aggregate principal amounts equal to the aggregate stated liquidation amounts of the Series D and Series G Preferred Securities and the related common securities, respectively. General Motors has guaranteed the payment in full to the holders of the Series D and Series G Preferred Securities (collectively, the "Preferred Securities") of all distributions and other payments on the Preferred Securities to the extent not paid by the Trusts only if and to the extent that the Trusts have assets therefor (i.e., General Motors has made payments of interest or principal on the related Debentures). These guarantees, when taken together with GM's obligations under the Debentures and the indentures relating thereto and the obligations under the Declarations of Trust of the Trusts, including the obligations to pay certain costs and expenses of the Trusts, constitute full and unconditional guarantees by General Motors of each Trust's obligations with respect to its Preferred Securities.
- (h) Based on the Recent Raytheon Stock Price, reflects the allocation of the estimated net reduction in GM stockholders' equity. For additional information, see "New GM Class H Common Stock--GM Certificate of Incorporation Provisions Regarding Dividends" in Chapter 6.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
INTRODUCTION TO THE
FINANCIAL AND BUSINESS REVIEWS OF
HUGHES DEFENSE, DELCO AND HUGHES TELECOM

OVERVIEW

Hughes Electronics currently conducts its operations in three primary business segments: Aerospace and Defense Systems, Automotive Electronics and Telecommunications and Space. In 1996, these segments represented, respectively, 40%, 33% and 26% of Hughes Electronics' revenues and 44%, 41% and 16% of Hughes Electronics' operating profit (excluding purchase accounting adjustments related to GM's acquisition of Hughes Aircraft in 1985), and operations reported as Corporate and Other represented approximately 1% of revenues and reported an operating loss of \$14.2 million. Information concerning Hughes Electronics' consolidated financial performance, including Management's Discussion and Analysis, may be found in certain documents incorporated into this document by reference, including in Exhibit 99 to the GM 1996 Form 10-K and GM's Forms 10-Q for the periods ended March 31, 1997 and June 30, 1997. For various ways you can obtain this information, see "Where You Can Find More Information" in Chapter 7.

The Hughes Transactions involve all three primary business segments of Hughes Electronics, as well as the operations reported as Corporate and Other. The Hughes Reorganization includes a number of preliminary transactions necessary to separate the three primary business segments of Hughes Electronics, and the operations reported as Corporate and Other, into Hughes Defense, Delco and Hughes Telecom. See "Description of the Hughes Transactions--General--Hughes Reorganization" and "Separation and Transition Arrangements" in Chapter 3. After giving effect to the Hughes Reorganization, (1) Hughes Defense generally will consist of businesses currently reported in the Aerospace and Defense Systems segment of Hughes Electronics, (2) Delco generally will consist of businesses currently reported in the Automotive Electronics segment of Hughes Electronics and (3) Hughes Telecom generally will consist of businesses currently reported in the Telecommunications and Space segment and Corporate and Other.

The separate financial statements of Hughes Defense, Delco and Hughes Telecom contained in this document have been prepared in accordance with generally accepted accounting principles and reflect the businesses to be included in each after giving effect to the Hughes Reorganization. Hughes Electronics corporate assets and liabilities have been included in the separate financial statements to the extent identifiable to individual business units. The separate financial statements also include allocations of corporate expenses from Hughes Electronics. Such allocations are based either on actual usage or on allocation methodologies which comply with U.S. government cost accounting standards.

PURCHASE ACCOUNTING ADJUSTMENTS

The separate financial statements of Hughes Defense and Hughes Telecom reflect the application of purchase accounting adjustments arising from GM's acquisition of Hughes Aircraft in 1985. The GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, will provide that, in calculating the amount available for payment of dividends on New GM Class H Common Stock (which amount will also be used to calculate earnings per share of New GM Class H Common Stock), amortization of excess purchase price for GM's acquisition of Hughes Aircraft in 1985 applicable to Hughes Telecom will not be charged against the earnings of Hughes Telecom. See "New GM Class H Common Stock--GM Certificate of Incorporation Provisions Regarding Dividends" in Chapter 6.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
HUGHES DEFENSE SELECTED COMBINED HISTORICAL FINANCIAL DATA

The following Hughes Defense selected combined historical financial data have been derived from the financial statements of Hughes Defense. The data should be read in conjunction with Hughes Defense's Combined Financial Statements (including the notes thereto) included in Appendix C to this document. The income statement data for the periods ended December 31, 1996, 1995 and 1994 and the balance sheet data as of December 31, 1996 and 1995 have been derived from the combined financial statements of Hughes Defense audited by Deloitte & Touche LLP, independent public accountants. The income statement data for the periods ended December 31, 1993 and 1992 and June 30, 1997 and 1996 and the balance sheet data as of June 30, 1997 and 1996 and December 31, 1994, 1993 and 1992 have been derived from unaudited combined financial statements of Hughes Defense. In the opinion of management, the unaudited combined financial statements reflect all adjustments (consisting only of normal recurring items) that are necessary for the fair presentation of financial position and results of operations for such periods. Operating results for the six-month periods ended June 30, 1997 and 1996 are not necessarily indicative of the results that may be expected for the entire year.

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,		AS OF AND FOR THE YEARS ENDED DECEMBER 31,				
	1997	1996	1996	1995	1994	1993	1992 (A)
(IN MILLIONS)							
OPERATING RESULTS:							
Net sales.....	\$3,413.3	\$3,053.1	\$6,382.7	\$5,921.8	\$5,896.0	\$6,353.5	\$5,503.8
Other income, net.....	13.3	4.5	9.1	43.0	22.5	24.7	45.2
Total Revenues.....	3,426.6	3,057.6	6,391.8	5,964.8	5,918.5	6,378.2	5,549.0
Cost and Expenses.....	3,118.3	2,765.5	5,770.3	5,309.5	5,314.5	5,605.1	5,836.8
Amortization of GM purchase accounting adjustments related to Hughes Aircraft.....	50.6	50.6	101.3	101.3	101.3	101.3	101.3
Total Costs and Expenses.....	3,168.9	2,816.1	5,871.6	5,410.8	5,415.8	5,706.4	5,938.1
Income (loss) before income taxes.....	257.7	241.5	520.2	554.0	502.7	671.8	(389.1)
Income taxes (credit)...	118.5	111.1	239.3	235.4	226.2	293.9	(182.9)
Cumulative effect of accounting changes.....	--	--	--	--	(7.1)	--	(268.5)
Net Income (loss).....	\$ 139.2	\$ 130.4	\$ 280.9	\$ 318.6	\$ 269.4	\$ 377.9	\$ (474.7)
BALANCE SHEET DATA:							
Cash and cash equivalents.....	\$ 81.6	\$ 29.2	\$ 59.7	\$ 15.7	\$ 58.7	\$ 1.6	\$ 9.1
Current assets.....	3,167.2	3,060.1	2,907.7	2,880.0	2,462.0	2,529.3	2,692.9
Total assets.....	7,382.3	7,175.5	7,028.4	7,025.9	6,249.1	6,548.6	7,012.9
Current liabilities.....	1,665.2	1,835.6	1,889.0	1,959.9	1,604.9	1,814.9	1,624.0
Long-term debt and capitalized leases.....	33.3	48.7	34.4	49.7	57.6	83.9	38.0
Parent Company's net investment	5,372.5	4,939.6	4,823.0	4,680.2	4,198.2	4,278.3	4,801.0
OTHER DATA:							
Depreciation and amortization.....	\$ 126.7	\$ 116.8	\$ 246.6	\$ 240.5	\$ 265.5	\$ 295.9	\$ 303.5
Capital expenditures....	\$ 68.8	\$ 55.4	\$ 178.3	\$ 99.4	\$ 174.1	\$ 119.8	\$ 88.1

(a) Includes the effect of a pre-tax restructuring charge of \$833.1 million.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
HUGHES DEFENSE MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 1997 COMPARED TO SIX MONTHS ENDED JUNE 30, 1996.

RESULTS OF OPERATIONS

Revenues. Hughes Defense reported revenues for the first six months of 1997 of \$3,426.6 million, an increase of 12.1% from the \$3,057.6 million reported in the first half of 1996. The growth was primarily the result of the build-up of several newer programs, particularly information systems and service programs such as Desktop V, Wide Area Augmentation System and Hughes Air Warfare Center. Additionally, revenues increased due to the acquisition of the Marine Systems Group of Alliant Techsystems in March 1997, increased engineering effort on several missile programs including Standard, EKV and ESSM and increased activity on the Phalanx program. Finally, Sensors and Communications Systems had increased revenues on certain radar production programs.

Other Income--Included in revenues is other income of \$13.3 million for the first six months of 1997 and \$4.5 million for the same period in the prior year.

Operating Profit. Operating profit for the first half of 1997 was \$294.0 million, a 4.5% increase from the \$281.3 million reported during the comparable period in the prior year. The operating profit margin for 1997 was 8.6% compared with 9.2% in the prior year's period. The increase in operating profit was due primarily to the revenue growth described above, partially offset by lower operating margins. The reduced operating profit margin was primarily due to provisions taken on certain air traffic control and training contracts offset in part by strong performance on several radar programs. Future operating profits could be adversely impacted by the reductions in the U.S. defense budget.

Costs and Expenses. Selling, general and administrative expenses for the first half of 1997 were \$188.4 million, an increase of \$28.8 million from the \$159.6 million reported in the same period last year. The increase was principally due to the addition of the Hughes Air Warfare Center and the acquisition of Alliant Techsystems in 1997 and increased business effort within Information Systems.

The effective income tax rate was 46.0% for the first six months of 1997 and 1996.

Earnings. Hughes Defense earnings increased 6.7% to \$139.2 million in the first six months of 1997 compared with \$130.4 million reported in the same period in 1996. The increase was principally due to the increase in operating profit discussed above.

Backlog. The backlog at June 30, 1997 of \$7,400.0 million decreased from the \$7,982.4 million reported at June 30, 1996, primarily due to activity related to Hughes Air Warfare Center.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents. Cash and cash equivalents were \$81.6 million at June 30, 1997, an increase of \$21.9 million from the \$59.7 million reported at December 31, 1996. The increase was due primarily to net contributions from the Parent Company of \$412.2 million, offset by cash used in operations, the acquisition of the Marine Systems Group of Alliant Techsystems for \$143.3 million, and capital expenditures.

Liquidity Measurement. As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.90 at June 30, 1997 and 1.54 at December 31, 1996. Working capital was \$1,502.0 million at June 30, 1997 compared to \$1,018.7 million at December 31, 1996.

Property and Equipment. Property, net of accumulated depreciation, increased \$60.5 million to \$1,145.6 million at June 30, 1997, compared to \$1,085.1 million reported at December 31, 1996. Expenditures for

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS

property were \$68.8 million through June 30, 1997 compared with \$55.4 million for the comparable period in 1996. The increase was largely the result of increased investments on Sensors and Communications Systems programs such as Space Based Infra-Red Systems-Low ("SBIRS-Low") and the Joint Strike Fighter program.

Debt and Capitalized Leases. Long-term debt and capitalized leases at June 30, 1997 were \$33.3 million compared to \$34.4 million reported at December 31, 1996.

Acquisitions. In March 1997, Hughes Defense acquired the Marine Systems Group of Alliant Techsystems, Inc. for \$143.3 million in cash. The Marine Systems Group is a leader in lightweight torpedo manufacturing and the design and manufacturing of underwater surveillance, sonar and mine warfare systems.

1996 COMPARED TO 1995

RESULTS OF OPERATIONS

Revenues. Hughes Defense revenues were \$6,391.8 million in 1996, a 7.2% increase from the \$5,964.8 million reported in 1995. The growth was primarily attributable to additional revenues resulting from the December 1995 acquisition of Hughes Defense Communications (formerly Magnavox Electronic Systems Company) and the build-up of newer programs including Desktop V, Wide Area Augmentation System and Land Warrior. Further increases were attributable to the full year impact of the CAE-Link acquisition, increases in certain international training and in civil systems contracts. These increases were partially offset by lower production rates on several missile programs including Stinger, Standard and Sparrow and the divestiture of certain product lines.

Other Income--Included in revenues is other income of \$9.1 million for 1996 and \$43.0 million for 1995. The decrease from 1995 was primarily the result of lower royalty income in 1996 and gains realized from selling certain product lines and businesses and the favorable settlement of an environmental insurance claim in 1995.

Operating Profit. Operating profit was \$603.4 million in 1996 compared to \$586.9 million in 1995. The increase in operating profit was due primarily to the increased revenues described above, offset in part by the lower operating margin. The operating profit margin on the same basis for 1996 declined to 9.5% from 9.9% in 1995 primarily due to a continued shift from production programs to engineering and development programs, and growth in information systems and services revenues.

Costs and Expenses. Selling, general and administrative expenses were \$321.6 million in 1996 compared to \$311.0 million in 1995. The increase was primarily due to increased bidding costs in 1996 on certain programs within Information Systems.

The effective income tax rate was 46.0% in 1996 and 42.5% in 1995. The lower effective tax rate in 1995 was the result of an investment tax credit.

Earnings. Hughes Defense 1996 earnings were \$280.9 million compared with \$318.6 million reported in 1995. The decrease in 1996 earnings was primarily related to higher interest expense and the decreases in other income described above.

Backlog. The 1996 year-end backlog of \$8,197.5 million increased from the \$7,784.2 million reported at the end of 1995, primarily due to the acquisition of Hughes Defense Communications (formerly Magnavox Electronics Systems Company) in 1995 and activity related to TOW missile and UAE Frigate programs.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents. Cash and cash equivalents were \$59.7 million at December 31, 1996, an increase of \$44.0 million from the \$15.7 million reported at December 31, 1995. Operating activities generated

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS

cash of \$353.0 million which was partially offset by capital expenditures of \$178.3 million and net distributions to the Parent Company of \$136.1 million.

Liquidity Measurement. As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.54 at December 31, 1996 and 1.47 at December 31, 1995. Working capital was \$1,018.7 million at December 31, 1996 as compared to \$920.1 million at December 31, 1995. The increases were principally due to the increase in cash described above.

Property and Equipment. Property, net of accumulated depreciation, increased \$23.2 million to \$1,085.1 million in 1996 from \$1,061.9 million reported in 1995. Expenditures for property were \$178.3 million and \$99.4 million, in 1996 and 1995, respectively. The increase was related to capital expenditures to support expanding business requirements, primarily within Information Systems.

Debt and Capitalized Leases. Long-term debt and capitalized leases were \$34.4 million at December 31, 1996 compared to \$49.7 million at December 31, 1995. The decline was due to scheduled principal repayments and the reclassification of certain amounts to current liabilities.

1995 COMPARED TO 1994

RESULTS OF OPERATIONS

Revenues. Hughes Defense revenues were \$5,964.8 million in 1995, a 0.8% increase from the \$5,918.5 million reported in 1994. The increase was due to additional revenues related to the 1995 acquisition of CAE-Link Corporation and increased effort on the Tomahawk program. Such revenue increases were offset in part by lower production rates on several missile programs, including Advanced Medium-Range Air-to-Air Missile ("AMRAAM"), Tube-launched, Optically-tracked, Wire-guided ("TOW") and Advanced Cruise Missile ("ACM").

Other Income--Included in revenues is other income of \$43.0 million in 1995 and \$22.5 million in 1994. The increase was largely attributable to gains recognized from the sale in 1995 of certain product lines and businesses and the favorable settlement of an environmental insurance claim in 1995.

Operating Profit. Operating profit was \$586.9 million in 1995 compared to \$545.1 million in 1994. The operating profit margin on the same basis for 1995 increased to 9.9% from 9.2% in 1994 largely due to a provision taken in 1994 for certain air traffic control contracts.

Costs and Expenses. Selling, general and administrative expenses were \$311.0 million in 1995 compared to \$323.2 million in 1994. The decline was primarily attributable to facilities consolidation costs incurred in 1994 offset by the acquisition of CAE-Link in 1995.

The effective income tax rate was 42.5% in 1995 and 45.0% in 1994. The lower tax rate in 1995 was the result of an investment tax credit.

Earnings. Hughes Defense 1995 earnings were \$318.6 million compared with \$269.4 million reported in 1994. The increase was largely due to increased operating profit as described above, the lower effective tax rate in 1995 and the other income increases. Earnings in 1994 included the unfavorable effect of an accounting change for postemployment benefits other than pensions. Excluding the accounting change, Hughes Defense earnings in 1994 would have been \$276.5 million.

Backlog. The 1995 year-end backlog of \$7,784.2 million decreased from the \$8,876.0 million reported at the end of 1994, due to several large orders received in 1994 on Tomahawk production and engineering, F-15 and B-2 radar production and TOW missile awards.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents. Cash and cash equivalents were \$15.7 million at December 31, 1995, a decrease of \$43.0 million from the \$58.7 million reported at December 31, 1994. The decrease in cash was primarily due to the acquisitions of CAE-Link and Magnavox Electronic Systems Company for \$176.0 million and \$373.2 million, respectively, partially offset by cash provided by operating activities and proceeds from the sale of the certain product lines and businesses and the disposal of certain property.

Liquidity Measurement. As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.47 at December 31, 1995 and 1.53 at December 31, 1994, relatively unchanged. Working capital was \$920.1 million at December 31, 1995 compared to \$857.1 million at December 31, 1994.

Property and Equipment. Property, net of accumulated depreciation, decreased \$34.6 million to \$1,061.9 million in 1995 from \$1,096.5 million in 1994. Expenditures for property were \$99.4 million and \$174.1 million, in 1995 and 1994, respectively. The decrease in 1995 expenditures was due to the high level of expenditures in 1994 related to the consolidation of facilities in an effort to increase the operational efficiencies of manufacturing and engineering activities.

Debt and Capitalized Leases. Long-term debt and capitalized leases were \$49.7 million at December 31, 1995, a decrease of \$7.9 million from the \$57.6 million reported at December 31, 1994. The decline was primarily due to scheduled principal repayments.

Acquisitions and Divestitures. In February 1995, Hughes Defense completed the acquisition of CAE-Link Corporation, an established supplier of simulation, training and technical services, primarily to the U.S. military and NASA, for \$176.0 million. In December 1995, Hughes acquired Magnavox Electronics Systems Company, a leading supplier of military tactical communications, electronic warfare and command and control systems, for \$382.4 million.

During 1995, Hughes Defense divested several non-strategic enterprises resulting in aggregate proceeds of approximately \$23.6 million with no significant net income impact.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
BUSINESS OF HUGHES DEFENSE

INTRODUCTION

The following description of the business of Hughes Defense gives effect to the Hughes Reorganization but does not give effect to the Raytheon Merger. Accordingly, the following description does not address the strategy or business plans of New Raytheon, which are separately addressed under "Overview of New Raytheon Business" in Chapter 5.

Hughes Defense has been a major producer of electronics-based aerospace and defense products and systems for more than four decades and is a leading supplier of defense electronics products and services to the U.S. government. Hughes Defense has positioned itself as a leading developer and producer of a variety of tactical programs and as a subcontractor for certain types of subsystems for strategic purposes rather than seeking to become a prime contractor for major strategic weapons platforms such as tanks and aircraft. This permits Hughes Defense to participate in major segments of the defense market while reducing the impact of specific program cancellations. During 1996, no single Department of Defense program accounted for more than 6% of Hughes Defense's revenues, and the ten largest Department of Defense programs, in the aggregate, accounted for less than 33% of Hughes Defense's revenues. Approximately 64% of Hughes Defense's 1996 revenues were attributable to sales to the Department of Defense.

Hughes Defense's business strategy has been to strengthen its leadership position in aerospace and defense electronics products, systems and services through continued emphasis on technological advances, operational efficiencies, cost reduction and competitiveness. Due to its technological capabilities and the volume of its products and systems in operation around the world, Hughes Defense believes that it has capitalized on the opportunities presented by the continuing trend toward upgrading and retrofitting electronic systems as a cost-effective alternative to developing new strategic weapons platforms. Hughes Defense also has been pursuing its strategy of reducing its vulnerability to reductions in U.S. defense spending by diversifying its customer base and product line, with emphasis on international markets and non-defense government agencies. Hughes Defense has been seeking to expand its non-defense businesses by building on its expertise and experience in developing and manufacturing defense electronics systems and providing related services.

Hughes Defense has also sought to diversify both its product line and its customer base with respect to its sales to the Department of Defense. By positioning itself as a leading developer and producer of a variety of tactical programs and as a subcontractor for certain types of subsystems for strategic programs, Hughes Defense participates in major segments of the defense market while reducing the impact of specific program cancellations. As the U.S. defense budget has declined in recent years, the Pentagon has increasingly used electronic and tactical weapons upgrades to extend the capabilities of existing platforms. Tactical programs, such as airborne radar systems and missile programs, typically involve the large-scale production of expendable products or electronics systems which are later upgraded. Hughes Defense provides subsystems for a variety of strategic programs in which its technological capabilities may offer it a competitive advantage. Hughes Defense's strategy has also included diversification of its customer base. In 1996, no single branch of the U.S. Armed Forces accounted for more than 25% of Hughes Defense's revenues.

Hughes Defense currently conducts its operations through three principal business units: Sensors & Communications Systems, Weapons Systems and Information Systems. In addition, Hughes Defense has a Defense Systems business unit which engages in systems integration work. The following table sets forth the revenues of each of these business units for each of the last three years.

	1996	1995	1994
	-----	-----	-----
	(IN MILLIONS)		
Sensors & Communications Systems.....	\$2,522	\$2,214	\$2,351
Weapons Systems.....	1,979	2,066	2,387
Information Systems.....	2,202	1,923	1,529
Defense Systems.....	56	35	--
Intercompany Sales (a).....	(367)	(273)	(348)
	-----	-----	-----
	\$6,392	\$5,965	\$5,919
	=====	=====	=====

(a) Represents intercompany sales between Hughes Defense business units, which are eliminated in consolidation.

SENSORS & COMMUNICATIONS SYSTEMS

Hughes Defense's Sensors & Communications Systems ("SCS") business unit designs, develops and produces sophisticated radar (ground and airborne), communications and electro-optical equipment systems for military use. SCS also produces some of the critical high value components within these systems, such as processors and focal planes.

SENSOR SYSTEMS

Hughes Defense's sensor systems consist of radars, electro-optical systems, electronic warfare systems and processors.

Radars. The principal product groups of the radar business are as follows:

BUSINESS -----	DESCRIPTION -----
Airborne Radar	Multi-mode fire control, reconnaissance and surveillance radar and related upgrades for military aircraft for sale to the U.S. and other governments. Radar Systems for use in customs, law enforcement, environmental monitoring and military applications.
Ground-Based Radar	Ground-based radar and short-range air defense systems.

Airborne Radar--Hughes Defense is a leading developer and producer of sophisticated airborne radar systems. Its airborne fighter radar units are among the most sophisticated in the world. They are deployed by the U.S. military aboard four of its five front-line fighter aircraft (the F-14, the F-15, the F/A-18 and the AV-8B Harrier jet), the AC-130U gunship, the U-2R reconnaissance aircraft and the B-2 stealth bomber, as well as by a number of foreign militaries.

Ground-Based Radar--Hughes Defense supplies a variety of ground-based radar products and short-range air defense systems. Hughes Defense's ground-based radar products are deployed in the U.S. Army's Forward Area Air Defense system, the NASAMS, other medium- and short-range air defense systems and the Firefinder family of weapon-locating radars in use by the military forces of the United States and 16 other nations.

Electro-Optical Systems. Electro-optical systems use advanced sensors to detect radiated energy in the form of heat or light, high-speed data and signal processors to analyze the sensor data and sophisticated communications and display technology to deliver that information to commanders and other decision makers. Electro-optical systems employ thermal imaging, laser guidance, infrared sensors and advanced optics technologies for a variety of tactical, space and strategic applications. Of strategic importance to the electro-optical systems business is Hughes Defense's Santa Barbara Research Center, which designs and produces infrared focal plane detectors and civilian space sensors.

In early 1996, Hughes Aircraft acquired Itek Optical Systems ("Itek"), an expert in large space optics, and combined this business with Hughes Danbury Optical Systems. The acquisition has strengthened Hughes Defense's position as a leader in the large space optics field. Itek is also important to Hughes Defense because it specializes in airborne, visible image reconnaissance. This expertise has improved Hughes Defense's competitive position in reconnaissance.

The principal product groups of the electro-optical systems business are as follows:

PRODUCT -----	DESCRIPTION -----
Tactical EO Systems	Systems for use in military aircraft, tanks and ground defense systems, including weapon fire control systems, night and obscured vision systems and sensors.
Space and Strategic Systems	Systems for earth monitoring and planetary exploration and ballistic missile warning, tracking and guidance systems.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS

Tactical E0 Systems--Hughes Defense is a leading producer of tactical military laser and thermal electro-optical systems. Hughes Defense provides night vision systems incorporating its thermal imaging and laser technologies for aircraft, tanks and armored personnel carriers. Together with its licensees, Hughes Defense has built more than 30,000 tactical laser rangefinders and more than 20,000 thermal imaging systems. Hughes Defense is a contractor for the U.S. Army's Horizontal Technology Integration program to provide improved electro-optical sights on armored vehicles and is a supplier of thermal imaging target acquisition fire control system upgrades for the Bradley Fighting Vehicle.

For light-armored vehicles, Hughes Defense produces a high performance fire control thermal imaging system that is being used in conjunction with fire control and Tube-launched, Optically tracked, Wire-guided ("TOW") missile programs and has been installed on a variety of vehicles. For infantry application, Hughes Defense has developed an infrared Thermal Weapon Sight ("TWS") for the U.S. Army that is light enough to be used with rifles, machine guns and shoulder-launched missiles.

Airborne systems being developed by Hughes Defense include an infrared system for the U.S. Marine Corps' V-22 Osprey that incorporates advanced staring focal plane array technology. Hughes Defense also provides a night targeting system for the AH-1 Cobra attack helicopter, and night vision systems for a variety of other helicopters in service with the U.S. and other armed forces. Fixed-wing electro-optical products include the infrared navigation and targeting pods for the F/A-18 Hornet aircraft.

Space and Strategic Systems--Hughes Defense is a leading designer and producer of visible light wavelength and infrared detector sensors for imaging products deployed on satellites and used for a variety of earth monitoring, planetary exploration and commercial purposes. In the area of earth remote sensing for civil space applications, Hughes Defense has manufactured key instruments for a majority of the imaging weather satellites launched since the late 1960s and is currently performing on several major civil earth monitoring contracts (such as LANDSAT).

Hughes Defense has pioneered the technologies for telescopes that can maintain high performance at extremely low temperatures and which are fundamental to space sensors and interceptors used by the Department of Defense. In addition, for both tactical and space and strategic applications, advances in wide field of view reflective optics for land and airborne applications are permitting increased capability in increasingly smaller packages by enabling visible, infrared and laser wavelengths to use a single aperture. Precision machining and diamond turning technology are being used to enable production of these optics with fewer parts and lower cost.

Hughes Defense is currently developing space-based infrared sensors to detect and track ballistic missiles in flight, providing data for early warning and tracking. Hughes Defense is a contractor on the U.S. Air Force's Space Based Infrared Low ("SBIRs-Low") program.

Electronic Warfare Systems. Electronic Warfare Systems are used for the passive detection, tracking and identification of signals. In 1994, Hughes Defense was awarded a contract to demonstrate and validate the precision direction finding system for the Manned Destructive Suppression of Enemy Air Defenses mission of the U.S. Air Force and two other electronic warfare contracts. Hughes Defense has also developed an advanced special receiver which is expected to become the standard radar warning receiver for U.S. Navy and U.S. Marine Corps tactical aircraft.

Processors. Hughes Defense is a leading developer and producer of sophisticated processors for use in aerospace and defense products and systems. Hughes Defense is developing the Common Integrated Processor, an advanced, ultra high-speed modular computer developed for the avionics systems on the F-22 Advanced Tactical Fighter ("ATF").

COMMUNICATIONS SYSTEMS

Hughes Defense supplies communications products and command and control systems that can efficiently gather, process and transmit large amounts of information for military use. The strategic acquisition of Magnavox Electronic Systems Company in 1995 significantly added to Hughes Defense's long-range satellite communications customer base and has contributed significantly toward Hughes Defense's goal of becoming the industry's tactical communications market leader. Hughes Defense communications products include the Enhanced Position Location Reporting System ("EPLRS"), a digital locator and communications system. This system provides secure tactical data communications, friendly identification, position reporting and navigation services to the U.S. Army.

WEAPONS SYSTEMS

Hughes Defense is a leading developer and producer of tactical missile systems as well as naval and maritime systems. The principal product groups of these businesses are as follows:

BUSINESS -----	DESCRIPTION -----
Missile Systems	Tactical guided missiles (including air-to-air, air-to-surface, surface-to-surface and surface-to-air missiles), guidance and control systems, sensor systems and missile launchers.
Naval and Maritime Systems	Torpedoes, sonar and other acoustics systems, ship defense and display systems and underwater surveillance systems.

MISSILE SYSTEMS

Hughes Defense develops and produces tactical guided missiles, guidance and control systems, sensor systems and missile launchers. With its air-to-air, air-to-surface, surface-to-surface and surface-to-air missile products, Hughes Defense participates in all portions of the tactical missile systems market and believes it is a leader in the tactical missile systems business.

Hughes Defense has been a long-time developer, supplier and leader in radar guided air-to-air missiles, such as the Phoenix used on the F-14 fighter and the Advanced Medium Range Air-to-Air Missile ("AMRAAM"), which has become a primary weapon system on front-line fighter aircraft for the U.S. Air Force and the U.S. Navy. In addition, AMRAAM is the missile of choice for a growing number of foreign militaries. In 1996, Hughes Defense was selected to produce the AIM-9X, the next generation replacement for the existing AIM-9M "Sidewinder" short-range air-to-air missile.

Hughes Defense is one of the primary subcontractors to Standard Missile Company for engineering and production services for all elements of STANDARD Missile. Standard Missile Company is the prime contractor for STANDARD Missile, and is owned by Hughes Missile Systems Company and Raytheon. STANDARD Missile is the primary surface launched area air defense weapon for the U.S. Navy and many allied countries. It is currently in service in several variants--the SM-1 Block VI and SM-2 Block II, III, IIIA and IIIB. The SM-2 Block IV extended range variant has just entered low-rate production. The U.S. Navy is developing the next evolutionary generations of STANDARD Missile capable of intercepting tactical ballistic missiles.

In 1994, Hughes Defense was awarded a sole source contract for the production of the Tomahawk Cruise Missile, and also is developing the next version of Tomahawk, the Block IV. Hughes Defense is also pursuing the growth aspects of the Tomahawk program, including the new Tactical Tomahawk, which currently is expected to be awarded in 1998.

Hughes Defense is also one of two producers of the Sparrow missile, a medium-range, semi-active guided missile used in multiple roles by multiple services. In its air-to-air role, the missile is used on fighter aircraft of the U.S. Navy and U.S. Air Force and allied countries. The surface-to-air version, the SeaSparrow, is used for shipboard point defense on more than 150 ships of various classes for the United States and numerous other countries. In addition to the SeaSparrow, Hughes Defense plays a major role in the self defense of ships as the producer of the Rolling Airframe Missile ("RAM") and the Phalanx Close-in Weapon System. RAM is a surface-to-air missile and launcher system that was developed and is produced by the United States and Germany under a cooperative agreement. Phalanx is a computer-controlled radar and gun system used to defeat anti-ship missiles and other close-in surface and air threats. In addition, Hughes Defense is leading a 10-country NATO consortium to develop the Evolved SeaSparrow Missile ("ESSM"), a kinematics upgrade to the SeaSparrow. ESSM will primarily target enemy aircraft and anti-ship missiles.

The armed forces of more than 40 nations rely on Hughes Defense's TOW missile. Hughes Defense has produced more than 600,000 TOW antitank missiles, which can be fired from ground tripods, armored and unarmored vehicles and helicopters against tanks, armored personnel carriers, bunkers and small boats. Hughes Defense also is the sole-source producer of the Stinger family of missiles, the basis for the most advanced, accurate, shoulder-fired anti-aircraft weapon system in the world. In addition to being shoulder-launched, Stinger is adaptable to a variety of launch platforms, including helicopters, ground combat vehicles and U.S. Navy ships.

Hughes Defense is a leader in Theater Ballistic Missile Air Defense systems. Hughes Defense is developing the Exoatmospheric Kill Vehicle, a well established program which started in 1990. Flight tests in 1998 and 1999 are expected to lead into the National Missile Defense System Testing Phase. Additionally, Hughes Defense is the sole developer of the Lightweight Exoatmospheric Projectile--Kinetic Warhead ("LEAP-KW") for the U.S. Navy. The LEAP-KW will be integrated with a unique variant of STANDARD Missile (also being developed by Hughes Defense) and will have the capability to acquire, track, intercept, and destroy Theater Ballistic Missiles in flight.

Hughes Defense also has been a significant developer and producer of air-to-surface and surface-to-surface missiles. The versatile Maverick family of missiles can be fired from a variety of aircraft. Infrared-guided Mavericks offer all-weather, around-the-clock attack capability and the U.S. Marine Corps' laser-guided Maverick allows pin-point accuracy on the battlefield. Mavericks are employed by the armed forces of many other countries.

NAVAL AND MARITIME SYSTEMS

Naval and maritime systems products include torpedoes, antisubmarine warfare systems, naval combat systems, mine warfare systems, ocean surveillance systems and ship system integration, principally for the U.S. Navy. For decades, the UYQ-21 family of display systems has been a standard for the combat information centers of U.S. Navy surface ships. Hughes Defense's MK23 Target Acquisition System, an advanced radar system, permits ships to detect low-flying, high speed missiles and aircraft. Hughes Defense also supports the U.S. Navy's Surveillance Towed Array Sensor Segment ("SURTASS") system, a passive underwater surveillance sensing system that utilizes an acoustic sensor array towed from a dedicated surface ship to acquire data. Hughes Defense believes that technology developed through its current participation in key U.S. Navy programs presents opportunities for international sales. These programs, which are shifting from development to production, include the Airborne Low Frequency Sonar ("ALFS") and the Surface Search Radar ("SSR"). Hughes Defense was recently selected as the ship electronics system integrator for the U.S. Navy's new amphibious San Antonio class of ships of which the LPD-17 is first in class.

This business unit also includes operations acquired from Alliant Techsystems' Marine Systems Group in March 1997 for \$143.3 million. The group, which is based in Mukilteo, Washington, manufactures MK46, MK50 and NT37 torpedoes and underwater surveillance systems.

INFORMATION SYSTEMS

Hughes Defense's information systems business unit is involved in developing, supporting and providing training for key information technologies. The unit includes four principal businesses: Hughes Information Technology Systems; Hughes Training Inc.; Hughes Technical Services Company; and Hughes Data Systems. Information technologies are driving the evolving joint command and intelligence networks which, in turn, influence all defense systems, including weapons systems. Advanced distributed simulation is becoming a more important military tool for weapons development, operational planning and training.

HUGHES INFORMATION TECHNOLOGY SYSTEMS

Hughes Information Technology Systems consists of four principal product groups as described below:

BUSINESS -----	DESCRIPTION -----
Command and Control Systems	Military command and control systems for air defense systems; air traffic control systems; airport information and operations management systems.
Defense Systems	Mapping and weather systems.
Space Systems	Classified and commercial ground station systems.
Civil Systems	Earth Observing System Data Information Systems ("EOSDIS").

Command and Control Systems. Hughes Defense's command and control air defense systems utilize modular software to integrate large amounts of data from a variety of sensors, rapidly process the data using proprietary algorithms and then communicate information to decision makers in command and control centers on a real-time basis. Hughes Defense's systems are deployed in the United States and over 20 other nations. Hughes Defense has designed, developed and implemented a \$1.3 billion Command, Control and Communication system for Saudi Arabia called Peace Shield. Hughes Defense is currently providing contractor technical services for this operational system under a separate \$386 million contract ending in December 1997. Hughes Defense is also currently under contract to design, develop and implement air defense systems for Egypt, Iceland, Kuwait, Taiwan and NATO.

Hughes Defense has applied its technology and experience in air defense systems to develop civilian air traffic control systems. Hughes Defense offers a full range of systems to the air traffic control market, with products that range from systems that integrate multiple support centers and radar installations for large countries to systems servicing a single airport tower.

Hughes Defense is working on contracts to modernize and better integrate Canada's civil and military air traffic control systems. Hughes Defense also is under contract to provide air traffic control systems in a number of countries, including Indonesia, Saudi Arabia, Switzerland and China. In addition, Hughes Defense has become a major supplier to the Federal Aviation Administration ("FAA"). The Wide Area Augmentation System ("WAAS") is a \$480 million five-year contract to develop and deploy a satellite based navigation and air traffic control system over the United States. The Oceanic Systems Development Support ("OSDS") is an \$200 million eight-year contract to improve air traffic control capabilities offshore. Finally, Hughes Defense and Raytheon teamed to win the Standard Terminal Replacement System ("STARS") contract to replace and upgrade equipment in 172 FAA air traffic control terminals and 199 Department of Defense facilities. Hughes Defense's share of the contract is \$125 million.

Defense Systems. Hughes Defense has expertise in processing large quantities of data in real time, storing data in secure data bases accessible to geographically distributed users and handling the requirements of complex communications networks.

For the U.S. government, Hughes Defense has developed Command, Control, Communications and Intelligence ("C/3/I") systems and support for classified military requirements as well as missions and sensor

data processing for national security applications. In addition, Hughes Defense provides systems engineering services to the U.S. Defense Information Systems Agency. Defense systems also include terrain mapping and weather information.

Space Systems. Hughes Defense develops and supports classified government and commercial ground station systems which control the operations of satellites while in orbit.

Civil Systems. Hughes Defense also provides scientific and engineering services for the National Aeronautics and Space Administration ("NASA") and the National Oceanic and Atmospheric Administration ("NOAA") such as Mission to Planet Earth, an international research effort to understand the planet's eco-systems and climatic changes, and other planetary and astrophysical research. In 1993, Hughes Defense was awarded a 10-year contract currently valued at approximately \$800 million by NASA to develop the EOSDIS Core System. Hughes Defense also has developed law enforcement applications for the U.S. Immigration and Naturalization Services and is currently pursuing opportunities in information technology for the U.S. government in health care and other non-defense areas.

HUGHES TRAINING INC.

Hughes Defense has been a pioneer, and continues to be a leader in, the field of advanced training systems, services and equipment (including simulators) for a variety of military requirements. With the acquisition of CAE-Link in February 1995, Hughes Defense is now a leading supplier of training systems and services to the Department of Defense. Hughes Defense also provides training systems and services for NASA and industrial customers. Hughes Training consists of three principal product groups as described below:

BUSINESS -----	DESCRIPTION -----
Military Training Systems	Training simulators and equipment for the Department of Defense and NASA.
Training Operations	Training services to the Department of Defense and NASA.
Commercial/Industrial Training	Equipment, systems and programs for industrial training and testing applications.

Military Training Systems and Training Operations. For military applications, Hughes Defense has focused its resources on opportunities that permit it to take advantage of ongoing Hughes Defense and similar programs held by other defense contractors, such as training programs for the B-2, F/A-18, F-16 and C-141 aircraft. Hughes Defense is also well positioned to provide combined arms tactics training for the U.S. Army and U.S. Navy. Hughes Defense's flight training systems include sophisticated simulators in which pilots practice combat tactics as well as emergency procedures and standard maneuvers. The flexible software of these simulators can be adapted so that pilots can also train for specific missions. Hughes Defense's training systems are capable of teaching all phases of operations and maintenance for aircraft as diverse as the F-16 and F/A-18 fighters and the C-141 cargo aircraft. Hughes Defense also designs and produces multi-platform training equipment for the U.S. Navy. Using Hughes Defense's Anti-Submarine Warfare Tactical Team Trainers, teams of navy personnel train in coordinating ships, submarines and aircraft in simulated anti-submarine and fleet defense warfare maneuvers.

Commercial/Industrial Training. Hughes Defense also develops equipment, systems and programs for industrial training and testing applications, including curriculum and coursework and training delivery and management. In 1995, Hughes Defense was selected by General Motors Europe to be its single training integrator and to provide various dealer training programs. Hughes Defense also has advanced training system projects with General Motors Europe and several of GM's facilities in the United States. Hughes Defense was awarded a 10-year \$500 million contract with General Motors Europe in 1995. Hughes Defense is exploring training opportunities for General Motors in Asia as well as other customers domestically and internationally.

HUGHES TECHNICAL SERVICES COMPANY

Hughes Defense provides a wide range of scientific, technical and support services, primarily to the Department of Defense and other military customers, both through direct contracts and through support of other Hughes Defense projects. Hughes Defense specializes in the areas of operation and maintenance of customer equipment and systems; repair and supply depot operations; logistics engineering; space and Earth sciences; commercial services; remote logistics; range support; and privatization of government services. In 1996, Hughes Electronics was selected by the U.S. Navy and the City of Indianapolis to privatize the Naval Air Warfare Center in Indianapolis. The Indianapolis facility, renamed the Hughes Air Warfare Center, represents the Department of Defense's largest privatization initiative to date and provides engineering and technical support of advanced avionics and electronic systems.

HUGHES DATA SYSTEMS

The Hughes Data Systems unit is responsible for procurement and delivery of system hardware and software. This unit primarily supports certain long-standing customer relationships. Primary products include the Desktop V, USAF Workstation, Patent Trademark Office and Desktop Computers.

DEFENSE SYSTEMS

In addition to the three major business units addressed above, Hughes Defense is also developing its defense systems integration business. This Defense Systems business unit is approaching new contracts essentially as a "prime" contractor in which Hughes Defense serves as a system integrator to combine the best components for a system. Defense Systems supports customers in the Ballistic Missile Defense Organization ("BMDO") and the U.S. Army in air and missile defense systems and soldier systems. An example of these systems integration efforts is a cost effective short range air defense system that integrates radars and communications equipment from Hughes Defense's Sensors & Communications Systems business unit and a ground launched version of the Weapons Systems business unit's AMRAAM missile. Other major programs include the Medium Extended Air Defense System ("MEADS") for preliminary development of a new multinational ground-based air defense system between the U.S., Germany and Italy; Aerostat CMD for the concept development of a tethered aerostat airborne surveillance and targeting system for cruise missile defense; and the Land Warrior EMD program for development and fielding of an integrated soldier fighting system.

U.S. GOVERNMENT CONTRACTS

Hughes Defense acts as a prime contractor or major subcontractor with respect to many different U.S. government programs. Government acquisition programs typically follow a life cycle that begins with the research and development stage and progresses into full-scale production which may continue, with refinements and improvements, for several years. Because of significant start-up costs, many programs are not expected to become profitable until well into the full-scale production phase. Moreover, not all programs are selected for full-scale production, even when considerable resources have been expended in pre-production phases. The U.S. government has historically used multiple supply sources for a single program to further intensify competition and add to the number of experienced contractors available for future programs. It is anticipated that the ability to use multiple sources for production will be limited by declines in U.S. defense spending.

A portion of Hughes Defense's contracts with the U.S. government which are the basis of Hughes Defense's backlog are subject to appropriations decisions subsequent to award. This results in many long-term programs being funded annually. Changes in government policy/priorities may lead to the cancellation of the remaining portion of a program. Some Hughes Defense contracts contain options which may or may not be exercised at the discretion of the U.S. government. Also, once awarded, contracts may be contested by other bidders.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
 DELCO SELECTED COMBINED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following Delco selected combined historical financial data have been derived from the financial statements of Delco. The data should be read in conjunction with Delco's Combined Financial Statements (including the notes thereto) included in Appendix D to this document. The income statement data for the periods ended December 31, 1996, 1995 and 1994 and the balance sheet data as of December 31, 1996 and 1995 have been derived from the combined financial statements of Delco audited by Deloitte & Touche LLP, independent public accountants. The income statement data for the periods ended December 31, 1993 and 1992 and June 30, 1997 and 1996 and the balance sheet data as of June 30, 1997 and 1996 and December 31, 1994, 1993 and 1992 have been derived from unaudited combined financial statements of Delco. In the opinion of management, the unaudited combined financial statements reflect all adjustments (consisting only of normal recurring items) that are necessary for the fair presentation of financial position and results of operations for such periods. The Delco unaudited selected pro forma operating results for the six months ended June 30, 1997 and for the year ended December 31, 1996 give effect to the Hughes Transactions as if they had occurred at the beginning of each respective period but do not give effect to the planned integration of Delco and Delphi. The Delco unaudited selected pro forma balance sheet data as of June 30, 1997 give effect to the Hughes Transactions as if they had occurred at that date. Operating results for the six-month periods ended June 30, 1997 and 1996 are not necessarily indicative of the results that may be expected for the entire year. Pro forma data are not necessarily indicative of future financial position or operating results.

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,			AS OF AND FOR THE YEARS ENDED DECEMBER 31,					
	PRO FORMA 1997 (A)	1997	1996	PRO FORMA 1996 (A)	1996	1995	1994	1993	1992
(DOLLARS IN MILLIONS)									
OPERATING RESULTS:									
Net sales.....	\$2,904.2	\$2,904.2	\$2,916.0	\$5,560.1	\$5,560.1	\$5,757.2	\$5,560.7	\$4,808.1	\$4,143.5
Other income, net.....	13.8	103.8	89.7	32.4	202.4	195.6	150.6	114.7	158.7
Total Revenues.....	2,918.0	3,008.0	3,005.7	5,592.5	5,762.5	5,952.8	5,711.3	4,922.8	4,302.2
Total Cost and Expenses.....	2,628.0	2,628.0	2,524.0	4,901.9	4,901.9	4,869.0	4,751.6	4,219.3	3,695.1
Income before income taxes.....	290.0	380.0	481.7	690.6	860.6	1,083.8	959.7	703.5	607.1
Income taxes.....	107.6	141.0	183.3	261.4	325.8	411.3	364.7	280.5	209.8
Cumulative effect of accounting changes.....	--	--	--	--	--	--	(35.2)	--	(478.4)
Net Income.....	\$ 182.4	\$ 239.0	\$ 298.4	\$ 429.2	\$ 534.8	\$ 672.5	\$ 559.8	\$ 423.0	\$ (81.1)
BALANCE SHEET DATA:									
Cash and cash equivalents.....	\$ 31.0	\$ 221.8	\$ 756.9	\$ 741.0	\$ 926.1	\$1,243.2	\$ 773.2	\$ 571.3	
Current assets.....	1,087.5	4,031.3	3,583.1	3,858.0	3,276.2	2,813.0	2,146.9	1,691.2	
Total assets.....	2,448.2	5,592.0	5,510.7	5,464.1	5,186.4	4,842.4	4,205.9	3,779.8	
Current liabilities.....	714.5	714.5	894.5	734.2	767.9	927.9	786.6	673.5	
Parent Company's net investment.....	585.9	3,779.7	3,580.2	3,662.1	3,402.1	2,949.4	2,566.7	2,288.3	
OTHER DATA:									
Depreciation and amortization.....		\$ 113.6	\$ 101.2		\$ 204.4	\$ 155.6	\$ 145.0	\$ 152.0	\$ 125.6
Capital expenditures....		\$ 71.9	\$ 103.0		\$ 196.5	\$ 264.1	\$ 165.7	\$ 149.2	\$ 266.1

(a) Pro forma balance sheet data as of December 31, 1996 and pro forma other data have not been determined.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
DELCO UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined financial statements of Delco have been derived from the historical combined financial statements of Delco, and give effect to the Hughes Transactions. The unaudited summary pro forma condensed combined statements of income for the six months ended June 30, 1997 and for the year ended December 31, 1996 give effect to the Hughes Transactions as if they had occurred at the beginning of each respective period but do not give effect to the planned integration of Delco and Delphi. The unaudited pro forma condensed combined balance sheet as of June 30, 1997 gives effect to the Hughes Transactions as if they had occurred at that date.

The unaudited pro forma condensed combined financial statements should be read in conjunction with Delco's Combined Financial Statements (including the notes thereto) included in Appendix D to this document as of and for the period ended December 31, 1996, and the unaudited combined financial statements (including the notes thereto) of Delco included in Appendix D to this document as of and for the period ended June 30, 1997.

The pro forma condensed combined balance sheet is not necessarily indicative of the financial position of Delco that would have been attained had the Hughes Transactions been consummated on June 30, 1997. The pro forma condensed combined statements of income are not necessarily indicative of the results of operations of Delco that would have been attained had the Hughes Transactions been consummated on January 1, 1996 and 1997, nor are they necessarily indicative of any future operating results.

DELCO

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 1997

	HISTORICAL DELCO	HUGHES TRANSACTIONS PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED

(DOLLARS IN MILLIONS)			
REVENUES			
Net Sales			
General Motors and affiliates.....	\$2,659.5		\$2,659.5
Outside.....	244.7		244.7
Other income, net			
Interest income--General Motors and affiliates.....	93.8	\$(90.0)(a)	3.8
Other.....	10.0		10.0
	-----	-----	-----
Total Revenues.....	3,008.0	(90.0)	2,918.0
	-----	-----	-----
COSTS AND EXPENSES			
Cost of sales and other operating charges, exclusive of items listed below.....			
Selling, general and administrative expenses.....	2,384.9		2,384.9
Depreciation and amortization.....	129.5		129.5
	113.6		113.6
	-----	-----	-----
Total costs and expenses.....	2,628.0		2,628.0
	-----	-----	-----
INCOME BEFORE INCOME TAXES.....	380.0	(90.0)	290.0
Income taxes.....	141.0	(33.4)(b)	107.6
	-----	-----	-----
Net Income.....	\$ 239.0	\$(56.6)	\$ 182.4
	=====	=====	=====

The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

DELCO UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1996

	HUGHES TRANSACTIONS		
	HISTORICAL DELCO	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
	----- (DOLLARS IN MILLIONS) -----		
REVENUES			
Net Sales			
General Motors and affiliates.....	\$4,990.2		\$4,990.2
Outside customers.....	569.9		569.9
Other Income--net			
Interest Income--General Motors and affiliates.....	180.2	\$(170.0)(a)	10.2
Other.....	22.2		22.2
	-----	-----	-----
Total Revenues.....	5,762.5	(170.0)	5,592.5
	-----	-----	-----
COSTS AND EXPENSES			
Cost of sales and other operating charges, exclusive of items listed below.....			
	4,421.0		4,421.0
Selling, general and administrative expenses.....	276.5		276.5
Depreciation and amortization.....	204.4		204.4
	-----	-----	-----
Total costs and expenses.....	4,901.9		4,901.9
	-----	-----	-----
INCOME BEFORE INCOME TAXES.....	860.6	(170.0)	690.6
Income taxes.....	325.8	(64.4)(b)	261.4
	-----	-----	-----
Net Income.....	\$ 534.8	\$(105.6)	\$ 429.2
	=====	=====	=====

The accompanying notes are an integral part of the unaudited pro forma combined financial statements.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
 DELCO
 UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

AS OF JUNE 30, 1997

	HISTORICAL DELCO	HUGHES TRANSACTIONS PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
(DOLLARS IN MILLIONS)			
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents.....	\$ 221.8	\$ (190.8)(d)	\$ 31.0
Accounts receivable (less allowances)			
General Motors and affiliates.....	110.2		110.2
Trade receivables.....	160.6		160.6
Notes Receivable--Hughes.....	2,753.0	(2,753.0)(c)	--
Contracts in process.....	43.8		43.8
Inventories.....	657.7		657.7
Deferred income taxes.....	59.0		59.0
Prepaid expenses.....	25.2		25.2
	-----	-----	-----
Total Current Assets.....	4,031.3	(2,943.8)	1,087.5
	-----	-----	-----
Notes receivable--Hughes.....	200.0	(200.0)(c)	--
	-----	-----	-----
Property, net.....	1,004.8		1,004.8
	-----	-----	-----
Investments and Other Assets--principally at cost (less allowances).....	145.4		145.4
	-----	-----	-----
Deferred Income Taxes.....	210.5		210.5
	-----	-----	-----
Total Assets.....	\$5,592.0	\$(3,143.8)	\$2,448.2
	=====	=====	=====
LIABILITIES AND PARENT COMPANY'S NET INVESTMENT			
CURRENT LIABILITIES			
Accounts payable			
General Motors and affiliates.....	\$ 17.9		\$ 17.9
Other trade payables.....	346.7		346.7
Loans payable.....	27.8		27.8
Income taxes payable.....	67.6		67.6
Accrued liabilities			
General Motors and affiliates.....	34.4		34.4
Other liabilities.....	220.1		220.1
	-----	-----	-----
Total Current Liabilities.....	714.5		714.5
	-----	-----	-----
Other Liabilities and Deferred Credits.....	49.1	\$ 50.0 (e)	99.1
	-----	-----	-----
Post retirement benefits other than pensions.....	1,048.7		1,048.7
	-----	-----	-----
Parent Company's Net Investment.....	3,779.7	(2,953.0)(c) (190.8)(d) (50.0)(e)	585.9
	-----	-----	-----
Total Liabilities and Parent Company's Net Investment.....	\$5,592.0	\$(3,143.8)	\$2,448.2
	=====	=====	=====

The accompanying notes are an integral part of the unaudited pro forma combined financial statements.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
DELCO NOTES TO UNAUDITED PRO FORMA

CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined financial statements of Delco have been derived from the historical combined financial statements of Delco to give effect to the Hughes Transactions (i.e., the Hughes Reorganization and not including the integration with Delphi). The unaudited pro forma condensed combined balance sheet has been prepared as if the Hughes Transactions had occurred on June 30, 1997 and the unaudited pro forma condensed combined statements of income have been prepared as if the Hughes Transactions had occurred at the beginning of the periods presented.

The unaudited pro forma condensed combined financial statements should be read in conjunction with Delco's Combined Financial Statements (including notes thereto) as of and for the year ended December 31, 1996, and as of and for the six months ended June 30, 1997, each included in Appendix D to this document.

The pro forma condensed combined balance sheet is not necessarily indicative of the financial position of Delco that would have been attained had the Hughes Transactions been consummated on June 30, 1997. The pro forma condensed combined statements of income are not necessarily indicative of the results of operations of Delco that would have been attained had the Hughes Transactions been consummated at the beginning of the periods presented, nor are they necessarily indicative of any future operating results.

The following pro forma adjustments were made with respect to the Hughes Transactions:

- (a) To eliminate interest income reflected in the historical financial statements of Delco relating to notes receivable from Hughes Electronics which will be eliminated and cash which will be transferred to Hughes Telecom in connection with the Hughes Transactions.
- (b) To reflect income taxes on pro forma adjustments.
- (c) To reflect the distribution of notes receivable from Delco to its sole stockholder.
- (d) To record the transfer of cash of Delco to Hughes Telecom.
- (e) To record the potential income tax liabilities which will be transferred from Hughes Electronics to Delco.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
DELCO MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 1997 COMPARED TO SIX MONTHS ENDED JUNE 30, 1996

RESULTS OF OPERATIONS

Revenues. Delco revenues for the first six months of 1997 were \$3,008.0 million, a slight increase from the \$3,005.7 million reported during the first half of 1996. Revenues attributed to GM NAO were relatively unchanged as the decline in average electronic content supplied by Delco (primarily due to price reductions resulting from competitive pricing in connection with GM's global sourcing initiative) was offset by a 6% increase in GM NAO vehicle volume during the first six months of 1997.

Other Income--Included in revenues is other income of \$103.8 million for the first six months of 1997 and \$89.7 million for the same period in 1996. The increase was principally due to the increase in interest income driven primarily by the increase in notes receivable from Hughes Electronics during the first six months of 1997.

Operating Profit. Operating profit for the first half of 1997 was \$276.2 million, a 29.5% decrease from the \$392.0 million reported during the comparable period last year. The operating profit margin on the same basis for 1997 was 9.5% compared with 13.4% in the prior year's period. These reductions were primarily due to price reductions and costs associated with continued international expansion.

As the principal supplier of automotive electronics to GM NAO, Delco's sales of automotive electronics is and will continue to be heavily dependent on GM's production of vehicles in North America, the level of Delco supplied electronic content per GM vehicle, the price of such electronics and the competitiveness of Delco's product offerings. In this regard, it is anticipated that competition through GM's global purchasing process will negatively impact Delco's sales to GM NAO and result in a decline in the portion of GM NAO automotive electronics supplied by Delco. Delco's strategy is to aggressively reduce costs in order to minimize the effect of continuing price reductions and to manage the loss of GM NAO market share by offering competitive products which increase electronic functionality through a focus on safety, security, communications and convenience. Delco will also seek to improve its systems capability and cost competitiveness both internally and by developing key design, manufacturing and marketing alliances and other relationships with mechanical and electrical automotive component suppliers.

The international market for automotive electronic products is also highly competitive. Delco has refined its strategy for this market to focus on profitable growth as well as increased market share, and accordingly, will seek to enhance the cost competitiveness of its international operations.

The competitive environment described above is making it increasingly difficult to maintain the level of operating profit margins realized at Delco in recent years as price and volume declines associated with GM's global sourcing initiatives more than offset Delco's ability to achieve cost reductions. In response to the increased pressure on margins and to enhance future competitiveness, Delco management is taking action to reduce the cost structure of the business. As a result of the factors described above, the operating margin is expected to be at low double digits for the remainder of 1997, and then show modest improvement in 1998 and 1999. For information regarding the impact of the integration of Delco and Delphi on Delco's competitive position and business strategy, see "Special Factors--Purposes of the Hughes Transactions--Integration of Delco and Delphi" and "--Background of the Hughes Transactions--Development of the Hughes Transactions and Raytheon Merger--September 23, 1996 Capital Stock Committee Meeting" in Chapter 3.

Costs and Expenses. Selling, general and administrative expenses were \$129.5 million for the first six months of 1997 compared to the \$121.9 million reported during the comparable period in 1996. The increase was attributable to costs associated with continued international expansion.

The effective income tax rate was 37.1% for the first six months of 1997 compared to 38.1% for the same period in 1996.

Earnings. Delco earnings decreased 19.9% to \$239.0 million in the first six months of 1997 compared with \$298.4 million reported in the same period in 1996, principally due to the decrease in operating profit discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents. Cash and cash equivalents were \$221.8 million at June 30, 1997, a decrease of \$519.2 million from the \$741.0 million reported at December 31, 1996. The decrease was primarily due to the increase in notes receivable from Hughes Electronics of \$776.8 million, net distributions to the Parent Company of \$121.4 million and capital expenditures, partially offset by cash provided by operating activities of \$434.5 million and proceeds from the disposal of certain property.

Cash flows for the third quarter of 1997 and beyond are expected to be negatively impacted by a change in the credit terms between Delco and GM NAO for purchases of automotive electronics. In the past, GM NAO has generally paid Delco for product shipments immediately upon billing. The policy governing Delco/GM NAO credit terms is being changed such that Delco and GM NAO will implement credit terms substantially equivalent to those given to GM NAO's non-affiliated suppliers. Such a change will be phased in over a four-year period starting in the third quarter of 1997. However, if the Hughes Transactions are completed with Delco being transferred to Delphi, the credit terms for Delco will change, effective immediately after the Hughes Transactions are completed, without any phase-in period.

Liquidity Measurement. As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 5.64 at June 30, 1997 and 5.26 at December 31, 1996. Working capital was \$3,316.8 million at June 30, 1997 as compared to \$3,123.8 million at December 31, 1996. The increases were principally due to increased notes receivable from Hughes Electronics of \$776.8 million.

Property and Equipment. Property, net of accumulated depreciation, decreased \$61.3 million to \$1,004.8 million at June 30, 1997, compared to \$1,066.1 million at December 31, 1996. Expenditures for property, equipment and special tools were \$71.9 million through June 30, 1997 compared with \$103.0 million for the comparable period in 1996. The decrease in capital spending was due primarily to an overall reduction in domestic spending.

1996 COMPARED TO 1995

RESULTS OF OPERATIONS

Revenues. Delco revenues decreased 3.2% in 1996 to \$5,762.5 million from \$5,952.8 million in 1995. The decline was principally due to price reductions resulting from competitive pricing in connection with GM's global sourcing initiative and a 6.4% reduction in GM vehicles produced in the United States and Canada (excluding joint ventures) primarily related to the United and Canadian Auto Workers' ("UAW" and "CAW", respectively) strikes offset, in part, by an increase in Delco-supplied electronic content in these vehicles from \$888 per vehicle to \$906 per vehicle and an increase in international and non-GM NAO sales from \$841 million in 1995 to \$1,010 million in 1996.

Other Income--Included in revenues is other income of \$202.4 million for 1996 compared with \$195.6 million for 1995. The increase was principally due to improved results from certain equity investments.

Operating Profit. Operating profit was \$658.2 million in 1996 compared to \$888.2 million in 1995. Operating profit margin on the same basis for 1996 declined to 11.8% from 15.4% in 1995 primarily due to the reduced production volumes, continued price reductions and the costs associated with continued investment in international expansion.

Costs and Expenses. Selling, general and administrative expenses were \$276.5 million in 1996 compared to \$260.6 million in 1995. The increase was principally due to infrastructure put into place to support non-GM NAO customers in Europe, Asia/Pacific and the Americas. The level of depreciation and amortization in 1996 was \$204.4 million compared to \$155.6 million in 1995 primarily due to the increase in special tooling amortization.

The effective income tax rate was 37.9% in 1996 and 1995.

Earnings. Delco's earnings were \$534.8 million in 1996 compared to the \$672.5 million reported in 1995. The decline was principally due to the decline in operating profit discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents. Cash and cash equivalents were \$741.0 million at December 31, 1996, a decrease of \$185.1 million from the \$926.1 million reported at December 31, 1995. The decrease in cash was primarily due to increases in notes receivable from Hughes Electronics of \$437.1 million, net distributions to Parent Company of \$274.8 million and capital expenditures of \$196.5 million, partially offset by cash provided by operating activities of \$705.3 million.

Liquidity Measurement. As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 5.26 at December 31, 1996 and 4.27 at December 31, 1995. Working capital was \$3,123.8 million at December 31, 1996 compared to \$2,508.3 million at December 31, 1995. The increases were principally due to increased notes receivable from Hughes Electronics of \$437.1 million.

Property and Equipment. Property, net of accumulated depreciation, decreased \$17.3 million to \$1,066.1 million in 1996 from \$1,083.4 million reported in 1995. Net expenditures for property, equipment and special tools were \$196.5 million in 1996 compared with \$264.1 million in 1995. 1995 capital spending was higher due to spending requirements for new technology and product redesign on powertrain products to meet On Board Diagnostics ("OBD") II and Corporate Average Fuel Economy ("CAFE") requirements.

1995 COMPARED TO 1994

RESULTS OF OPERATIONS

Revenues. Delco revenues increased \$241.5 million, or 4.2%, in 1995 to \$5,952.8 million from \$5,711.3 million in 1994. Increased revenue growth was primarily attributed to an increase in Delco-supplied electronic content in GM vehicles produced in North America to \$888 in 1995 from \$857 in 1994 and an increase in sales to international and non-GM NAO customers to \$841 million in 1995 from \$672 million in 1994. GM NAO vehicle production remained relatively unchanged between 1994 and 1995.

Other Income--Included in revenues is other income of \$195.6 million for 1995 compared with \$150.6 million for 1994. The increase was principally due to the increase in interest income driven primarily by the increase in notes receivable from Hughes Electronics.

Operating Profit. Operating profit was \$888.2 million in 1995 compared to \$809.1 million in 1994. Operating profit margin for 1995 increased to 15.4% from 14.6% in 1994 primarily due to the increase in revenues discussed above and aggressive cost reduction programs.

Costs and Expenses. Selling, general and administrative expenses were \$260.6 million in 1995 and \$192.3 million in 1994. The increase was principally due to infrastructure put into place to support non-GM NAO customers in Europe, Asia/Pacific and the Americas. The level of depreciation and amortization in 1995 was \$155.6 million compared to \$145.0 million in 1994.

The effective income tax rate was 37.9% in 1995 and 38.0% in 1994.

Earnings. Delco's earnings were \$672.5 million in 1995 compared to \$559.8 million reported in 1994 due to increased revenues and aggressive cost reduction programs. Earnings in 1994 included the unfavorable effect of an accounting change for post employment benefits. Excluding the accounting change, Delco earnings in 1994 would have been \$595.0 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents. Cash and cash equivalents were \$926.1 million at December 31, 1995, a decrease of \$317.1 million from the \$1,243.2 million reported at December 31, 1994. The decrease in cash was primarily due to increases in notes receivable from Hughes Electronics of \$390.8 million, capital expenditures of \$264.1 million, net distributions to Parent Company of \$219.9 million, the acquisition of FUBA Automotive ("FUBA") for \$63.2 million and repayment of loans payable to General Motors of \$33.8 million, partially offset by cash provided by operating activities of \$644.3 million.

Liquidity Measurement. As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 4.27 at December 31, 1995 and 3.0 at December 31, 1994. Working capital was \$2,508.3 million at December 31, 1995 compared to \$1,885.1 million at December 31, 1994. The increases were primarily attributed to increased notes receivable from Hughes Electronics of \$390.8 million.

Property and Equipment. Property, net of accumulated depreciation, increased \$86.3 million to \$1,083.4 million in 1995 from \$997.1 million reported in 1994. Net expenditures for property, equipment and special tools were \$264.1 million in 1995 compared with \$165.7 million in 1994. Increased 1995 capital spending was required for new technology and product redesign on powertrain products to meet On Board Diagnostics ("OBD") II and Corporate Average Fuel Economy ("CAFE") requirements.

Acquisitions. In September 1995, Delco announced that it had reached an agreement to acquire FUBA for \$63.2 million in cash. FUBA is a leading supplier of active integrated antenna systems. The acquisition was completed in October 1995.

INTRODUCTION

The following description of the business of Delco gives effect to the Hughes Reorganization but does not generally give effect to the integration of Delco and Delphi. For additional information, see "Delco Management's Discussion and Analysis of Financial Condition and Results of Operation" above.

Delco is one of the world's leading suppliers of automotive electronics, with an estimated 22% share of worldwide automotive electronics sales in 1996. Delco is currently the principal supplier of automotive electronics to GM North American Operations ("GM NAO"). Approximately 81% (or \$4.3 billion) of Delco's 1996 revenues were attributable to sales to GM NAO, with the remaining 19% resulting from sales to customers (including GM operations outside of North America) other than GM NAO. Delco anticipates increased sales to non-GM NAO and international customers. During 1996, over 50% (based on dollar value) of Delco's contracts for new business were with customers other than GM NAO. Deliveries under such contracts are expected to begin in 1998.

Delco's strategy is to maintain its position as a principal supplier of automotive electronics to GM NAO while continuing to expand its sales to international and other non-GM NAO customers. Delco believes that consumer demand for vehicles with enhanced safety, convenience and performance features will provide opportunities for additional revenues from Delco-supplied automotive electronics on GM NAO vehicles. Moreover, the integration of Delco and Delphi would combine advanced electronics capability with components and systems expertise, and the combined business operations would be expected to compete aggressively in high-growth markets worldwide by developing new electronically enhanced vehicle systems with improved functionality, lower cost and higher quality. The combined Delco/Delphi entity will be better able to align its product, technical and manufacturing operations to address strategic objectives for growth and competitiveness. Delco believes that other opportunities exist as a result of new products based on Delco/Delphi core technologies. Successful commercialization of these products will depend on, among other things, consumer acceptance, affordability and the ability to achieve high volume production of sophisticated products, none of which can be assured.

As the principal supplier of automotive electronics to GM NAO, Delco's sales of automotive electronics will continue to be heavily dependent on GM's North American production, the level of Delco-supplied electronic content per GM vehicle, the price of such electronics and the competitiveness of Delco's product offerings. In this regard, it is anticipated that competition through GM's global purchasing process will negatively impact Delco's sales to GM NAO and result in a decline in the portion of GM NAO automotive electronics supplied by Delco. Delco's strategy is to aggressively reduce costs in order to minimize the effect of continuing price reductions and to manage the loss of GM NAO market share by offering competitive products which increase electronic functionality through a focus on safety, security, communications and convenience.

The international market for automotive electronic products is also highly competitive. Delco has refined its strategy for this market to focus on profitable growth as well as increased market share and, accordingly, will seek to enhance the cost competitiveness of its international operations.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS

Delco's aggressive cost reduction programs have yielded substantial cost savings over the last several years. Delco continues to work aggressively to reduce its costs for automotive electronics in order to maintain its competitiveness with respect to both GM NAO and other sales. By improving product design and manufacturing techniques, Delco has been able to and expects to continue to improve its production methods while reducing its costs of production. More than half of Delco's automotive electronics products manufacturing is conducted outside of the United States, resulting in substantial cost savings as compared to U.S. operations. Other efforts to reduce costs include purchases of components from unaffiliated suppliers, synchronous workshops, supplier cost improvement programs and a global electronics manufacturing strategy.

PRINCIPAL PRODUCTS AND SALES

Delco has three principal product lines: (1) Powertrain, (2) Chassis, Air Bag, Security and (3) Integrated Body Systems. For GM NAO, product development and design are organized by product line. For sales other than to GM NAO, production and sales responsibility is organized by three customer-focused units: Delco Europe, Delco Asia/Pacific and Delco-Americas.

The following table sets forth revenues of Delco by product line for GM NAO, and by customer-focused unit for non-GM NAO, for each of the last three years.

	1996	1995	1994
	(IN MILLIONS)		
GM NAO (a)			
Powertrain.....	\$1,561	\$1,554	\$1,516
Chassis, Air Bag, Security.....	680	914	823
Integrated Body Systems.....	2,060	2,171	2,160
Subtotal.....	4,301	4,639	4,499
Other Sales			
Delco Europe.....	405	366	258
Delco Asia/Pacific.....	217	216	168
Delco-Americas and Other.....	388	259	246
Subtotal.....	1,010	841	672
Subtotal Sales--Automotive.....	5,311	5,480	5,171
Delco Systems Operations (b).....	250	277	389
Total Sales.....	5,561	5,757	5,560
Other Income.....	202	196	151
Total Revenues.....	\$5,763	\$5,953	\$5,711

- (a) Includes Delco-supplied content on vehicles which are manufactured in the United States and Canada by General Motors (excluding affiliates) available for sale anywhere in the world.
- (b) Delco Systems Operations ("DSO") has historically been included in the Aerospace and Defense Systems segment of Hughes Electronics. However, in connection with the Hughes Reorganization, DSO is being transferred to General Motors and thus is included in Delco, not Hughes Defense. DSO is currently dedicated to the light armored turret vehicle business as well as advanced classified programs.

Delco's non-GM NAO sales have grown from \$672 million in 1994 to \$1.01 billion in 1996, with sales to GM International Operations representing approximately one-third of non-GM NAO sales. Delco and Delphi have established a close working relationship in Europe and have worked together to obtain additional automotive electronics business and expect in the future to further leverage their marketing, engineering, manufacturing and administrative efforts to achieve consistent customer focus and reduced operating cost.

AUTOMOTIVE

The principal products of Delco's three product lines for automotive electronics sales to customers worldwide are as follows:

PRODUCT LINE	PRINCIPAL PRODUCTS	DESCRIPTION
Powertrain Systems	Engine Management Controllers	Microprocessor-based controllers to optimize engine performance, fuel economy and driveability while reducing emissions and providing on-board diagnostics.
	Ignition Modules	Solid state spark-timing electronics for ignition control.
	Pressure Sensors	Micro-machined pressure sensors used primarily for air-to-fuel ratio mix control.
	Control Modules	Microprocessor-based controllers for engines and transmissions.
Chassis, Air Bag Controls and Security Systems	Air Bag Control Modules and Sensors	Control modules and sensors for driver and passenger-side supplemental inflatable restraint systems.
	Anti-lock Brake Controllers	Electronic systems which control the brakes to prevent wheel lock-up.
	PASS-Key(R)	Anti-theft vehicle security systems.
	FOREWARN(R)	Microwave-based object detection systems.
Integrated Body Systems	Audio Systems	Full line of audio systems ranging from AM radios to integrated compact disc receivers.
	Amplifiers	Vehicle acoustic systems, including speakers.
	Instrument Panel Clusters	Full line of instrumentation, from traditional analog and digital clusters to auxiliary displays, such as head-up displays.
	Air Controls	Heater, ventilation and air conditioner controls, ranging from mechanical (or manual) to electronic (or automatic).
	Telepath(TM) 100	Satellite-based electronic navigation system.

SALES TO GM NAO

Approximately 81% of Delco's 1996 revenues were attributable to sales to GM NAO. Delco's sales of automotive electronics to GM NAO are heavily dependent upon the level of GM's North American production and sales of motor vehicles. Such sales by Delco are also dependent on the level of Delco-supplied electronic content (based on the number and sophistication of electronic functions) per vehicle and the price (or cost to GM NAO) of such electronics. Since 1992, pursuant to its global sourcing initiative, GM NAO has aggressively pursued price reductions from its suppliers and has provided suppliers worldwide with the opportunity to bid for business customarily sourced with Delco. Delco believes that it has been and will continue to be able to compete effectively for GM NAO business because of the quality of its products, its ongoing cost reduction efforts and its product and technological innovations. From 1994 through 1996, Delco won approximately 81% of all globally sourced, competitive bids for GM NAO automotive electronics business for which Delco competed (based on the dollar value of all bids submitted by Delco). Nonetheless, it is anticipated that competition through GM's global purchasing process will negatively impact Delco's sales to GM NAO and result in a decline in the portion of GM NAO automotive electronics supplied by Delco.

Delco expects that the level of electronic functions in vehicles will continue to increase, but that its prices to GM NAO will continue to decrease as a result of global, market-based pricing pressures and increasing

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS

electronic sophistication at lower prices. As a result of such price decreases and the decline in the portion of GM NAO automotive electronics supplied by Delco as described above, Delco expects that its revenues per GM NAO vehicle will decrease after 1996. Delco is working to mitigate the effect of continuing price reductions for current products by developing, producing and expanding sales of enhanced products. Delco believes that by utilizing its core technologies, opportunities exist for products offering consumers enhanced safety, convenience and performance. Moreover, Delco believes that it will be able to mitigate the effect of GM NAO price reductions on operating profit through its demonstrated ability to reduce costs.

It is a policy of General Motors that a standard of fair dealing govern the prices, terms and conditions of commercial transactions between Delco and General Motors.

GM PRODUCTION AND SALES

The following table sets forth certain of GM's production, delivery (sales to ultimate purchasers, including both retail and fleet customers) and market share data for North America over the last three years.

	1996	1995	1994
	----	----	----
North American Motor Vehicle Production (in millions of units)*.....	4.8	5.2	5.2
North American Motor Vehicle Deliveries (in millions of units)**.....	5.3	5.3	5.6
North American Motor Vehicle Market Share (%)**.....	31.0%	32.3%	32.3%

- * Includes units which are manufactured in the United States and Canada by General Motors (excluding affiliates), available for sale anywhere in the world.
- ** Includes units which are manufactured by other companies and which are sold in North America by General Motors and its affiliates.

The automotive industry is historically cyclical and is dependent on general market conditions, including interest rates. In addition, although not necessarily leading to a permanent loss of volume, GM's vehicle production is subject to interruptions from work stoppages, plant and equipment failures and other conditions and events, many of which are beyond the control of General Motors.

ELECTRONIC CONTENT OF MOTOR VEHICLES

From 1986 to 1996, Delco revenues per GM NAO vehicle increased each year, primarily as a result of increases in the number and sophistication of electronic functions. The increasing level of electronic content of motor vehicles is reflected in the average Delco electronics dollar sales per vehicle produced by General Motors (excluding affiliates) in the United States and Canada (for sale anywhere in the world) from 1994 to 1996, as set forth in the following table:

	AVERAGE DELCO DOLLAR SALES PER VEHICLE PRODUCED BY GM IN NORTH AMERICA		
	1996	1995	1994
	----	----	----
Powertrain.....	\$329	\$297	\$289
Chassis, Air Bag Controls, Security.....	143	175	157
Integrated Body Systems.....	434	416	411
Total.....	\$906	\$888	\$857
	====	====	====

The Delco-supplied electronic content per GM NAO vehicle varies among vehicle models and according to the options selected by customers, with more expensive vehicles tending to have more sophisticated electronic functions. Delco believes that the functionality of automotive electronics in GM NAO vehicles will continue to increase, principally as a result of continued, and often increasingly stringent, regulatory standards for automotive emissions and consumer demand for increased performance, all of which will require more

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS

sophisticated electronic engine controls. In addition, in the near term, Delco believes that electronic components such as sensors and controllers will be increasingly utilized to meet consumer preference for enhanced safety and security features.

Automotive Emission Standards. Delco believes that the use of sophisticated engine control computers in the United States will continue to increase, primarily because of increasingly stringent automotive emissions standards and more sophisticated diagnostic requirements as defined by the 1990 Clean Air Act and California Air Resources Board regulations and higher Corporate Average Fuel Economy ("CAFE") standards. Delco's engine control modules increase fuel efficiency while helping to lower exhaust emissions.

Safety. Currently, Delco supplies air bag controllers for 100% of GM NAO vehicles, up from 75% in 1994. Beginning in the 1998 model year, side-impact air bag controllers will be introduced on various GM vehicles. Delco is also developing occupant detection sensors which will suppress air bag deployment based on a passenger's weight and/or position.

Delco also supplies over 90% of GM NAO's passenger car requirements for anti-lock brake controllers in conjunction with Delphi. Additional features such as traction control, variable effort steering and YAW control have been integrated into Delco brake controllers for improved vehicle functioning.

Fuel Efficiency. In conjunction with Delphi, Delco will introduce electro-hydraulic power steering ("EHPS") in the 1998 model year. EHPS allows for more effective use of the hydraulic steering system which increases fuel efficiency. Delco is also developing an improved electric power steering ("EPS") controller that will eliminate steering hydraulics and lower the total system cost.

Convenience Features. Delco has expanded its penetration into the security and personalization market through its acquisition of European-based Megamos and Texton companies. Consumer demand continues to increase for enhanced body control functions such as lock-out prevention, theater light dimming, vehicle theft protection and remote keyless entry.

New Products. Delco continues to refine and develop its FOREWARN(R) forward and rear-looking radar systems. The forward looking system is being pursued as an adaptive cruise control system. The rear looking radar system continues to be pursued as a backup aid to warn the driver of possible rear collisions. These products are expected to be in full production around the year 2000. The integration of Delco and Delphi is expected to increase synergies with Delphi units and result in the ability to provide fully integrated, engineered and assembled interior systems for automotive Original Equipment Manufacturer ("OEM") applications. Successful commercialization of these products will depend on, among other things, consumer acceptance, affordability and ability to achieve high volume production of sophisticated products, none of which can be assured.

INTERNATIONAL AND OTHER SALES

Sales of Delco's automotive electronics to customers other than GM NAO grew at an 18% compounded annual rate from \$382 million in 1990 to \$1,010 million in 1996. In 1996, Delco was awarded approximately 61% of all orders (excluding GM NAO orders) for which it competed worldwide (based on the dollar value of all bids submitted by Delco). Deliveries under such contracts are expected to begin in 1998. Delco currently supplies automotive electronics products to several customers worldwide, including Chrysler, Daewoo, Isuzu, Renault, Toyota, John Deere, Nissan, BMW, Audi, Ford, Fiat and Mercedes. In 1996, Delco became QS-9000 certified, attesting to its production and quality capabilities as a world-class supplier.

The levels of average electronic content of European-produced and Asian-produced vehicles are currently substantially below the average level of electronic content of vehicles sold in North America, indicating that the worldwide demand for automotive electronics should grow significantly through the end of the decade. In addition, Delco believes that future growth opportunities exist outside of the United States as other countries

adopt automotive emission and fuel standards. Delco's customer-focused business units were established to focus on these growth opportunities as Delco seeks to capitalize on its cost reduction efforts, product quality and technology, together with its worldwide manufacturing capabilities and capacities, to continue to increase international sales (including sales to GM's international operations and affiliates) and sales to customers other than GM NAO.

The success of Delco's international and non-GM NAO efforts will depend, among other things, upon the availability of technical, manufacturing and other resources. Competition in such markets is intense and not necessarily open to all suppliers on equal terms. See "---Competition" below. Delco continues to review and enter into, where appropriate, strategic alliances and partnering arrangements and to make acquisitions to enhance its ability to compete for international business.

ACQUISITIONS AND ALLIANCES

Historically, Delco's acquisition and alliance activities have been focused on three objectives: market expansion, product portfolio enhancement to achieve full systems capability and strengthening of core technologies. Recent activities include formation of Shanghai Delco Electronics (joint venture localizing manufacturing in China), acquisition of Fuba Automotive (a leading antenna business in Europe) and formation of the Flip Chip Technologies joint venture (which provides innovative integrated circuit packaging technology). Delco will continue to focus on selective ventures which meet strategic objectives and which complement the venture needs and strategies of Delphi.

COMPETITION

In April 1992, General Motors launched a major reorganization to streamline its business practices and downsize its GM NAO operations. These changes were essential to GM's vision of total customer satisfaction. Central to these efforts were improved quality, reduced costs, strengthened product focus and leveraged global sourcing. With regard to global sourcing, GM NAO announced its intentions to begin filling its procurement needs on a global basis. Pursuant to this initiative, GM NAO has aggressively pursued price reductions from its suppliers and has provided suppliers worldwide with the opportunity to bid for business customarily sourced with Delco. As a result, Delco has reduced its prices to GM NAO, and Delco expects prices to continue to decline. In 1996, Delco-supplied electronic content represented approximately 90% of GM NAO requirements. Delco believes that it is, has been and will continue to be able to compete effectively for GM business because of the quality of its products, its on-going cost reduction efforts and its product and technological innovations. Delco also believes that it derives a competitive advantage from its business practice of placing Delco engineers at GM facilities to help integrate Delco electronic products into GM's vehicle designs. Delco believes that its technological experience from its non-automotive businesses also provides it with a competitive advantage in developing and implementing new automotive electronic products. Delco believes that its cost reduction programs will provide significant ongoing and sustainable cost savings. In light of the foregoing, Delco expects to be able to continue to compete effectively for GM NAO business as well as international and North American business other than GM NAO. However, Delco does expect its share of GM NAO automotive electronics requirements to decline from its current 90% share to about 80% in the early 2000's principally due to competition through GM's global purchasing process.

The worldwide automotive electronics market includes many strong, global competitors. In Europe, Delco is challenging incumbent suppliers with dominant shares and strong relationships with European vehicle manufacturers. These competitors, like Delco, are innovative, have system capability, are able to support the European vehicle manufacturers' globalization plans and have embarked on aggressive cost cutting programs to meet the price pressure of vehicle manufacturers. In the Asia/Pacific region, Delco faces competitors who have strong system capability, offer cost competitive, high quality products and who have strong relationships with vehicle manufacturers. In some cases, vehicle manufacturers located in the Asia/Pacific region have significant equity ownership in Delco's competitors. In Latin America, Delco's major competitors include suppliers based

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in both Europe and in the Asia/Pacific region who have transplanted some operations to support their customers' entry into, and expansion in, the region.

INTEGRATION OF DELCO AND DELPHI

For information regarding the integration of Delco and Delphi, see "Special Factors--Purposes of the Hughes Transactions--Integration of Delco and Delphi" and "--Background of the Hughes Transactions--Development of the Hughes Transactions and Raytheon Merger--September 23, 1997 Capital Stock Committee Meeting" in Chapter 3.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
HUGHES TELECOM SELECTED COMBINED HISTORICAL AND
PRO FORMA FINANCIAL DATA

The following selected combined historical financial data have been derived from the financial statements of Hughes Telecom. The data should be read in conjunction with Hughes Telecom's Combined Financial Statements (including the notes thereto) included in Appendix E to this document. The income statement data for the periods ended December 31, 1996, 1995 and 1994 and the balance sheet data as of December 31, 1996 and 1995 have been derived from the combined financial statements of Hughes Telecom audited by Deloitte & Touche LLP, independent public accountants. The income statement data for the periods ended December 31, 1993 and 1992 and June 30, 1997 and 1996 and the balance sheet data as of June 30, 1997 and 1996 and December 31, 1994, 1993 and 1992 have been derived from the unaudited combined financial statements of Hughes Telecom. In the opinion of management, the unaudited combined financial statements reflect all adjustments (consisting only of normal recurring items) that are necessary for the fair presentation of financial position and results of operations for such periods. The Hughes Telecom unaudited summary pro forma operating results data for the six months ended June 30, 1997 and for the year ended December 31, 1996 give effect to the PanAmSat Merger that was completed on May 16, 1997 and the Hughes Transactions (including the recapitalization of GM Class H Common Stock into New GM Class H Common Stock) as if they had occurred at the beginning of each respective period. The Hughes Telecom unaudited summary pro forma balance sheet data as of June 30, 1997 give effect to the Hughes Transactions as if they had occurred at that date. Operating results for the six-month periods ended June 30, 1997 and 1996 are not necessarily indicative of the results that may be expected for the entire year. Pro forma data are not necessarily indicative of future financial position or operating results.

	AS OF AND FOR THE SIX MONTHS ENDED JUNE 30,			AS OF AND FOR THE YEARS ENDED DECEMBER 31,					
	PRO FORMA 1997(A)	1997	1996	PRO FORMA 1996(A)	1996	1995	1994	1993	1992(B)
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)								
OPERATING RESULTS:									
Net sales.....	\$ 2,354.8	\$2,235.2	\$1,831.4	\$4,280.7	\$4,099.6	\$3,243.0	\$2,773.5	\$2,263.8	\$2,282.2
Other income (expense), net.....	(11.9)	477.8	104.5	74.9	74.9	(32.4)	(10.0)	160.6	39.0
Total Revenues.....	2,342.9	2,713.0	1,935.9	4,355.6	4,174.5	3,210.6	2,763.5	2,424.4	2,321.2
Cost and expenses.....	2,227.8	2,184.2	1,728.9	4,079.3	3,943.6	3,192.2	2,678.2	2,155.6	2,266.6
Amortization of GM purchase accounting adjustments related to Hughes Aircraft.....	10.6	10.6	10.6	21.0	21.0	27.2	21.2	21.2	21.2
Total Costs and Expenses.....	2,238.4	2,194.8	1,739.5	4,100.3	3,964.6	3,219.4	2,699.4	2,176.8	2,287.8
Income (loss) before income taxes and minority interests....	104.5	518.2	196.4	255.3	209.9	(8.8)	64.1	247.6	33.4
Income taxes (credit)...	51.6	213.3	84.7	144.8	100.0	(10.4)	20.6	94.7	6.1
Minority interests in (income) losses of subsidiaries.....	0.9	21.9	15.4	(8.0)	52.6	4.6	--	--	--
Cumulative effect of accounting change.....	--	--	--	--	--	--	(2.3)	--	(112.8)
Net Income (loss).....	\$ 53.8	\$ 326.8	\$ 127.1	\$ 102.5	\$ 162.5	\$ 6.2	\$ 41.2	\$ 152.9	\$ (85.5)
Adjustments to exclude the effects of GM purchase accounting adjustments related to Hughes Aircraft.....	10.6			21.0					
Earnings used for computation of available separate consolidated net income of Hughes Telecom.....	\$ 64.4			\$ 123.5					
Earnings per share attributable to New GM Class H Common Stock...	\$ 0.16			\$ 0.31					
BALANCE SHEET DATA:									
Cash and cash equivalents.....	\$ 2,592.5	\$ 342.8	\$ 5.6		\$ 6.7	\$ 7.6	\$ 5.8	\$ 10.2	\$ 6.4
Current assets.....	4,482.8	2,195.1	1,417.9		1,535.7	1,242.9	1,175.9	1,120.5	1,339.5
Total assets.....	11,897.2	9,177.1	4,243.4		4,479.2	4,047.7	3,662.7	3,222.3	3,100.2
Current liabilities.....	1,383.8	1,301.3	1,132.5		1,281.7	958.2	933.9	816.3	836.6
Long-term debt.....	706.3	2,372.5	--		--	--	--	1.5	125.6
Minority interests.....	643.1	643.1	53.9		21.6	40.2	--	--	--
Redeemable preferred stock of a subsidiary..	401.5	401.5	--		--	--	--	--	--

Parent Company's net investment.....	7,386.9	3,610.9	2,538.1	2,491.6	2,608.9	2,301.0	1,973.3	1,752.3
OTHER DATA:								
Depreciation and amortization.....								
	\$ 129.4	\$ 99.8		\$ 218.5	\$ 209.2	\$ 163.0	\$ 138.3	\$ 145.0
Capital expenditures....	\$ 220.2	\$ 237.1		\$ 451.4	\$ 446.5	\$ 400.4	\$ 276.1	\$ 187.0

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- (a) Pro forma balance sheet data as of December 31, 1996 and pro forma other data have not been determined.
- (b) Includes the effect of a pre-tax restructuring charge of \$156.6 million.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
HUGHES TELECOM UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined financial statements of Hughes Telecom have been derived from the historical combined financial statements of Hughes Telecom and consolidated financial statements of PanAmSat to give effect to the PanAmSat Merger that was completed as of May 16, 1997 and the Hughes Transactions (including the recapitalization of GM Class H Common Stock into New GM Class H Common Stock). The pro forma adjustments of the PanAmSat Merger were performed using the purchase method of accounting. The unaudited pro forma condensed combined balance sheet has been prepared as if the Hughes Transactions occurred on June 30, 1997. The unaudited pro forma condensed combined statements of income have been prepared as if the PanAmSat Merger and the Hughes Transactions occurred on January 1, 1996 and 1997.

The unaudited pro forma condensed combined financial statements should be read in conjunction with Hughes Telecom's Combined Financial Statements (including the notes thereto) included in Appendix E to this document and PanAmSat's Consolidated Financial Statements (including the notes thereto) contained in pages FIN-1 through FIN-19 of the Proxy Statement on Schedule 14A, filed on April 18, 1997, of PanAmSat, which pages are incorporated into this document by reference, each as of and for the period ended December 31, 1996, and the unaudited combined financial statements (including the notes thereto) of Hughes Telecom included in Appendix E to this document and the unaudited consolidated financial statements (including the notes thereto) of PanAmSat included in PanAmSat's Form 10-Q/A for the period ended March 31, 1997, which is incorporated into this document by reference.

The pro forma condensed combined balance sheet is not necessarily indicative of the financial position of Hughes Telecom that would have been attained had the Hughes Transactions been consummated on June 30, 1997. The pro forma condensed combined statements of income do not give effect to any synergies that may be realized as a result of the PanAmSat Merger and are not necessarily indicative of the results of operations of Hughes Telecom that would have been attained had the PanAmSat transaction and the Hughes Transactions been consummated on January 1, 1996 and 1997, nor are they necessarily indicative of any future operating results.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
HUGHES TELECOM
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 1997

	HISTORICAL HUGHES TELECOM	HISTORICAL PANAMSAT*	PANAMSAT MERGER PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED	HUGHES TRANSACTIONS PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)						
REVENUES						
Product sales.....	\$1,423.8		\$ (6.4)(a)	\$1,417.4		\$1,417.4
Direct broadcast, leasing and other services.....	811.4	\$126.0		937.4		937.4
Other income (expense), net.....	477.8	225.0	(489.7)(b) (225.0)(c)	(11.9)		(11.9)
Total Revenues.....	2,713.0	351.0	(721.1)	2,342.9		2,342.9
COSTS AND EXPENSES						
Costs of products sold. Broadcast programming and other costs.....	1,096.8		(3.8)(a)	1,093.0		1,093.0
Selling, general, and administrative expenses.....	466.6			466.6		466.6
Depreciation and amortization.....	458.5	28.1		486.6		486.6
Amortization of GM purchase accounting adjustments related to Hughes Aircraft.....	118.8	24.3	22.0 (d)	165.1		165.1
Merger-related expenses.....	10.6			10.6		10.6
Interest expense.....	43.5	29.9 (4.2)	(29.9)(e) 37.0 (f)	-- 76.3	\$(59.8)(k)	-- 16.5
Total costs and expenses.....	2,194.8	78.1	25.3	2,298.2	(59.8)	2,238.4
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST.....						
Income taxes.....	518.2	272.9	(746.4)	44.7	59.8	104.5
Minority interests in net losses (income) of subsidiaries.....	213.3	116.1	(301.7)(g)	27.7	23.9 (l)	51.6
Preferred Stock Dividend.....	21.9		(7.6)(h) (16.9)(i) 3.5 (j)	0.9		0.9
Net Income.....	\$ 326.8	\$139.9	\$(448.8)	\$ 17.9	\$ 35.9	53.8
Adjustments to exclude the effect of GM purchase accounting adjustments related to Hughes Aircraft.....						10.6
Earnings Used For Computation of Available Separate Consolidated Net Income.....						\$ 64.4
Available Separate Consolidated Net Income: Average number of shares of New GM Class H Common Stock outstanding (in millions) (Numerator).						100.7
New GM Class H dividend base (in millions) (Denominator).....						399.9
Available Separate Consolidated Net Income						\$ 16.2
Earnings Per Share Attributable to New GM Class H Common Stock..						\$ 0.16

The accompanying notes are an integral part of the unaudited pro forma

condensed combined financial statements.

*The amounts labeled historical PanAmSat are for the period January 1-May 15, 1997.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
HUGHES TELECOM
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1996

	HISTORICAL HUGHES TELECOM	HISTORICAL PANAMSAT	PANAMSAT MERGER PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED	HUGHES TRANSACTIONS PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)					
REVENUES						
Product sales.....	\$3,070.6		\$(65.8) (a)	\$3,004.8		\$3,004.8
Direct broadcast, leasing and other services.....	1,029.0	\$246.9		1,275.9		1,275.9
Other income, net.....	74.9			74.9		74.9
Total Revenues.....	4,174.5	246.9	(65.8)	4,355.6		4,355.6
COSTS AND EXPENSES						
Cost of products sold..	2,241.3		(49.0)(a)	2,192.3		2,192.3
Broadcast programming and other costs.....	653.8	32.7		686.5		686.5
Selling, general and administrative expenses.....	805.1	44.2		849.3		849.3
Depreciation and amortization.....	197.5	61.3	58.8 (d)	317.6		317.6
Amortization of GM purchase accounting adjustments related to Hughes Aircraft.....	21.0			21.0		21.0
Interest expense.....	45.9	0.6	87.7 (f)	134.2	\$(100.6) (k)	33.6
Total costs and expenses.....	3,964.6	138.8	97.5	4,200.9	(100.6)	4,100.3
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST.....						
Income taxes.....	209.9	108.1	(163.3)	154.7	100.6	255.3
Minority interests in net losses (income) of subsidiaries.....	100.0	46.4	(41.8)(g)	104.6	40.2 (l)	144.8
	52.6		(28.5)(h)	(8.0)		(8.0)
			(41.4)(i)			
			9.3 (j)			
Preferred Stock Dividend.....		41.4	(41.4)(i)	--		--
Net Income.....	\$ 162.5	\$ 20.3	\$(140.7)	\$ 42.1	\$ 60.4	102.5
Adjustments to exclude the effect of GM purchase accounting adjustments related to Hughes Aircraft.....						21.0
EARNINGS USED FOR COMPUTATION OF AVAILABLE SEPARATE CONSOLIDATED NET INCOME.....						
						\$ 123.5
Available Separate Consolidated Net Income: Average number of shares of New GM Class H Common Stock outstanding (in millions) (Numerator)						98.4
New GM Class H dividend base (in millions) (Denominator)						399.9
Available Separate Consolidated Net Income						\$ 30.4
Earnings Per Share Attributable to New GM Class H Common Stock						\$ 0.31

The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

HUGHES TELECOM
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

AS OF JUNE 30, 1997

	HUGHES HUGHES TELECOM	HUGHES TRANSACTIONS PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
	-----	-----	-----
	(DOLLARS IN MILLIONS)		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents.....	\$ 342.8	\$ 869.7 (m) 1,380.0 (n)	\$ 2,592.5
Accounts and notes receivable (less allowances).....	526.5	38.0 (o)	564.5
Contracts in process, less advances and progress payments.....	450.4		450.4
Inventories.....	642.8		642.8
Deferred subscriber acquisition costs.....	99.7		99.7
Prepaid expenses and other including deferred income taxes.....	132.9		132.9
	-----	-----	-----
Total Current Assets.....	2,195.1	2,287.7	4,482.8
	-----	-----	-----
Satellites, net.....	2,220.4		2,220.4
	-----	-----	-----
Property, net.....	776.5		776.5
	-----	-----	-----
Net Investment in Sales-type Leases.....	310.3		310.3
	-----	-----	-----
Intangible Assets, net of amortization.....	2,824.9		2,824.9
	-----	-----	-----
Investments and Other Assets--principally at cost (less allowances).....	849.9	259.0 (p) 141.9 (o) 31.5 (q)	1,282.3
	-----	-----	-----
Total Assets.....	\$9,177.1	\$ 2,720.1	\$11,897.2
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable.....	\$ 367.1	\$ 11.8 (o)	\$ 378.9
Advances on contracts.....	158.5		158.5
Deferred revenues.....	194.0		194.0
Accrued liabilities.....	581.7	16.4 (r) 9.0 (s) 45.3 (o)	652.4
	-----	-----	-----
Total Current Liabilities.....	1,301.3	82.5	1,383.8
	-----	-----	-----
Long-Term Debt.....	2,372.5	58.8 (o) (1,725.0)(n)	706.3
	-----	-----	-----
Deferred Gains on Sales and Leasebacks.....	230.0		230.0
	-----	-----	-----
Other Liabilities and Deferred Credits.....	257.0	159.5 (s) 101.3 (o) 256.2 (t) 10.8 (r)	784.8
	-----	-----	-----
Deferred Income Taxes.....	273.5		273.5
	-----	-----	-----
Accrued Operating Leaseback Expense.....	87.3		87.3
	-----	-----	-----
Total Liabilities.....	4,521.6	(1,055.9)	3,465.7
	-----	-----	-----
Minority Interests.....	643.1		643.1
	-----	-----	-----
Redeemable Preferred Stock of Subsidiary...	401.5		401.5
	-----	-----	-----
STOCKHOLDERS' EQUITY			
Common stock			
Parent Company's Net Investment.....	3,610.9	3,776.0 (u)	7,386.9
Additional paid-in capital.....			
	-----	-----	-----
Total Stockholders' Equity.....	3,610.9	3,776.0	7,386.9
	-----	-----	-----
Total Liabilities and Stockholders' Equity.....	\$9,177.1	\$ 2,720.1	\$11,897.2
	=====	=====	=====

The accompanying notes are an integral part of the unaudited pro forma condensed combined financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined financial statements of Hughes Telecom have been derived from the historical combined financial statements of Hughes Telecom and consolidated financial statements of PanAmSat to give effect to the PanAmSat Merger that was completed as of May 16, 1997 and the Hughes Transactions (including the recapitalization of GM Class H Common Stock into New GM Class H Common Stock). The PanAmSat pro forma adjustments were performed using the purchase method of accounting. The unaudited pro forma condensed combined balance sheet has been prepared as if the Hughes Transactions had occurred on June 30, 1997. The unaudited pro forma condensed combined statements of income have been prepared as if the PanAmSat Merger and the Hughes Transactions had occurred at the beginning of the periods presented. The historical PanAmSat amounts included in the unaudited pro forma condensed combined statement of income for the six month period ending June 30, 1997 are for the period from January 1, 1997 through May 15, 1997, prior to the date of the PanAmSat Merger.

The unaudited pro forma condensed combined financial statements should be read in conjunction with Hughes Telecom's Combined Financial Statements (including notes thereto) as of and for the year ended December 31, 1996 and as of and for the six months ended June 30, 1997 included in Appendix E to this document and PanAmSat's Consolidated Financial Statements (including notes thereto) contained in pages FIN-1 through FIN-19 of the Proxy Statement on Schedule 14A, filed on April 18, 1997, of PanAmSat, which pages are incorporated into this document by reference, and PanAmSat's Unaudited Consolidated Financial Statements (including the notes thereto) as of and for the period ended June 30, 1997, included in PanAmSat's Form 10-Q/A, which is incorporated into this document by reference.

The pro forma condensed combined balance sheet is not necessarily indicative of the financial position of Hughes Telecom that would have actually been obtained had the Hughes Transactions been consummated on June 30, 1997. The pro forma condensed combined statements of income are not necessarily indicative of the results of operations of Hughes Telecom that would have actually been obtained had the PanAmSat Merger and the Hughes Transactions been consummated at the beginning of the periods presented, nor are they necessarily indicative of any future operating results.

The following pro forma adjustments were made with respect to the PanAmSat Merger:

- (a) To eliminate intercompany transactions between PanAmSat and Hughes Telecom.
- (b) To eliminate the non-recurring gain recorded in connection with the PanAmSat Merger. The PanAmSat Merger was treated for accounting purposes as a partial sale of Hughes Telecom's Galaxy(R) satellite services business by Hughes Telecom and resulted in a one-time pre-tax gain of \$489.7 million.
- (c) To eliminate the non-recurring gain associated with the sale of certain options which occurred in connection with the PanAmSat Merger. Prior to the PanAmSat Merger, PanAmSat held options ("DTH Options") to purchase equity interests in certain joint ventures formed to provide direct-to-home services in Latin America and Spain. Since Hughes Electronics also has investments in entities providing direct-to-home services in Latin America, Hughes Electronics made it a condition of the PanAmSat Merger that PanAmSat divest itself of the DTH Options. As a result, PanAmSat sold the DTH Options and recognized a one-time pre-tax gain of \$225.0.
- (d) To reflect amortization of the excess of the purchase price of the 71.5% interest in PanAmSat acquired by Hughes Electronics over the fair value of the net tangible assets acquired using the straight line method over 40 years.
- (e) To eliminate non-recurring expenses related to the PanAmSat Merger.

(f) To adjust interest expense as follows:

	SIX MONTHS ENDED JUNE 30, 1997	YEAR ENDED DECEMBER 31, 1996
	----- (DOLLARS IN MILLIONS)	
To reflect pro forma interest expense related to the borrowings incurred in connection with the PanAmSat Merger.....	\$41.7	\$100.1
To reduce interest expense to reflect the amortization of the adjustment to fair value of PanAmSat's indebtedness at the date of the PanAmSat Merger.....	(4.7)	(12.4)
	-----	-----
Net increase to interest expense.....	\$37.0	\$87.7
	=====	=====

- (g) To reflect income taxes on the pro forma adjustments relating to the PanAmSat Merger. Amortization of goodwill is not deductible for tax purposes.
- (h) To record the minority interest's share of PanAmSat's net income.
- (i) To reclassify the preferred stock dividend of subsidiary to minority interest.
- (j) To reflect amortization of the adjustment to fair value of preferred stock of subsidiary.

The following pro forma adjustments were made with respect to the Hughes Transactions:

- (k) To eliminate interest expense associated with debt related to the PanAmSat Merger and debt held by Hughes Electronics which is expected to be repaid with the proceeds from the Hughes Transactions.
- (l) To reflect income taxes on the pro forma adjustments relating to the Hughes Transactions.
- (m) To record cash and cash equivalents held by Hughes Electronics, Hughes Defense and Delco which will be contributed to Hughes Telecom in connection with the Hughes Transactions.
- (n) To record the estimated net cash proceeds relating to the Hughes Transactions to be contributed to Hughes Telecom. The net cash proceeds to be paid is subject to adjustment based on the price of Raytheon Corporation's stock price at the closing of the Hughes Transactions and other indebtedness of Hughes Defense outstanding at the time of the Hughes Defense Spin-Off. Based upon the price of Raytheon Corporation's stock price during the period prior to June 30, 1997, the net cash proceeds are expected to be comprised of the following components:

	(DOLLARS IN MILLIONS)

Estimated cash proceeds from the Hughes Transactions.....	\$ 3,802
Repayment of Hughes Electronics commercial paper.....	(697)

Net proceeds contributed to Hughes Telecom.....	3,105
Repayment of PanAmSat merger-related debt.....	(1,725)

Net cash proceeds.....	\$ 1,380
	=====

The net cash proceeds are also subject to adjustment based on the actual net assets of Hughes Defense at the time of closing. The net assets of Hughes Defense at June 30, 1997 are not necessarily indicative of the actual net assets at the Closing Date.

- (o) To record the transfer of other assets and liabilities of Hughes Electronics related to the joint operations of Hughes Telecom, Hughes Defense, and Delco which, pursuant to the Master Separation Agreement, will be contributed to or assumed by Hughes Telecom.
- (p) To record prepaid pension costs reflecting the estimated excess of pension-related assets over pension-related obligations and net deferred amounts associated with certain pension plans sponsored by Hughes Electronics attributable to employees of Hughes Telecom. The assets and liabilities relating to the pension plans have been allocated to Hughes Telecom based upon the estimated percentage of the projected benefit obligation related to Hughes Telecom in proportion to the

projected benefit obligation of Hughes Electronics. Such assets and liabilities will be assumed by Hughes Telecom pursuant to the Master Separation Agreement as a result of the Hughes Transactions.

- (q) To record Hughes Telecom's 50% equity interest in the Hughes Research Labs joint venture that will be formed pursuant to the Master Separation Agreement.
- (r) To record estimated accrued liabilities associated with employee health and welfare benefit plans sponsored by Hughes Electronics attributable to employees of Hughes Telecom which will be assumed by Hughes Telecom pursuant to the Master Separation Agreement.
- (s) To record estimated accrued liabilities relating to postretirement benefit plans other than pensions sponsored by Hughes Electronics attributable to employees of Hughes Telecom which will be assumed by Hughes Telecom pursuant to the Master Separation Agreement.
- (t) To record potential income tax liabilities which will be transferred from Hughes Electronics to Hughes Telecom.
- (u) To record the effect of parent company's net investment related to the pro forma adjustments referred to in notes (m), (n), (o), (p), (q), (r), (s) and (t) as follows (in millions of dollars):

Contribution of cash held by Hughes Electronics, Hughes Defense and Delco.....	\$ 869.7
Estimated net cash proceeds from Hughes Transactions after repayment of certain Hughes Electronics commercial paper debt.	3,105.0
Transfer of certain other assets and liabilities.....	(37.3)
Contribution of prepaid pension costs.....	259.0
Contribution of 50% equity interest in Hughes Research Labs joint venture.....	31.5
Assumption of liabilities relating to certain health and welfare benefit plans.....	(27.2)
Assumption of liabilities relating to postretirement benefit plans.....	(168.5)
Assumption of liabilities relating to potential income tax liabilities.....	(256.2)

	\$3,776.0
	=====

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
HUGHES TELECOM MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion excludes purchase accounting adjustments related to GM's acquisition of Hughes Aircraft, since the amortization of such purchase accounting adjustments will be excluded from the calculation of earnings available for the payment of dividends on the New GM Class H Common Stock.

SIX MONTHS ENDED JUNE 30, 1997 COMPARED TO SIX MONTHS ENDED JUNE 30, 1996.

RESULTS OF OPERATIONS

Revenues. Hughes Telecom reported revenues for the first six months of 1997 of \$2,713.0 million, an increase of 40.1% from the \$1,935.9 million reported in the comparable period in 1996. The increase was primarily the result of a \$489.7 million pre-tax gain recognized in the second quarter of 1997 related to the recently completed PanAmSat Merger, partially offset by the first quarter 1996 pre-tax gain of \$120.3 million related to the sale of a 2.5% equity interest in DIRECTV to AT&T. Revenues, excluding both of these gains, for the first six months of 1997 were \$2,223.3 million, an increase of 22.5% from the \$1,815.6 million reported in the first half of 1996. Such increase was primarily related to the continued expansion of the DIRECTV(R) subscriber base in the United States and Latin America. Also contributing to the revenue increase was higher commercial satellite sales within the High Powered (HP) product line of satellites and on the ICO Global Communications satellite contract. These revenue increases were partially offset by lower sales of wireless telecommunications equipment.

Other Income--Included in revenues is other income of \$477.8 million for the first six months of 1997 and \$104.5 million in the same period last year. The 1997 amount included the \$489.7 million pre-tax gain recognized in connection with the PanAmSat Merger and the 1996 amount included the \$120.3 million pre-tax gain from the sale of a 2.5% equity interest in DIRECTV to AT&T.

Operating Profit. Operating profit for the first six months of 1997 was \$94.5 million, a \$29.6 million decrease from the \$124.1 million reported in the same period last year. The operating profit margin on the same basis for the first six months of 1997 was 4.2% compared with 6.8% reported in the prior year's period. The reduced operating profit and margin were primarily attributable to increased DIRECTV expenses resulting from the change in amortization period adopted in the first quarter of 1997 for certain subscriber acquisition costs in the United States, start-up operating losses from Hughes Telecom's Latin American DIRECTV subsidiary, Galaxy Latin America, and lower wireless telecommunications equipment sales and margins partially offset by improved performance within satellite manufacturing on the HP and 601 satellite product lines.

With respect to the worldwide DIRECTV businesses, particularly in the United States, Hughes Telecom is considering a number of strategic initiatives designed to expand its market share and enhance its competitive position. These include new distribution channels, new services, broader programming and marketing and other promotional strategies designed to address "barriers to entry" identified by consumers. To the extent that such strategies are implemented, subscriber acquisition costs are likely to increase and, as a result, the execution of such strategies is likely to affect the timing and amount of revenues and the overall profitability of the DIRECTV businesses. However, Hughes Telecom believes that early capture of market share and the establishment of market leadership are important to maximization of the long-term value of the DIRECTV businesses.

Costs and Expenses. Selling, general and administrative expenses for the first half of 1997 were \$458.5 million, an increase of \$155.5 million from the \$303.0 million reported in the same period last year. The increase was primarily related to DIRECTV subscriber acquisition costs and start-up costs for Galaxy Latin America.

The effective income tax rate was 40.3% for the first six months of 1997 and 40.9% for the comparable period in 1996.

Earnings. Hughes Telecom earnings increased 145.0% to \$337.4 million in the first six months of 1997 compared with \$137.7 million reported in the same period in 1996. The increase was primarily due to the \$318.3 million after-tax gain recognized in connection with the PanAmSat Merger which more than offset the reduced operating profit in 1997 and first quarter 1996 gain from the sale of 2.5% of DIRECTV to AT&T.

Backlog. The backlog at June 30, 1997 of \$10,034.8 million increased from the \$7,238.4 million reported at June 30, 1996, primarily due to the PanAmSat Merger in May 1997 and activity related to the ICO mobile satellite program.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents. Cash and cash equivalents were \$342.8 million at June 30, 1997, an increase of \$336.1 million from the \$6.7 million reported at December 31, 1996. The increase was primarily due to the positive net impact on cash of \$258.8 million as a result of the PanAmSat Merger and contributions from the Parent Company of \$792.5 million, partially offset by cash used in operating activities of \$529.3 million and capital expenditures.

The completion of the PanAmSat Merger in May 1997 had a significant impact on the liquidity and debt of Hughes Telecom. Existing PanAmSat cash and non-current marketable securities of \$296.9 million and \$330.0 million, respectively, were acquired as a result of the merger. Total Hughes Telecom long-term debt increased by the acquisition financing of \$1,725.0 million provided by General Motors, as well as the assumption of the existing PanAmSat debt of \$613.4 million. Existing redeemable preferred stock of \$395.8 million was also assumed in connection with the merger; however, such redeemable preferred stock is expected to be exchanged for senior subordinated notes in the second half of 1997.

Liquidity Measurement. As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.69 at June 30, 1997 and 1.20 at December 31, 1996. Working capital increased to \$893.8 million at June 30, 1997 from \$254.0 million at December 31, 1996. The increases were principally due to the increases in cash described above.

Property and Equipment. Property, net of accumulated depreciation, increased \$75.4 million to \$776.5 million at June 30, 1997 from the \$701.1 million reported at December 31, 1996. Satellites, net of accumulated depreciation, increased \$1,163.8 million to \$2,220.4 million at June 30, 1997 compared with \$1,056.6 million reported at December 31, 1996. The increase in satellites was principally due to the satellites acquired in connection with the PanAmSat Merger as well as capital expenditures. Capital expenditures, including expenditures for satellites, were \$220.2 million through June 30, 1997 compared with \$237.1 million in the comparable period in 1996.

Long-Term Debt. Long-term debt was \$2,372.5 million at June 30, 1997, primarily consisting of the PanAmSat-related debt described above.

Acquisitions. In May 1997, Hughes Electronics and PanAmSat completed the merger of their respective satellite service operations into a new publicly-held company. Hughes Electronics contributed its Galaxy(R) satellite services business in exchange for a 71.5% interest in the new company. Existing PanAmSat stockholders received a 28.5% interest in the new company and \$1.5 billion in cash. Such cash consideration and other funds required to consummate the merger were funded by new debt financing totaling \$1.725 billion borrowed from General Motors. It is anticipated that this borrowing will be repaid as part of the Hughes Transactions.

For accounting purposes, the merger was treated by Hughes Electronics as an acquisition of 71.5% of PanAmSat and was accounted for using the purchase method. Accordingly, the purchase price was allocated to the net assets acquired, including intangible assets, based on estimated fair values at date of acquisition. In

addition, the merger was treated as a partial sale of the Galaxy(R) business by Hughes Electronics and resulted in a one-time pre-tax gain of \$489.7 million (\$318.3 million after-tax).

The preferred stock of PanAmSat outstanding at the time of the merger is included in the accompanying balance sheet as redeemable preferred stock of a subsidiary. Dividends on such redeemable preferred stock are payable quarterly in arrears. The redeemable preferred stock, pursuant to the terms of its redemption feature, was exchanged for senior subordinated notes in September 1997.

1996 COMPARED TO 1995

RESULTS OF OPERATIONS

Revenues. Hughes Telecom revenues were \$4,174.5 million in 1996, a 30.0% increase from the \$3,210.6 million reported in 1995. Included in 1996 revenues was the \$120.3 million pre-tax gain recognized on the sale of a 2.5% equity interest in DIRECTV to AT&T. Excluding this gain, revenues were \$4,054.2 million, a 26.3% increase from 1995. The increase in revenues was primarily due to the continued expansion of the DIRECTV(R) subscriber base by over one million subscribers from 1995 to 1996. Further, satellite manufacturing revenues increased due to higher sales volume of commercial satellite programs, including Chinastat, ICO, Asiasat, Thor IIA, Brasil B3 and JCSat 4 as well as government programs such as NASA's TDRS program. Also contributing to the revenue increase was higher wireless product sales coupled with the introduction and sales of DSS(R) products. Finally, satellite services had increased revenues with improved performance in cable, broadcast and direct-to-home distribution services principally as a result of additional transponder capacity due to the successful launches of Galaxy III-R and IX.

Other Income/(Expense)--Included in revenues is other income of \$74.9 million for 1996 and other expense of \$32.4 million for 1995. The 1996 amount included the \$120.3 million pre-tax gain recognized from the sale of a 2.5% equity interest in DIRECTV to AT&T, while the 1995 amount included the pre-tax charge of \$40.0 million for the estimated loss on disposition of a non-strategic business unit.

Operating Profit. Operating profit for 1996 was \$201.9 million, a 74.2% increase from the \$115.9 million reported in 1995. Operating profit margins on the same basis were 4.9% in 1996 compared to 3.6% in 1995. The increases were primarily due to the revenue increases described previously. Further factors affecting the improved profitability were increased utilization and capacity on existing satellites, the strong performance of the wireless product lines and reduced operating losses at Hughes Avicom. The operating loss at Hughes Avicom decreased from \$61.9 million in 1995 to \$8.1 million in 1996. Such improvements were offset in part by increased costs related to DIRECTV for consumer financing, marketing and operating costs and operating losses related to the start of service by the Company's DIRECTV business in Latin America.

Costs and Expenses. Selling, general and administrative expenses were \$805.1 million in 1996 compared to \$510.6 million in 1995. The increase was primarily related to subscriber acquisition costs related to DIRECTV businesses for both domestic and international operations. Further, costs increased due to international expansion activities for satellite services and the wireless product lines.

The effective income tax rate was 43.3% in 1996 and 56.5% in 1995. The variance in the rate was primarily due to the effect of the foreign sales corporation's ("FSC") tax benefits as a percentage of the operating profits of the two years. The impact of the FSC benefit on the 1995 tax rate was considerably higher due to the lower operating results in 1995.

Earnings. Hughes Telecom 1996 earnings were \$183.5 million compared with 1995 earnings of \$33.4 million. The increase was related to improved operating performance within satellite manufacturing for government and commercial programs, improved wireless and satellite network product lines, and reduced operating losses for DIRECTV's domestic subsidiary and Hughes Avicom, offset in part by start-up operating losses for Galaxy Latin America.

Backlog. The 1996 year-end backlog of \$6,866.3 million decreased from the \$7,108.4 million reported at the end of 1995, primarily due to reduced order activity on the Milstar and ICO programs, offset in part by increased customer commitments for Galaxy(R) X.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents. Cash and cash equivalents were \$6.7 million at December 31, 1996, a decrease of \$0.9 million from the \$7.6 million reported at December 31, 1995. The cash balance was impacted by net distributions to the Parent Company of \$279.8 million and capital expenditures for property and satellites totaling \$451.4 million offset in part by cash generated by operating activities of \$330.3 million and the proceeds from the sale-leaseback of satellite GIII-R to GMAC for \$252.0 million, the sale of a 2.5% equity interest in DIRECTV to AT&T for \$137.5 million, and the disposal of certain property for \$14.2 million.

Liquidity Measurement. As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) was 1.20 at December 31, 1996 and 1.30 at December 31, 1995. Working capital decreased \$30.7 million to \$254.0 million at December 31, 1996 from the \$284.7 million reported at December 31, 1995.

Property and Equipment. Property, net of accumulated depreciation, increased \$139.9 million to \$701.1 million in 1996 from the \$561.2 million reported in 1995. Satellites decreased \$39.4 million to \$1,056.6 million in 1996 from the \$1,096.0 million reported in 1995. The decrease in satellites was primarily due to the sale-leaseback of GIII-R which more than offset the additional expenditures related to the Galaxy satellite fleet. Capital expenditures, including expenditures related to satellites increased to \$451.4 million in 1996 from \$446.5 million in 1995. The increase reflects additions to the Galaxy satellite fleet, construction of the California Broadcast Center, an uplink facility that supports Hughes Telecom's DIRECTV business in Latin America, expenditures to upgrade satellite manufacturing capabilities, costs related to DIRECTV's system enhancement projects, and the land acquisition for the Los Angeles Broadcast Center.

Divestitures. In March 1996, Hughes Electronics sold a 2.5% equity interest in DIRECTV to AT&T for \$137.5 million, with options to increase their ownership interest under certain conditions. The sale resulted in a \$120.3 million pre-tax gain, which is included in other income.

1995 COMPARED TO 1994

RESULTS OF OPERATIONS

Revenues. Hughes Telecom revenues were \$3,210.6 million in 1995, a 16.2% increase from 1994 revenues of \$2,763.5 million. The increase resulted from higher cellular communications equipment and private business network sales, additional Galaxy satellite transponder sales, increased satellite construction sales, and the commencement of service by DIRECTV. DIRECTV(R) increased subscriber growth by nearly one million from 1994 to 1995. Such revenue increases were offset in part by a decrease in revenues from Claircom Communications at Hughes Network Systems.

Other Expense--Included in revenues is other expenses of \$32.4 million in 1995 and \$10.0 million in 1994. The 1995 and 1994 amounts included the pre-tax charges of \$40.0 million and \$35.0 million, respectively, for the estimated losses on disposition of non-strategic business units.

Operating Profit. Operating profit for 1995 was \$115.9 million, a 23.3% decrease from the \$151.2 million reported in 1994. Operating profit margins on the same basis were 3.6% in 1995 and 5.5% in 1994. Both years included significant operating losses of Hughes Avicom which amounted to \$61.9 million in 1995 and \$79.7 million in 1994. The overall declines were primarily a result of increased operating expenses associated with the continued expansion of DIRECTV(R) and increased development costs on a geostationary satellite mobile telephony product line. Also contributing to the decline in operating profit were the reduced costs associated with the replacement of a Galaxy(R) satellite, that was deployed by a launch vehicle failure in August 1992, and 1994 earnings recognized by DIRECTV related to a contract with the National Rural Telecommunications Cooperative. Such decreases were partially offset by reduced operating losses at Hughes Avicom.

Costs and Expenses. Selling, general and administrative expenses were \$510.6 million in 1995 compared to \$374.5 million in 1994. The increase was principally due to the continued expansion of DIRECTV and the international expansion effort at Hughes Network Systems, offset in part, by the divestiture of Hughes LAN Systems ("HLS") in 1995.

The effective income tax rate was 56.5% in 1995 and 24.2% in 1994. The variance in the rate is primarily due to the effect of the foreign sales corporation's ("FSC") tax benefits as a percentage of the operating profits of the two years. The impact on the 1995 tax rate was considerably higher due to the lower operating results in 1995.

Earnings. Hughes Telecom 1995 earnings were \$33.4 million compared with 1994 earnings of \$62.4 million. The decline was primarily related to the lower operating profits previously discussed. Earnings in 1994 included the unfavorable effect of an accounting change for postemployment benefits other than pensions. Excluding the accounting change, Hughes Telecom earnings in 1994 would have been \$64.7 million.

Backlog. The 1995 year-end backlog of \$7,108.4 million increased from the \$4,253.1 million reported at the end of 1994, primarily due to orders on the ICO and Thor IIA satellite programs, increased customer commitments for Galaxy III-R and Galaxy IX, and increased wireless and broadcast product orders.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents. Cash and cash equivalents were \$7.6 million at December 31, 1995, an increase of \$1.8 million from the \$5.8 million reported at December 31, 1994. The cash balance was impacted by contributions by the Parent Company of \$301.7 million, cash provided by operating activities of \$76.3 million and proceeds from the divestiture of HLS of \$17.5 million, offset in part by capital expenditures.

Liquidity Measurement. As a measure of liquidity, the current ratio (ratio of current assets to current liabilities) of 1.30 at December 31, 1995 remained comparable to the 1.26 reported at December 31, 1994. Working capital was \$284.7 million at December 31, 1995 compared to \$242.0 million at December 31, 1994.

Property and Equipment. Property, net of accumulated depreciation, increased \$55.1 million to \$561.2 million in 1995 from the \$506.1 million reported in 1994. Satellites, net of accumulated depreciation, increased \$151.6 million to \$1,096.0 million in 1995 compared with the \$944.4 million reported in 1994. Capital expenditures, including expenditures for satellites, were \$446.5 million for 1995 compared with \$400.4 million in 1994. The decrease in capital expenditures was primarily due to 1994 capital expenditures including costs associated with the completion of the Castle Rock Broadcast Center to support DIRECTV, offset in part by increased expenditures related to the Galaxy satellite fleet and upgrading satellite manufacturing capabilities.

Divestitures. During 1995, Hughes Electronics divested Hughes LAN Systems resulting in aggregate proceeds of approximately \$38.8 million and a net loss of \$9.0 million, for which a pre-tax charge of \$35.0 million was taken in 1994. Also in 1995, Hughes Electronics recorded a \$40.0 million charge for the estimated loss on disposition of a business unit, which is included in other expense.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
BUSINESS OF HUGHES TELECOM

INTRODUCTION

The following description of the business of Hughes Telecom gives effect to the Hughes Reorganization. Following the consummation of the Hughes Transactions, this business will be conducted by New Hughes Electronics.

Hughes Telecom is a leading worldwide provider of satellite-based video, data and telephony services and manufacturer of communications satellites and wireless and other telecommunications equipment. Hughes Telecom has the world's largest non-governmental fleet of geostationary communications satellites and is the world's leading supplier of satellite-based private business networks. In addition to providing a broad range of satellite-related services, Hughes Telecom is a leader in the U.S. direct broadcast satellite market with its programming distribution service known as DIRECTV(R), which was introduced in 1994 and was the first high-powered, all digital, Direct-to-Home ("DTH") television distribution service in North America. Hughes Telecom believes it is a leading manufacturer of commercial communications satellites and satellite-based electronic equipment for the U.S. government. Hughes Telecom is a vertically integrated supplier of satellites and satellite-based communications systems and services. It also provides communications equipment and services in the mobile communications and packet switching markets. Its equipment and services are applied in, among other things, data, video and audio transmission, cable and network television distribution, private business networks, digital cellular communications and DTH satellite broadcast distribution of television programming.

Hughes Telecom conducts its operations in five principal segments: Satellite Manufacturing, Network Systems, Direct-To-Home Broadcast, Satellite Services and Hughes Avicom. Certain other operations are included in Intercompany Eliminations and Other. The following table sets forth revenues of Hughes Telecom for each of the last three years by segment.

	1996	1995	1994
	-----	-----	-----
(IN MILLIONS)			
Satellite Manufacturing.....	\$2,050.2	\$1,716.8	\$1,462.4
Network Systems.....	1,067.4	909.2	813.6
Direct-to-Home Broadcast.....	744.4	241.0	108.3
Satellite Services.....	483.4	394.0	331.5
Hughes Avicom.....	89.7	49.5	75.6
Intercompany Eliminations and Other.....	(260.6)	(99.9)	(27.9)
	-----	-----	-----
Total.....	\$4,174.5	\$3,210.6	\$2,763.5
	=====	=====	=====

SATELLITE MANUFACTURING

Through Hughes Space and Communications Company ("HSC"), Hughes Telecom is the world leader in the manufacture of geostationary commercial communications satellites, having built approximately 40% of the communications satellites now in commercial service worldwide. Hughes Telecom believes that HSC is a leading manufacturer of spacecraft and spacecraft-based electronic equipment for the U.S. government. In addition to commercial applications, HSC's satellites and satellite payloads are used for a variety of defense, NASA and other government space missions.

Since its construction of the world's first geosynchronous communications satellite in 1963, HSC has been recognized worldwide as a leader in the design and manufacture of communications satellites. The following table outlines certain publicly announced information with respect to commercial (non-defense) communications satellites during the period from 1994 to 1996. Through September 30, 1997, five additional HSC-built satellites were placed in service.

	1996	1995	1994
	----	----	----
Commercial Communications Satellite Launches			
HSC-Built.....	10	8	10
Total Industry.....	26	19	18
Commercial Communications Satellites in Service			
HSC-Built.....	64	61	57
Total Industry.....	165	145	134

As of September 30, 1997, HSC has publicly announced outstanding orders to construct 40 communications satellites for companies (including subsidiaries and affiliates of Hughes Electronics) and government agencies in nine countries, including orders for 30 of its advanced HS 601 satellites (of which ten are commercial orders for its higher-power models), representing over \$4.4 billion in backlog. As of September 30, 1997, five HSC-built satellites are scheduled for launch in the remainder of 1997. Launch schedules are subject to a number of factors, including construction delays, weather, availability of launch vehicles, launch vehicle problems and governmental and political pressures, many of which are beyond the control of HSC. Launch difficulties and delays can, in certain circumstances, result in increased costs to HSC.

Hughes Telecom believes that HSC's leadership position in the competitive satellite manufacturing industry reflects the high quality and reliability of its satellites, which results from HSC's technological superiority in satellite design, production and operation. One measure of the reliability of HSC's satellites is the duration of their operational service. Since the launch of HSC's first satellite in 1963, HSC's satellites have accumulated over 850 years of in-orbit experience, with channel availability of 99.5% on HS 376, HS 601 and other current generation commercial satellites. Approximately 95% of HSC's satellites have remained in service past their originally scheduled retirement dates. The quality of HSC's satellites is also evidenced by the number of repeat customers. Since 1965, approximately one-half of all HSC's satellite sales have been made to repeat customers.

HSC's technological capabilities have led to enhancements in the quality of its satellites, improvements in cost effectiveness through higher power and compression and expansion of its satellite product line, thereby strengthening HSC's leadership position and expanding the market for satellites as a whole. For example, HSC has developed a family of structures, electronics, propulsion and power systems (referred to as "buses"), which can be replicated at relatively low cost in a variety of commercial and defense configurations. In addition, HSC has applied signal compression and has developed other methods to enhance the efficiency of transponders. The newest product in this family is the HS 702 bus, which offers substantially higher power levels than those previously achieved. Advancements in digital electronics, high power amplifiers, antenna implementations and propulsion systems offer enhanced performance capabilities of HSC-built satellites at a relatively higher power than other satellites. These advancements are expected to provide a competitive advantage for HSC as a result of enhanced performance capabilities.

In order to enhance its competitive position in both the government and commercial satellite manufacturing markets, HSC continues to work to lower its costs and improve productivity while maintaining its quality standards. Since 1992, HSC has improved its satellite manufacturing productivity by approximately 47% (as measured by satellite sales dollars per employee) and reduced cycle time from order to delivery for satellite production by approximately 30%. In addition, HSC has secured commitments for 35 launch vehicles over the next several years, which will assure HSC's access to space at competitive costs.

HSC is currently building twelve communications satellites for London-based ICO Global Communications, providing revenues to HSC of over \$2.0 billion. The satellites will be used in a global satellite-based mobile communications system designed primarily to provide services to dual-mode (space/terrestrial) cellular phones. The system will offer digital voice, data and facsimile services, as well as a range of messaging services worldwide. This will be the first commercial program to utilize a payload with a

complex, on-board digital processor and phased array antenna. It also will be the first spacecraft to be built by HSC for an intermediate earth orbit.

In September 1997, HSC announced a contract with Thuraya Satellite Telecommunications Company ("Thuraya"), to provide a satellite-based mobile phone system to serve the Middle East, North Africa, Eastern Europe (including Turkey), Central Asia and the Indian subcontinent. This award will be the largest satellite communications project in the region, worth approximately \$1 billion to Hughes Electronics, and includes the manufacture of two high-power satellites, launch services for the first satellites, insurance, ground facilities and between 112,000 and 235,000 mobile telephones.

NETWORK SYSTEMS

Through Hughes Network Systems, Hughes Telecom provides a broad range of telecommunications products and services, including satellite and ground-based communications equipment and services. With an estimated worldwide market share in excess of 60%, Hughes Network Systems is the world's leading supplier of satellite-based private business networks, which utilize its very small aperture terminals ("VSATs") and are individually designed, owner controlled, interactive, highly flexible communications systems with the capacity to link thousands of locations for data exchange, voice communications and video conferencing. Hughes Network Systems also provides shared-hub systems that allow users with more modest communications needs to share usage of Hughes Network Systems' satellite ground stations and networks. Hughes Network Systems is also a leader in wireless telephone networks and digital cellular mobile systems and believes significant opportunities exist in utilizing digital cellular technologies to provide fixed wireless telecommunications networks for local and international telecommunications in areas with deficient communications infrastructures (particularly developing nations) and to provide mobile communications systems and services. Hughes Network Systems is also the leader in providing satellite-based access to the Internet through its DirecPC(TM) service.

As the leading supplier of VSATs, Hughes Network Systems has delivered or received orders for more than 170,000 VSATs for use in the private networks of companies, government agencies, universities and research institutions. Among these are the more than 9,000 installed in the GM Pulsat network, which is the world's largest private business network. Since 1987, Hughes Network Systems has sold private business networks to a variety of customers worldwide, including Chrysler, Toyota, Chevron, Wal-Mart, Toys "R" Us, Jusco (Japan), China Ministry of Posts and Telecommunications and France Telecom. Sales to international customers are expected to increase, particularly as government regulation of private ownership of such networks decreases. As of September 30, 1997, Hughes Network Systems had sold private networks for use in over 55 countries in North America, Europe, Asia, Latin America and Africa.

Hughes Network Systems has a long history of products for terrestrial data communications, beginning with the X.25 packet switches for Telenet in the mid-1970's. Hughes Network Systems recently announced a new family of networking products called the Radiant(TM) family. Radiant products are able to address a large range of customer's wide area networking requirements.

Hughes Network Systems believes that it has developed a unique and flexible system that uses common hardware and software modules for multiple wireless telecommunications applications, including analog and digital mobile cellular, mobile data, fixed wireless telephony and Personal Communication Services ("PCS"). The advanced GMH 2000(TM) cellular system supports and is compatible with the U.S. Telecommunications Industry Association ("TIA") analog, and Time Division Multiple Access ("TDMA") and Code Division Multiple Access ("CDMA") digital cellular standards, the Cellular Digital Packet Data ("CDPD") mobile data standard, the BellCore "PACS" system proposed as a PCS standard and Hughes Network Systems' proprietary enhancement to TDMA, Extended Time Division Multiple Access ("E-TDMA(R)") standard. E-TDMA offers significantly increased capacity as compared to conventional analog switching technology. Hughes Network Systems has installed major telephone infrastructures in Jakarta, Indonesia; Prague, Czech

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS

Republic; Blantyre, Malawi; Vladivostok, Russia; Chengdu, China; Ho Chi Minh City and Hanoi, Vietnam; and Campos, Brazil. The Hughes Network Systems program in Tatarstan, a Russian republic, for a high capacity fixed wireless telephone system has been in operation since January 1995. Hughes Network Systems has a contract with BellSouth Cellular Corporation under which it installed and continues to expand its GMH 2000(TM) dual analog/digital cellular networks for voice and data transmission in more than 50 markets in the southeastern United States. GTE Mobilnet installed a Hughes Network Systems network with CDPD technology in many of its markets in 1995.

Hughes Network Systems is discussing with several other countries and cities the installation of similar systems to provide and upgrade basic telephone service. For example, the government of India has issued to Hughes Ispat Limited, a limited liability company organized under the laws of India in which Hughes Telecom has agreed to take a strategic ownership interest, letters of intent pursuant to which the company would provide basic telecommunications services within the Indian states of Maharashtra and Karnataka. Hughes Network Systems currently expects to receive the formal licenses to provide these services in October 1997. In addition, HNS will be the primary wireless equipment provider in connection with these services.

Hughes Network Systems believes that its technologies and other capabilities position it to become a leading provider of satellite-based mobile communications equipment and services. Recent awards, including those from Thuraya and ICO, to provide satellite-based ground telecommunications networking equipment have established Hughes Network Systems' credentials in this sector. In addition, HNS is under contract to Thuraya to build between 112,000 and 235,000 hand held telephones that can operate in dual mode: cellular and satellite.

In 1996, Hughes Network Systems began providing subscriber equipment for DIRECTV(R) services. In addition, Hughes Network Systems has developed DirecPC(TM), a satellite-based information delivery service that uses a small antenna and high-speed digital transmission to make software, documents, desk-top video, games, news and other information accessible through personal computers. For example, through DirecPC's Turbo Internet(TM) service, a personal computer user can download data and video at speeds up to 400 kilobits per second. In 1996, Hughes Network Systems initiated commercial DirecPC service in the United States and licensed two operators in Japan and the Hughes Network Systems Olivetti joint venture in Europe for DirecPC operation.

DIRECT-TO-HOME BROADCAST

Hughes Telecom has consolidated its North American and international DIRECTV efforts into one organization: DIRECTV Global. The goal of the reorganization is to capitalize on Hughes Telecom's experience in North America as DIRECTV expands into the international arena. The reorganization also provides synergies in programming and technical support provided to these new markets.

UNITED STATES

Through DIRECTV Enterprises, Inc. ("DIRECTV U.S."), Hughes Telecom has developed and operates the first high-powered, all digital DTH television distribution service in North America, and is the leader in the direct broadcast satellite market in the United States with its programming distribution service known as DIRECTV. Introduced in June 1994, DIRECTV service is broadcast from three Hughes HS 601 satellites directly to 18-inch receiving antennae and decoding boxes located in households in the 48 contiguous states in the United States. DIRECTV U.S. uses 11 of the 16 transponders on the first satellite and all transponders on the second and third satellites for DIRECTV services. The remaining five transponders on the first satellite have been sold to United States Satellite Broadcasting, Inc. ("USSB") for use in its own programming service. Programming is received and broadcast from DIRECTV's 55,000 square foot broadcast facility in Castle Rock, Colorado. The receiving equipment for DTH television services, DSS(TM), is manufactured by a number of name brand consumer electronics companies, including Thomson Consumer Electronics under the RCA(R), Proscan and GE brand names, Sony, Panasonic, Daewoo, Hitachi, Phillips,

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS

Hughes Network Systems, Toshiba and Uniden. DSS(R) equipment prices have fallen steadily from the initial \$699-\$899 range in June 1994 to approximately \$199-\$399 today. The technology for the DIRECTV(R) service is based, in part, on Hughes Telecom's satellite and satellite-based services experience and in part, on the expertise of the consumer electronics manufacturers which produce DSS equipment. DIRECTV U.S. has outsourced many of the significant facets of marketing directly to consumers and operating the related infrastructure and support services to vendors experienced in the respective fields.

Hughes Telecom believes that DIRECTV U.S. can compete effectively with cable and other DTH providers through a combination of its high quality video, audio and customer service, broad range of programming and extensive distribution. Both the DIRECTV programming service and DSS equipment are currently distributed through consumer electronics stores such as Circuit City, Radio Shack, Best Buy and Sears; and satellite television dealers. In addition, pursuant to an arrangement with the National Rural Telecommunications Cooperative ("NRTC"), the NRTC offers DIRECTV services to member cooperatives located primarily in rural areas of the continental United States.

The DIRECTV entertainment services currently offered to subscribers include over 175 television channels (including The Disney Channel, ESPN and CNN); an assortment of pay per view events such as movies, boxing, wrestling, musical concerts and other similar programs; 31 audio channels of commercial-free, CD-quality music; professional sports programming consisting of out-of-market games from the NFL, NBA, NHL, MLB and collegiate football sports programming; and other entertainment services such as The Golf Channel, STARZ! and Playboy TV. DIRECTV U.S. believes that its wide diversity of programming and its variety of programming packages available to consumers (especially in the areas of sports and movies) will allow DIRECTV to compete effectively in the market for television entertainment. Future program offerings may include additional basic, niche or specialized programming. DIRECTV U.S. also sells programming packages to restaurants, bars, office buildings, hotels and other commercial establishments. DIRECTV U.S. anticipates offering the DIRECTV video and audio services as well as enhanced multimedia and data services on personal computers in early 1998.

Primestar, USSB and Echostar are the only other direct broadcast service companies currently in operation in the United States. ASkyB and Primestar announced their intention to merge in 1997 to form a new company. At this time, the transaction is still pending. In addition, on May 27, 1997, Alphastar filed a voluntary Chapter 11 petition under Title 11 of the United States Code and on August 8, 1997 ceased broadcast operations. DIRECTV service also competes with cable television, other broadcast television and other entertainment services, including video rentals and telephone services.

As of September 30, 1997, there were approximately 2.9 million subscribers in the United States for DIRECTV programming services, including approximately 650,000 NRTC subscribers. Excluding NRTC subscribers (and revenues), average revenue per U.S. subscriber is currently over \$40 per month, and net subscriber churn is currently approximately 1% per month. Recently, the demographics of the DIRECTV U.S. subscriber base has changed, with increasingly more subscribers coming from urban and suburban homes passed by cable.

INTERNATIONAL

Hughes Telecom's business strategy also includes application of its U.S. telecommunications industry experience and technology to international markets. Consistent with this strategy, Hughes Telecom has entered into a partnership, known as Galaxy Latin America, with three prominent Latin American media companies to introduce satellite-based direct broadcast entertainment into Latin America through a service using the DIRECTV(R) brand name. Galaxy Latin America was the first DTH provider in Latin America and is currently the market leader. Hughes Telecom estimates that the Latin American market represents the third largest television market in the world, with over 90 million television households, although the number of households which are potential customers for DIRECTV service is estimated to be substantially less. In this regard, Hughes Telecom Latin America believes that approximately one-half of television households in Latin America earn an income to afford pay TV services, but only a small fraction currently subscribe to such services. Hughes Telecom maintains a 60% ownership share in the Galaxy Latin America partnership, which also includes Cisneros Group of Venezuela (20%), Multivision of Mexico (10%) and TV Abril of Brazil (10%).

Galaxy Latin America commenced operations in July 1996 using a Hughes Telecom HS 601 satellite. Galaxy Latin America currently utilizes four broadcast centers, in Long Beach, California, Mexico City, San Paulo and Caracas, to uplink diverse programming throughout Latin America and plans to add one additional broadcast center in Buenos Aires, which is expected to become operational in late 1997. Local operating companies ("LOCs") in each country provide marketing, sales, distribution, customer service and other infrastructure services. Hughes Telecom either has purchased or plans to purchase a 10% to 20% interest in each of the LOCs operating in the larger Latin American markets, such as Brazil, Mexico, Venezuela, Colombia and Argentina. Hughes Telecom believes that an equity stake in these firms will help ensure a coordinated strategy throughout Latin America. DIRECTV service in Latin America currently includes approximately 70 channels of entertainment for customers in each of Mexico, Brazil, Venezuela, Ecuador, Panama, Costa Rica, Trinidad/Tobago, Guatemala, Chile and, most recently, Colombia. Later in 1997, Hughes Telecom expects Galaxy Latin America to introduce DIRECTV service in Argentina and, by the end of 1998, expects to offer services to approximately 100% of the Latin American market. As of September 30, 1997, there were approximately 235,000 subscribers in Latin America. Galaxy Latin America's average revenue per subscriber is currently over \$40 per month.

Galaxy Latin America's business strategy includes maintaining its market leadership through program differentiation, high quality video, audio and customer service, advanced technological capabilities and increased channel capacity. Galaxy Latin America believes that its early entry into the Latin American direct broadcast market, coupled with its existing DIRECTV technology, provides it with a competitive advantage in this market.

In October 1996, Hughes Telecom announced an agreement to form DIRECTV JAPAN, Inc. ("DTVJ"), a partnership of leading Japanese and American telecommunications companies. The DTVJ partners and their equity ownership in the company are as follows: Hughes Telecom (31.8%); Culture Convenience Club Co., Ltd. (31.8%); Mitsubishi Corporation and certain of its affiliates (13.7%); Matsushita Electric Industrial Co., Ltd. (9.1%); Tokuma Corporation (9.1%); and Dai Nippon Printing Co., Ltd. (4.5%). Hughes Telecom estimates that there are more than 40 million television households in Japan, with very low cable penetration. Hughes Telecom believes that DTVJ's strong in-country partners, DTH experience in the United States and Latin American markets, its higher-quality video, audio, data and interactive services and its programming line-up containing a number of unique local Japanese programs and major U.S. programming channels provide it with a competitive advantage in this market. Hughes Telecom currently expects DTVJ to commence commercial operations in early 1998, with an offering of over 90 channels of advanced, digital, DTH entertainment services throughout Japan.

GENERAL

With respect to the worldwide DIRECTV businesses, particularly in the United States, Hughes Telecom is considering a number of strategic initiatives designed to expand its market share and enhance its competitive position. These include new distribution channels, new services, broader programming and marketing and other

promotional strategies designed to address "barriers to entry" identified by consumers. To the extent that such strategies are implemented, subscriber acquisition costs are likely to increase and, as a result, the execution of such strategies is likely to affect the timing and amount of revenues and the overall profitability of the DIRECTV businesses. However, Hughes Telecom believes that early capture of market share and the establishment of market leadership are important to maximization of the long-term value of the DIRECTV businesses.

There can be no assurance that any level of DIRECTV(R) subscribers or profitability to Hughes Telecom in the United States, Latin America, Japan or other markets will be achieved or, if and when achieved, maintained due to the factors described in this section and other factors outside the control of Hughes Telecom and its partners (including economic conditions and political volatility in various foreign countries and currency and exchange rate risks). To the extent that the factors described above affect the levels of subscribers which are achieved or maintained, the timing and amount of revenues and profitability to Hughes Telecom from its participation in providing DIRECTV services in the United States, Latin America, Japan and other markets may be adversely affected.

The DIRECTV U.S., Galaxy Latin America and DTVJ Japan systems, if and when operational, will compete with other technologies and systems. See "-- Competition" below. Delays in the successful production or launch of the related satellites could materially delay the commencement or expansion of such services, which could materially affect market acceptance of such services and the financial results to Hughes Telecom. Launch schedules are subject to a number of factors, including construction delays, weather, availability of launch vehicles, launch vehicle problems and governmental and political pressures, many of which are beyond the control of Hughes Telecom. In addition, there can be no assurance that Hughes Telecom will receive the approvals and licenses from the FCC and other U.S. and foreign governmental agencies that will be required to launch and operate the satellites for direct broadcast.

SATELLITE SERVICES

On May 16, 1997, Hughes Telecom and Old PanAmSat completed the PanAmSat Merger, resulting in the merger of their respective satellite services operations into a new publicly held company, which assumed the name "PanAmSat Corporation" ("PanAmSat"). As part of this series of transactions, Hughes Telecom contributed its Galaxy(R) satellite services business for a 71.5% interest in PanAmSat. In these transactions, Old PanAmSat stockholders received \$1.5 billion in cash and a 28.5% interest in PanAmSat in exchange for their existing holdings. PanAmSat borrowed approximately \$1.725 billion to finance the Old PanAmSat stock purchase and facilitate the sale of certain DTH television rights to a stockholder of Old PanAmSat.

The PanAmSat Merger brings together the leading provider of commercial satellite services in the U.S. domestic market with the leading commercial provider in the international market. PanAmSat operates a global network of 16 satellites supported by seven teleport and operations facilities in the United States and more than 400 sales, marketing and engineering employees on five continents. PanAmSat believes that these resources enable the company to serve as a unique, one-stop provider of global satellite services.

PanAmSat's global satellite network is used to provide video distribution and telecommunications services. PanAmSat currently operates the leading satellites for cable and broadcast television distribution in the United States, Latin America, the Indian subcontinent and the Asia-Pacific region; and satellite platforms for direct-to-home television services in Latin America, South Africa, the Middle East and India. In addition, the company offers live transmission services for news, sports and special events coverage worldwide and satellite transmissions capacity and related services for private business networks and international Internet access. PanAmSat also provide satellite tracking, telemetry and control services for its own satellite fleet as well as for satellites owned by others.

PanAmSat primarily provides satellite services through long-term operating lease contracts to its customers for the use of full or partial transponder capacity. The company also offers services to its customers through sales and sales-type lease contracts. PanAmSat currently provides service to hundreds of video distribution and telecommunications customers worldwide and, as of June 30, 1997, had long-term contracts for satellite services representing future payments of approximately \$7.1 billion.

The following table sets forth on a pro forma basis the number of transponders on the in-orbit satellites in the PanAmSat network as of September 30, 1997 and December 31, 1996, 1995 and 1994 and the percentage of such transponders committed, in the aggregate, for use by PanAmSat customers during the current year (as of September 30, 1997) and during each of 1996, 1995 and 1994.

	1997*	1996	1995	1994
	-----	-----	-----	-----
PanAmSat Network				
Satellites.....	16	14	11	11
Transponders Available.....	495	411	307	291
Transponders Committed.....	85%	85%	91%	72%

*As of September 30, 1997.

PanAmSat's business strategy is to capture more of the value-added benefits of the satellite-based services market by offering one-stop satellite shopping through its global reach and by capitalizing on its technological capabilities, its early market entry, the desirable orbital locations of its satellite fleet and its management expertise in satellite operations. In addition, PanAmSat is the leader in the development and marketing of cable neighborhoods and a broadcast neighborhood. These innovations, which concentrate a broad range of quality cable programming or broadcast programming on certain satellites, have made such satellites particularly attractive to cable programmers and broadcast programmers desiring to distribute widely their programming to cable system operators or television stations.

To meet the expected demand for additional satellite capacity, PanAmSat has five additional satellites scheduled for launch by the end of 1998. These additional launches would increase the number of PanAmSat satellite transponders between 1996 and 1998 by 74% from 411 to 715 transponders. There can be no assurance, however, that the schedule for PanAmSat's future satellite launches will be met. Delays in the production or successful launch of these satellites could materially affect the ability of PanAmSat to deliver services and benefit from the opportunities it is currently pursuing. Launch schedules are subject to a number of factors, including construction delays, weather, availability of launch vehicles, launch vehicle problems and governmental and political pressures, many of which are beyond the control of PanAmSat.

HUGHES AVICOM

Hughes Avicom is a supplier of cabin management, interactive passenger communications and entertainment systems and related services for the commercial airline market. Hughes Avicom's strategy is to provide and service the "Airborne Data Highway" to support entertainment, wideband information and communications for airline cabin crews and passengers. Hughes Avicom continues to focus on improving its video and interactive products, its servicing of those products, as well as reducing delivery costs.

The current health of the airline industry is driving growth in the in-flight entertainment industry. Hughes Avicom believes that interactive and Video-on-Demand systems will comprise the majority of that growth. In response to these industry trends, Hughes Avicom has developed a complete cabin communications and entertainment system that integrates its audio distribution technology, large system processing capability and liquid crystal display technology to be fully interactive and allow passengers, through individual screens at their seats, to watch and listen to individually selected entertainment programs, request meals and beverages and order duty free and other merchandise. The interactive feature of this system is currently operating on a number of major commercial carriers; a video-on-demand feature is expected to be available in 1998.

Hughes Avicom faces stiff competition from an array of international firms, including Matsushita, Sony and BE Aerospace. There can be no assurance that any level of profitability to Hughes Telecom will be achieved or maintained due to factors outside the control of Hughes Telecom, including economic conditions and changes to the current airline market.

CORPORATE AND OTHER

Hughes Telecom operates and owns equity interests in other businesses in addition to those described above. These businesses will be reported as part of "Other" in New Hughes Electronics' consolidated financial statements and the revenues of these businesses are not, in the aggregate, material to Hughes Telecom.

For example, Hughes Telecom is the largest stockholder of American Mobile Satellite Corporation (AMSC), with a current equity interest of approximately 27% (plus an option to acquire, under certain circumstances, an additional 10% interest on a fully diluted basis). AMSC's common stock is publicly traded and other stockholders include Singapore Telecommunications Ltd. and AT&T Wireless Services. AMSC provides a full range of satellite-based mobile telephone, facsimile and data services in the United States, including Alaska, Hawaii, Puerto Rico, the Virgin Islands and hundreds of miles of U.S. coastal waters.

STRATEGY

Hughes Telecom's mission is to leverage its satellite and wireless competencies to become a premier communications company. Hughes Telecom's strategy includes using its vertical integration and market leadership to gain a competitive advantage in the fast growing international communications marketplace. Hughes Telecom's roots lie in its satellite design and manufacturing expertise and it is this technological know how which has given Hughes Telecom its early competitive advantage. Hughes Telecom now intends to capture more of the value-added benefits of the satellite-based services market by capitalizing on its technological capabilities, the size and desirable orbital locations of its satellite fleet and its management expertise in satellite, communications and telecommunications operations. Hughes Telecom's strategy also includes building on its technology and experience to develop new applications for its products and services for governments, businesses and consumers and expanding international sales for all its businesses. Hughes Telecom believes significant opportunities exist in (1) DTH satellite-based television programming distribution outside North America based on Hughes Telecom's experience with its DIRECTV service, especially in areas lacking established alternative distribution infrastructures (such as developing nations); (2) owning and operating an expanding satellite fleet to provide global communications services; (3) fixed wireless telecommunications networks for local and international telecommunications in areas with deficient communications infrastructures (such as developing nations); (4) mobile wireless communications systems and services based on Hughes Telecom's digital satellite and cellular communications technologies; and (5) satellite-based communications directly to personal computers. In addition, Hughes Telecom seeks to maintain its strong position in satellite manufacturing and telecommunications equipment through more efficient production processes.

In addition, Hughes Telecom seeks to expand into related markets where it believes that its existing technologies will provide it with a sustainable competitive advantage. For example, Hughes Telecom is actively involved in pursuing Spaceway(TM), a high speed, bandwidth-on-demand satellite service. Most of the space-based hardware (including the satellites, the transponders and other electronic components comprising the satellite payloads) and most of the ground-based control equipment will be designed or manufactured by Hughes Telecom.

ACQUISITIONS, STRATEGIC ALLIANCES AND DIVESTITURES

Due to the rapid growth in the telecommunications and space industry, particularly internationally, and increasing competitive pressures, Hughes Telecom reviews its competitive position on an ongoing basis and considers from time to time various acquisitions, strategic alliances and divestitures in order to continue to compete effectively, grow its business and allocate its resources efficiently. It is becoming increasingly important for Hughes Telecom to form strategic partnerships with other firms. These alliances bring together the necessary expertise, such as distribution, market knowledge and technology, to address competitive pressures and meet new market demands. Hughes Telecom has done this in its international DIRECTV businesses as well as its Network Systems businesses. See "--Direct-To-Home Broadcast" and "Network

Systems" above. Hughes Telecom also seeks acquisitions which will improve its position in these high growth and increasingly competitive markets. The PanAmSat Merger, completed as of May 16, 1997, merging Hughes Galaxy and Old PanAmSat satellite operations businesses to form the world's premier public provider of satellite services is the most recent example of this. See "-- Satellite Services" above. Hughes Telecom continues to evaluate acquisitions, alliances and divestitures, and from time to time engages in preliminary discussions regarding possible transactions, which it believes will improve Hughes Telecom's competitive position and financial results.

REGULATION

Various aspects of Hughes Telecom's businesses are subject to federal and state regulation, noncompliance with which, depending upon the nature of the noncompliance, may result in the suspension or revocation of any license or registration at issue, the termination or loss of any contract at issue or the imposition of contractual damages, civil fines or criminal penalties. Hughes Telecom has experienced no material difficulties in complying with the various laws and regulations affecting its business.

U.S. GOVERNMENT CONTRACTS

Hughes Telecom acts as a prime contractor or major subcontractor with respect to U.S. government programs. Principally, this business is performed in the satellite manufacturing segment of Hughes Telecom. Sales to the U.S. government may be affected by changes in acquisition policies, budget considerations, changing concepts of national defense, civilian space needs, spending priorities and other factors that are outside the control of Hughes Telecom.

Government spacecraft acquisition programs generally follow a life cycle that begins with the research and development phase, followed by an engineering development phase which includes the first spacecraft, and finally progressing into a production stage for the remaining spacecraft and may continue with refinements and improvements for several years. Large programs with significant start-up costs, which are usually incurred in the research and development phase, do not become profitable until the engineering development phase. The U.S. government typically uses multiple sources during the research and development phase to intensify competition and down-selects to one source to perform the later phases of the program. Therefore, Hughes Telecom may not be selected for engineering development and production stages even when considerable resources have been expended in the research and development phase of a program.

Hughes Telecom's U.S. government business is performed under two general types of contracts, fixed-price and cost reimbursement. Under fixed-price contracts, Hughes Telecom realizes all the benefit or detriment caused by decreased or increased costs of performing the contract. Cost reimbursement contracts provide for reimbursement of costs, to the extent such costs are reasonable, allocable to the contract and allowable under applicable regulations, plus payment of a fee. Approximately 26% of Hughes Telecom's total sales to the U.S. government in 1996 were pursuant to fixed-price contracts, and approximately 74% were pursuant to cost reimbursement contracts. Total Hughes Telecom net sales to the U.S. government in 1996 were approximately \$0.9 billion.

Hughes Telecom's fixed-price government contracts contain contract financing provisions under which Hughes Telecom may receive payments in advance of delivery in amounts ranging from over 75% to 100% of cumulative total costs incurred, with the remainder, including profit, billed upon delivery and acceptance or upon the completion of performance milestones. Under cost reimbursement contracts, Hughes Telecom is periodically reimbursed for allowable costs and paid a portion of the fee component based on progress and/or performance. Under either type of contract, certain costs, including certain financing, research and development and marketing expenses, are not reimbursable under currently applicable regulations. Also, under either type of contract, all or a portion of the profit or fee is typically subject to pay-back due to degraded or failed performance in-orbit.

Most of Hughes Telecom's contracts with the U.S. government which are the basis of Hughes Telecom's backlog are incrementally funded and therefore are subject to appropriations decisions subsequent to award. Once awarded, contracts may be contested by other bidders. In addition, Hughes Telecom's contracts with the U.S. government are subject to termination by the U.S. government either for its convenience or for default by Hughes Telecom. The costs recovered for terminations for convenience may not fully reimburse Hughes Telecom, and the profit or fee received by Hughes Telecom may be lower than that which it had expected for the portion of the contract performed. In cases of termination for default, normal contract remedies generally apply. In addition, the U.S. government has broad discretion to suspend or debar contractors from engaging in new government business, including discretion as to the period of suspension or debarment. A contractor may be debarred based on a conviction or civil judgment involving certain offenses, including fraud in connection with obtaining or performing a public contract (or subcontract thereunder), and may be suspended, if indicted for such an offense or if there is other adequate evidence that such an offense has been committed. Like other government contractors, Hughes Telecom is subject to civil and criminal audits and investigations of its contracting activity. This liability includes potential contract cost reductions due to defective pricing claims.

COMPETITION

Hughes Telecom has certain competitive advantages in its telecommunications and space business. In the construction of satellites, Hughes Telecom's family of satellite bus designs gives it the flexibility to respond to varying customer requirements, and its relatively lighter weight satellites are less expensive to launch than heavier competing models. The new HS 702 spacecraft keeps Hughes Telecom on the cutting edge of satellite technology as it boasts up to double the transponder capacity and power of other satellites currently available in the marketplace. Hughes Telecom faces competition from companies such as TRW, Loral Space and Communications Ltd. and Lockheed Martin in the satellite construction segment. In the sale and leasing of satellite transponders, Hughes Telecom enjoys advantages from its economies of scale and the location of many of its orbital positions, many of which are the most desirable in North America. Hughes Telecom believes that the merger of Hughes Telecom's satellite fleet with Old PanAmSat's fleet strengthens this competitive position. Loral Space & Communications Ltd.'s recent purchase of AT&T Skynet, as well as Intelsat's and Inmarsat's current spacecraft fleets keep this an exceptionally competitive market. Hughes Telecom also believes that its experience acquired through the development and operation in North America of the DIRECTV(R) service, and its early entry into the Latin American satellite-based direct broadcast market, will provide it with competitive advantages in such markets and in its efforts to expand direct broadcast services to other markets, such as Japan. The various DIRECTV services face stiff competition from local cable operations as well as other DTH satellite systems such as Primestar, Echostar and the various "Sky" services (ASkyB; BskyB; and JSkyB). The Network Systems business of Hughes Telecom faces global competition from firms such as Lucent Technologies Inc., Telefonaktiebolaget LM Ericsson, AT&T Corporation, as well as other large telecommunications companies and the various regional Bell operating companies.

Notwithstanding the competitive advantages described above, Hughes Telecom participates in markets that involve a high level of competition by other companies that have similar or better financial, technological and personnel resources as Hughes Telecom. Hughes Telecom's telecommunications businesses compete with other communications technologies and systems, such as, with respect to telecommunications systems for fixed and mobile applications, fiber optics networks, cable systems, wire telephony and radio-based systems and other satellite-based systems. In addition to existing and other planned operations of DTH broadcasting services Hughes Telecom's direct broadcasting service competes and will compete in present and future telecommunications markets with telephone companies, cable television, other broadcast television and other entertainment services, including video rentals. No assurance can be given as to the effect that any such competition may have on the financial condition or results of operations of Hughes Telecom.

RESEARCH AND INTELLECTUAL PROPERTY

The ability to continue to generate technological innovations is critical to ensure Hughes Telecom's long-term success and competitiveness of the Hughes Telecom business. See "Risk Factors Relating to the Business

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS

of New Hughes Electronics--New Hughes Electronics' Ability to Maintain Leading Technological Capabilities" in Chapter 2. The continued development of new technologies may provide new and improved products which will continue to fuel business opportunities and product improvements which, among other things, will enable the extension of profitable production programs. Research and development is carried on in each of Hughes Telecom's business units in connection with ongoing product improvement efforts. Hughes Research Labs located in Malibu, California, which will be 50% owned by Hughes Telecom after the Hughes Reorganization, conducts long-range applied research in the specialized fields of physics, chemistry, electronics and information sciences. See "Separation and Transition Arrangements--Summary of Other Agreements Contemplated by the Master Separation Agreement--Intellectual Property" and "Separation and Transition Arrangements--Summary of Other Agreements Contemplated by the Master Separation Agreement--Hughes Research Labs" in Chapter 3.

Hughes Telecom utilizes a large number of patents and trademarks which are held by Hughes Electronics or its other affiliates, including Hughes Defense. As part of the Hughes Transactions, Hughes Defense and Hughes Electronics and its affiliates will implement certain cross-licenses to enable them to continue to operate their respective businesses after the Hughes Transactions. See "Separation and Transition Arrangements--Summary of Other Agreements Contemplated by the Master Separation Agreement--Intellectual Property" in Chapter 3. Hughes Telecom believes that, in the aggregate, the rights existing under such patents, trademarks and licenses are important. Hughes Telecom believes that its competitive position is primarily dependent on research, engineering and production capabilities. Hughes Telecom actively pursues patent and trademark protections of its technological and engineering innovations, and actively pursues enforcement of its intellectual property rights.

EMPLOYEES

As of September 30, 1997, Hughes Telecom employed approximately 15,500 persons (excluding Hughes Research Labs).

REAL PROPERTY

As of June 30, 1997, Hughes Telecom had approximately 165 locations operating in 22 states and 55 cities in the United States and approximately 30 additional locations in 22 cities in approximately 17 countries outside the United States. At such date, approximately 3.2 million square feet of space was owned by Hughes Telecom and an additional 3.3 million square feet of space was leased.

Leased properties consist primarily of office and warehouse facilities. Lease terms on standard leases are generally five years or less. Upon the expiration of its leases, Hughes Telecom does not anticipate any difficulty in obtaining renewals or alternative space.

Hughes Telecom management believes that its facilities are suitable and adequate for its business; however, Hughes Telecom periodically reviews its space requirements to consolidate and dispose of or sublet facilities which are no longer required in connection with its business and to acquire new space to meet the needs of its business.

LEGAL PROCEEDINGS

From time to time Hughes Telecom is involved in various litigation matters arising in the ordinary course of its business. Hughes Telecom management does not believe that disposition of any current matter will have a material adverse effect on Hughes Telecom's combined financial position or results of operations.

THE "WILLIAMS PATENT"

Hughes Electronics has maintained a suit against the U.S. government since September 1973 regarding the U.S. government's infringement and use of a Hughes Electronics patent (the "Williams Patent") covering "Velocity Control and Orientation of a Spin Stabilized Body," principally satellites. On June 17, 1994, the U.S. Court of Claims awarded Hughes Electronics damages of \$114 million. Because Hughes Electronics believed that the record supported a higher royalty rate, it appealed that decision. The U.S. government, contending that the award was too high, also appealed. On June 19, 1996, the Court of Appeals for the Federal Circuit affirmed the decision of the Court of Claims which awarded Hughes Electronics \$114 million in damages, together with interest. The U.S. government petitioned the Court of Appeals for the Federal Circuit for a rehearing. That petition was denied in October 1996. The U.S. government then filed a petition with the U.S. Supreme Court seeking review. On April 21, 1997 the U.S. Supreme Court, citing a recent decision it had rendered in a separate patent matter, remanded Hughes Electronics' suit over the Williams Patent back to the Court of Appeals along with patent cases involving other parties then pending before the U.S. Supreme Court, in order to have the Court of Appeals determine whether the results of prior proceedings in those cases are consistent with the U.S. Supreme Court's recent decision in such other matter. The previous liability decision of the Court of Claims in the Williams Patent matter, and its \$114 million damage award to Hughes Electronics, currently remain in effect pending reconsideration by the Court of Appeals. Hughes Electronics is unable to estimate the duration of this reconsideration process. While no amount has been recorded in the financial statements of Hughes Electronics to reflect the \$114 million award or the interest accumulating thereon, a resolution of this matter could result in a gain that would be material to the earnings of General Motors attributable to New GM Class H Common Stock.

LANE AND VILLALPANDO LITIGATION

In October 1994, a California jury awarded a total of \$89.5 million in damages against Hughes Telecom, including punitive damages of \$40 million to each of two former Hughes Telecom employees, Lane (race discrimination/retaliation) and Villalpando (retaliation), based on claims of mistreatment and denials of promotions. The trial court granted Hughes Telecom's motion to set aside the verdicts because of insufficient evidence. On January 6, 1997, the Court of Appeal reversed the trial court's decision to set aside the verdicts, reinstated the jury verdicts, but reduced the two \$40 million punitive damage awards to \$5 million and \$2.83 million, resulting in an aggregate judgment of \$17.33 million. Hughes Telecom filed a petition for review by the California Supreme Court, which was supported by various amicus briefs. On March 19, 1997, the California Supreme Court granted Hughes Telecom's request for review of the \$17.33 million judgment, and ordered the Court of Appeal to vacate its decision and reconsider the case. On March 27, 1997, the Court of Appeal issued such an order and requested supplemental briefs. On July 28, 1997, the Court of Appeal reissued essentially the same opinion and award. Hughes Telecom's petition for reconsideration was denied. Hughes Telecom has petitioned the California Supreme Court for review. Because review by the California Supreme Court is in the discretion of that court, no assurance can be given that the case will be accepted for review, or that if accepted, the California Supreme Court's decision will be favorable to Hughes Telecom.

GOVERNMENT REGULATIONS

Hughes Telecom and its subsidiaries are subject to potential liability under government regulations and various claims and legal actions which are pending or may be asserted against them. Some of the pending actions purport to be class actions. The aggregate ultimate liability of Hughes Telecom and its subsidiaries under these government regulations, and under these claims and actions, was not determinable as of the date of this document. After discussion with counsel, it is the opinion of Hughes Telecom management that such liability is not expected to have a material adverse effect on the Hughes Telecom's consolidated operations or financial position.

DIRECTORS AND EXECUTIVE OFFICERS OF NEW HUGHES ELECTRONICS

After the Hughes Transactions, it is expected that all eight of the current members of the Hughes Electronics Board will initially serve as directors of New Hughes Electronics, including three directors who are also independent directors of General Motors (one of whom is also a member of the Capital Stock Committee of the GM Board), three directors who are executive officers of General Motors and two directors who will be executive officers of Hughes Telecom.

Set forth below are the names, ages and positions with New Hughes Electronics upon the consummation of the Hughes Transactions of the persons expected to be directors and executive officers of New Hughes Electronics immediately after such consummation.

DIRECTORS

NAME ----	AGE ---	POSITION -----
C. Michael Armstrong	59	Chairman of the Board
Charles T. Fisher, III	67	Director
J. Michael Losh	51	Director
Harry J. Pearce	55	Director
Eckhard Pfeiffer	56	Director
John F. Smith, Jr.	59	Director
Michael T. Smith	54	Director
Thomas H. Wyman	67	Director

EXECUTIVE OFFICERS

NAME ----	AGE ---	POSITION -----
C. Michael Armstrong	59	Chief Executive Officer
Michael T. Smith	54	Vice Chairman
Steven D. Dorfman	62	Executive Vice President
Roxanne S. Austin	36	Senior Vice President and Chief Financial Officer
Gareth C. C. Chang	54	Senior Vice President
Jack A. Shaw	58	Senior Vice President
Marcy Tiffany	48	Vice President and General Counsel
Ted G. Westerman	61	Senior Vice President

Set forth below are the persons expected to have primary responsibility for the business segments of New Hughes Electronics after the consummation of the Hughes Transactions.

NAME ----	AGE ---	BUSINESS SEGMENT -----
Steven D. Dorfman	62	Satellite Manufacturing
Jack A. Shaw	58	Network Systems
Eddy W. Hartenstein	46	Direct-To-Home Broadcast
Frederick C. Landman	49	Satellite Services
Kenneth J. McNamera	51	Hughes Avicom

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RAYTHEON SELECTED COMBINED HISTORICAL
AND PRO FORMA FINANCIAL DATA

The following Raytheon selected combined historical financial data have been derived from the financial statements of Raytheon. The unaudited pro forma combined condensed financial statements of New Raytheon have been derived from the historical consolidated financial statements of Raytheon and the historical combined financial statements of Texas Instruments Defense and Hughes Defense, and give effect to the Raytheon Merger and the Texas Instruments Defense Acquisition using the purchase method of accounting as well as consistent application of Raytheon accounting practices. The data should be read in conjunction with Raytheon's Consolidated Financial Statements (including the notes thereto) which are incorporated into this document by reference. The consolidated historical financial data as of and for the years ended December 31, 1996, 1995, 1994, 1993 and 1992 have been derived from the consolidated financial statements of Raytheon audited by Coopers & Lybrand L.L.P., independent public accountants. The Raytheon consolidated historical financial data as of and for the six-month periods ended June 29, 1997 and June 30, 1996 have been derived from the unaudited financial statements of Raytheon for such periods included in Raytheon's Form 10-Q dated August 13, 1997, which is incorporated into this document by reference. In the opinion of Raytheon management, the unaudited consolidated historical financial statements reflect all adjustments (consisting of only normal recurring items) that are necessary for fair presentation of financial position and results of operations for such periods. The Raytheon unaudited summary pro forma operating results for the six months ended June 29, 1997 and for the year ended December 31, 1996 give effect to the Hughes Transactions, the Raytheon Merger and the Texas Instruments Defense Acquisition as if they had occurred at the beginning of each respective period. The Raytheon unaudited summary pro forma balance sheet data as of June 29, 1997 give effect to the Hughes Transactions, the Raytheon Merger and the Texas Instruments Defense Acquisition as if they had occurred at that date. Operating results for the six-month periods ended June 29, 1997 and June 30, 1996 are not necessarily indicative of the results that may be expected for the entire year. Pro forma data are not necessarily indicative of future financial position or operating results.

	FOR SIX MONTHS ENDED			FOR THE YEARS ENDED					
	PRO FORMA			PRO FORMA					
	JUNE 29 1997(D)	JUNE 29 1997	JUNE 30 1996	PRO FORMA 1996(D)	1996	1995	1994	1993	1992
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)									
OPERATING RESULTS:									
Net Sales.....	\$10,461	\$ 6,223.9	\$ 5,914.4	\$20,514	\$12,330.5	\$11,804.2	\$10,097.7	\$9,334.1	\$9,121.7
Costs and Expenses.....	9,736	5,631.7	5,318.5	19,114(a)	11,247.0(a)	10,612.5(b)	9,197.8(c)	8,286.8	8,165.7
Income before Taxes.....	725	592.2	595.9	1,400(a)	1,083.5(a)	1,191.7(b)	899.9(c)	1,047.3	956.0
Income Taxes.....	277	199.3	200.0	499	322.3	399.2	303.0	354.3	320.9
Net Income.....	448	392.9	395.9	901(a)	761.2(a)	792.5(b)	596.9(c)	693.0	635.1
Earnings per common share.....	1.32	1.66	1.66	2.65(a)	3.21(a)	3.25(b)	2.26(c)	2.56	2.36
Dividend declared per common share.....		0.40	0.40		0.80	0.75	0.738	0.70	0.663
BALANCE SHEET DATA:									
Cash and marketable securities.....									
	\$ 181	\$ 181.3	\$ 212.3		\$ 138.8	\$ 210.3	\$ 202.2	\$ 190.2	\$ 88.8
Current assets.....	9,444	6,177.5	6,147.5		5,603.9	5,275.2	4,985.5	4,609.2	3,775.8
Total assets.....	28,281	11,843.1	11,620.9		11,126.1	9,840.9	7,395.4	7,257.7	6,015.1
Current Liabilities.....	10,006	5,136.1	5,427.0		4,691.8	3,690.4	3,283.1	2,800.3	2,136.8
Long-term debt.....	6,650	1,496.6	1,496.1		1,500.5	1,487.7	24.5	24.4	25.3
Stockholders' Equity....	9,943	4,877.5	4,337.5		4,598.0	4,292.0	3,982.2	4,297.9	3,843.2
OTHER DATA:									
Depreciation and amortization.....		\$ 193.0	\$ 175.6		\$ 368.9	\$ 371.4	\$ 304.2	\$ 296.4	\$ 302.1
Capital Expenditures....		\$ 201.4	\$ 203.9		\$ 406.0	\$ 328.6	\$ 267.4	\$ 256.1	\$ 307.7

- (a) Includes special charge of \$34.0 million pre-tax, \$22.1 million after-tax, or \$.09 per share
- (b) Includes one-time gain of \$8.0 million pre-tax, \$5.2 million after-tax, or \$.02 per share.
- (c) Includes restructuring charge of \$249.8 million pre-tax, \$162.3 million after-tax, or \$.61 per share.
- (d) Pro forma balance sheet as of December 31, 1996 and pro forma other data have not been determined.

CHAPTER 4: FINANCIAL AND BUSINESS REVIEWS
OVERVIEW OF RAYTHEON BUSINESS

For additional information regarding the business of Raytheon, see Raytheon Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Raytheon 1996 Form 10-K, which is incorporated into this document by reference.

GENERAL

Raytheon is an international high technology company which operates in the following principal businesses: defense and commercial electronics, engineering and construction and aircraft. Historically, Raytheon's principal business has been the design, manufacture and servicing of advanced electronic devices, equipment and systems for government and commercial use. Raytheon is a major defense contractor in the United States and internationally.

ELECTRONICS SEGMENT

DEFENSE ELECTRONICS

Raytheon's defense electronics business consists of Raytheon Electronics Systems and Raytheon E-Systems. Raytheon Electronic Systems is a major provider of ground-based air defense systems, air intercept missiles, ground-based and shipboard radars, military communications systems and naval combat control, sonar and minehunting systems. Raytheon E-Systems is a leader in defense systems integration and provides reconnaissance and surveillance, command, control, communications and intelligence systems, mass data collection, interpretation and dissemination, specialized aircraft modification services and shipboard and airborne countermeasures systems to a wide variety of customers worldwide. In addition to defense electronics systems, Raytheon has been successful in the conversion of certain defense electronics technologies to commercial applications such as air traffic control, environmental monitoring and communications.

On July 11, 1997, Raytheon consummated the acquisition of Texas Instruments Defense. Since that date, Texas Instruments Defense has been conducted through Raytheon TI Systems, a wholly owned subsidiary of Raytheon ("RTIS"). RTIS is a premier supplier of advanced defense systems, including tactical missiles, precision-guided weapons, radar, night vision systems and electronic warfare systems.

COMMERCIAL ELECTRONICS

Raytheon's commercial electronics business consists of Raytheon Marine Company, Raytheon Microelectronics, Raytheon Semiconductor, Seiscor Technologies, Inc. and Switchcraft, Inc. These entities produce, among other things, marine radars and other marine electronics, transmit/receive modules for satellite communications projects, silicon semiconductor components, telephone transmission, switching and connection equipment and other electronic components for a wide range of applications.

ENGINEERING AND CONSTRUCTION SEGMENT

Raytheon Engineers & Constructors ("RE&C") is one of the largest engineering, construction and operation and maintenance firms in the world, supporting customers in thirteen industries. RE&C is engaged in the design, construction and maintenance of facilities and plants operated by a range of customers, including independent power producers, utilities, petroleum companies, pulp and paper companies, industrial concerns and governments. Raytheon Service Company, a unit of RE&C, provides operations, maintenance and technical services for many U.S. defense systems and agencies. Another unit of RE&C designs and manufactures a wide range of equipment used for infrastructure building and repair, including aggregate producing equipment, asphalt paving equipment, mixing plants and soil remediation systems.

AIRCRAFT SEGMENT

Raytheon's Aircraft segment offers one of the broadest product lines in the general aviation market. Raytheon Aircraft manufactures, markets and supports piston-powered aircraft, jet props and light and medium jets for the world's commercial, regional airline and military aircraft markets. Raytheon Aircraft is the prime contractor for the U.S. Air Force/U.S. Navy Joint Primary Aircraft Training System ("JPATS").

APPLIANCES SEGMENT

On September 10, 1997, Raytheon consummated the sale of its home appliance, heating and air conditioning and commercial cooking businesses to Goodman Manufacturing Company, L.P. for an aggregate amount of \$550 million in cash. Raytheon believes that the 1996 sales, operating income, net income and total assets of the businesses sold were not material and does not expect the sale to have a significant effect on results of operations. In the appliances segment, Raytheon is retaining its commercial laundry and electronic controls businesses, but is continuing its strategic review of these remaining businesses.

See "--Recent Developments--Raytheon--Sale of Portions of the Appliances Business" above.

CHAPTER 5
NEW RAYTHEON

CHAPTER 5: NEW RAYTHEON

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CHAPTER 5: NEW RAYTHEON
NEW RAYTHEON UNAUDITED PRO FORMA COMBINED
CONDENSED FINANCIAL STATEMENTS

The unaudited pro forma combined condensed financial statements of New Raytheon have been derived from the historical consolidated financial statements of Raytheon and the historical combined financial statements of Texas Instruments Defense and Hughes Defense, and give effect to the Hughes Transactions, the Raytheon Merger and the Texas Instruments Defense Acquisition using the purchase method of accounting as well as consistent application of Raytheon accounting practices. The unaudited pro forma combined condensed statements of income for the six months ended June 29, 1997 and for the year ended December 31, 1996 have been prepared as if the Hughes Transactions, the Raytheon Merger and the Texas Instruments Defense Acquisition had occurred at the beginning of each respective period. The unaudited pro forma combined condensed balance sheet has been prepared as if the Hughes Transactions, the Raytheon Merger and the Texas Instruments Defense Acquisition occurred on June 29, 1997. The purchase price has been allocated to the assets and liabilities based upon preliminary estimates of their respective fair values and the pro forma adjustments do not give effect to any synergies.

The unaudited pro forma combined condensed financial statements should be read in conjunction with Raytheon's Consolidated Financial Statements (including the notes thereto) included in the Raytheon 1996 Form 10-K, which is incorporated into this document by reference, Hughes Defense's Combined Financial Statements (including the notes thereto) included in Appendix C to this document and the Defense Business of Texas Instruments' Financial Statements (including the notes thereto) included in Raytheon's Form 8-K dated March 14, 1997, which is incorporated into this document by reference, each as of and for the period ended December 31, 1996, and the unaudited consolidated financial statements (including the notes thereto) of Raytheon included in Raytheon's Form 10-Q dated August 13, 1997, which is incorporated into this document by reference, the unaudited combined financial statements of Hughes Defense (including the notes thereto) included in Appendix C to this document and the unaudited financial statements of the Defense Business of Texas Instruments (including the notes thereto) included in Raytheon's Form 8-K dated October 7, 1997, which is incorporated into this document by reference, each as of and for the six-month period ended June 30, 1997 or June 29, 1997, as applicable.

The pro forma combined condensed balance sheet is not necessarily indicative of the financial position of Raytheon that would have been attained had the Hughes Transactions, the Raytheon Merger and the Texas Instruments Defense Acquisition been consummated on June 29, 1997. The pro forma combined condensed statements of income are not necessarily indicative of the results of operations of New Raytheon that would have been attained had the Hughes Transactions, the Raytheon Merger and the Texas Instruments Defense Acquisition been consummated on January 1, 1996 and 1997, nor are they necessarily indicative of future operating results.

CHAPTER 5: NEW RAYTHEON

NEW RAYTHEON
UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOMEFOR THE SIX MONTHS ENDED JUNE 29, 1997
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL RAYTHEON	HISTORICAL TI DEFENSE	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED	HISTORICAL HUGHES DEFENSE	HUGHES DEFENSE RECLASSES	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Net sales.....	\$6,224	\$824		\$7,048	\$3,413			\$10,461
Cost of sales.....	4,791	638	\$ (4) (2c) (6) (2d) 35 (2g) (10) (2e)	5,444	2,804	\$ 17	\$(12) (3c) (48) (3d) 93 (3g) (14) (3e)	8,284
Amortization of push- down goodwill.....					50		(50) (3c)	--
Administration and selling expenses.....	542	55		597	188	(8)		777
Depreciation and amortization.....					76	(76)		--
Research and development expenses.....	170	44		214		83		297
Operating income.....	721	87	(15)	793	295	(16)	31	1,103
Interest expense.....	143			143	50		(50) (3i)	143
Interest income.....	(15)			(15)				(15)
Acquisition interest expense.....			110 (2f)	110			150 (3f)	260
Other (Income)/expense..	1	2		3	(13)			(10)
Income before tax.....	592	85	(125)	552	258	(16)	(69)	725
Federal and foreign income taxes.....	199	32	(44) (2h)	187	119	(16)	(13) (3h)	277
Net income.....	\$ 393	\$ 53	\$(81)	\$ 365	\$ 139	--	\$(56)	\$ 448
Earnings per common shares								
Outstanding shares.....	\$ 1.66			\$ 1.55				\$ 1.32
Fully diluted.....	\$ 1.64			\$ 1.53				\$ 1.31
Average common shares								
Outstanding.....	236			236			103	339
Fully diluted.....	239			239			103	342

The Accompanying Notes are an Integral Part of the
Unaudited Pro Forma Combined Condensed Financial Statements.

NEW RAYTHEON

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1996
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL RAYTHEON	HISTORICAL TI DEFENSE	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED	HISTORICAL HUGHES DEFENSE	HUGHES DEFENSE RECLASSES	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Net sales.....	\$12,331	\$1,800		\$14,131	\$6,383			\$20,514
Cost of sales.....	9,755	1,415	\$ (6)(2c) (12)(2d) 69 (2g) (52)(2e)	11,169	5,211	\$ 5	\$ (18)(3c) (95)(3d) 187 (3g) (29)(3e)	16,430
Amortization of push- down goodwill.....					101		(101)(3c)	--
Administration and selling expenses.....	1,021	129		1,150	322	(21)		1,451
Depreciation and amortization.....					146	(146)		--
Research and development expenses.....	323	78		401		192		593
Special charges.....	34			34				34
Operating income.....	1,198	178	1	1,377	603	(30)	56	2,006
Interest expense.....	256			256	92		(92)(3i)	256
Interest income.....	(102)			(102)				(102)
Acquisition interest expense.....			198 (2f)	198			300 (3f)	498
Other (Income)/expense..	(40)	3		(37)	(9)			(46)
Income before tax.....	1,084	175	(197)	1,062	520	(30)	(152)	1,400
Federal and foreign income taxes.....	322	66	(69)(2h)	319	239	(30)	(29)(3h)	499
Net income.....	\$ 762	\$ 109	\$(128)	\$ 743	\$ 281	--	\$(123)	\$ 901
Earnings per common share								
Outstanding shares.....	\$ 3.21			\$ 3.14				\$ 2.65
Fully diluted.....	\$ 3.16			\$ 3.08				\$ 2.62
Average common shares								
Outstanding.....	237			237			103	340
Fully Diluted.....	241			241			103	344

The accompanying notes are an integral part of the
Unaudited Pro Forma Combined Condensed Financial Statements.

CHAPTER 5: NEW RAYTHEON

NEW RAYTHEON

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET

AS OF JUNE 29, 1997
(IN MILLIONS)

	HISTORICAL RAYTHEON	HISTORICAL TI DEFENSE	RECLASSI- FICATIONS	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED	HISTORICAL HUGHES DEFENSE	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
ASSETS								
Current assets								
Cash and marketable securities.....								
	\$ 181				\$ 181	\$ 82	\$ (82)(3b)	\$ 181
Accounts receivable....	812	\$237	\$(207)(2i)		842	683		1,525
Contracts in process...	2,994		395 (2i)	\$ (85)(2b, d)	3,304	1,672	(190)(3b)	4,786
Inventories.....	1,709	218	(188)(2i)		1,739	427		2,166
Other.....	481	2			483	303		786
Total current assets....	6,177	457		(85)	6,549	3,167	(272)	9,444
Property, plant and equipment, net.....								
	1,923	307			2,230	1,146	8 (3b)	3,384
Cost in excess of net assets acquired.....	3,073	41		(41) (2b) 2,774 (2b)	5,847	2,930	(2,930)(3b) 7,441 (3b)	13,288
Pension asset.....							1,075 (3b)	1,075
Other assets.....	670	1		66 (2b)	737	139	214 (3b)	1,090
Total assets.....	\$11,843	\$806		\$2,714	\$15,363	\$7,382	\$ 5,536	\$28,281
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current Liabilities:								
Notes payable and current portion of long-term debt.....								
	\$ 2,510				\$ 2,510	\$ 101	\$ 2,310 (3a)	\$ 4,921
Advance payments.....	358				358	388		746
Accounts payable.....	1,258	\$211			1,469	271		1,740
Other.....	1,010	63		\$ 78 (2b)	1,151	905	543 (3b)	2,599
Total current liabilities.....	5,136	274		78	5,488	1,665	2,853	10,006
Long-term debt and capitalized leases....								
	1,497			2,990 (2a)	4,487	33	2,130 (3a)	6,650
Other.....	332	178			510	311	861 (3b)	1,682
Stockholders' equity:								
Common stock at par....								
	236				236		103 (3a)	339
Additional paid-in capital.....								
	294				294		4,962 (3a)	5,256
Retained earnings.....	4,348	354		(354)	4,348	5,373	(5,373)(3b)	4,348
Total stockholders' equity.....	4,878	354		(354)	4,878	5,373	(308)	9,943
Total liabilities and stockholders' equity...	\$11,843	\$806		\$2,714	\$15,363	\$7,382	\$ 5,536	\$28,281

The Accompanying Notes are an Integral Part of the Unaudited Pro Forma Combined Condensed Financial Statements.

NEW RAYTHEON
NOTES TO UNAUDITED PRO FORMA COMBINED
CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying pro forma combined condensed statements of income present the historical results of operations of Raytheon, Texas Instruments Defense and Hughes Defense for the year ended December 31, 1996 and for the six months ended June 29, 1997, with pro forma adjustments as if the Texas Instrument Defense Acquisition and the Raytheon Merger had taken place on January 1, 1996. The pro forma combined condensed balance sheet presents the historical balance sheets of Raytheon, Texas Instruments Defense and Hughes Defense as of June 29, 1997, with pro forma adjustments as if the Texas Instruments Defense Acquisition and the Raytheon Merger had been consummated as of June 29, 1997, in transactions accounted for as purchases for financial accounting purposes in accordance with generally accepted accounting principles.

Certain reclassifications have been made to the historical financial statements of Raytheon, Texas Instruments Defense and Hughes Defense to conform to the pro forma combined condensed financial statement presentation on a consistent basis.

2. Pro Forma Adjustments--Texas Instruments Defense

The following adjustments give pro forma effect to the Texas Instruments Defense Acquisition (in millions):

(a) To record the exchange consideration at closing:

Consideration..... \$2,950
=====

CHAPTER 5: NEW RAYTHEON

(Assumed financing of \$2,990 fixed rate medium- and long-term borrowings at an aggregate interest rate of 7.05% including acquisition costs of \$40)

(b) To adjust the assets and liabilities to their estimated fair values:

Net assets of Texas Instruments Defense at June 29, 1997.....	\$ 354
Contracts in process valuation adjustments.....	(85)
Provision for the estimated exit costs of integrating acquired operations.....	(78)
Deferred tax benefits.....	66
Costs in excess of net assets of acquired business.....	2,774
Acquisition costs.....	(40)
Elimination of Texas Instruments Defense goodwill.....	(41)

	\$2,950
	=====

(c) Adjustment to eliminate the amortization of intangible assets of Texas Instruments Defense which would not have been incurred if the Texas Instruments Defense Acquisition had occurred on January 1, 1996.

(d) Adjustment to reflect the effect on 1996 and 1997 results relating to a net reduction of accumulated contract costs as an allowance for Raytheon's normal profit on its efforts to complete such contracts, and other contract valuation adjustments.

(e) Elimination of \$32 of non-recurring employee related costs and \$20 of non-recurring corporate allocations from the parent of Texas Instruments Defense as a result of the Texas Instruments Defense Acquisition for the year ended December 31, 1996 and \$10 of non-recurring corporate allocations for the six months ending June 29, 1997.

(f) Adjustments which represent additional estimated interest expense resulting from the use of borrowings to finance the Texas Instruments Defense Acquisition and incremental interest on Raytheon's pre-Texas Instruments Defense Acquisition variable rate borrowings to reflect the change in credit rating as a result of the Texas Instruments Defense Acquisition.

(g) The amortization of excess of costs over acquired net assets over an estimated life of 40 years. Such amortization expense is subject to possible adjustment resulting from the completion of the valuation analyses. Raytheon expects that any subsequent adjustment would not materially affect the combined pro forma results.

(h) The estimated tax effect on the applicable pro forma adjustments.

(i) Reclassifications made to conform the Texas Instruments Defense historical financial statements to the unaudited pro forma combined condensed financial statement presentation.

3. Pro Forma Adjustments--Hughes Defense

The following adjustments give pro forma effect to the Raytheon Merger (in millions):

(a) To record the exchange consideration at closing:

Consideration (\$9,500 less acquired debt of \$120).....	\$9,380
	=====

(Assumed financing is based on the following assumptions:

Equity--102,634 thousand shares at assumed market value of \$49.35 totals \$5,065. \$49.35 represents the mid-point of the market price collar mechanism. The use of the market price on October 15, 1997, or \$56.94 per share, would not have a significant effect on pro forma results.
 Debt--\$4,435 less \$120 of debt assumed plus acquisition costs of \$125 totals \$4,440 to be financed with a combination of variable rate short-term borrowings of \$2,310 and fixed rate medium- and long-term borrowings of \$2,130 at an average interest rate of 6.37%)

(b) To adjust the assets and liabilities to their estimated fair values:

Net assets of Hughes Defense at June 29, 1997.....	\$ 5,373
Additional assets to be recorded in the Raytheon Merger.....	56
Additional liabilities to be recorded in the Raytheon Merger.....	(96)
Cash not included in the Raytheon Merger.....	(82)
Contracts in process valuation adjustments.....	(190)
Accrual for future lease cost in excess of fair market value.....	(264)
Provision for the estimated exit costs of integrating acquired operations.....	(495)
To include pension assets and reflect fair market value less the projected benefit obligation.....	892
To include the liability for post-retirement benefits other than pensions.....	(366)
Deferred tax benefits.....	166
Costs in excess of net assets of Hughes Defense.....	7,441
Raytheon Merger costs.....	(125)
Elimination of Hughes Defense goodwill.....	(2,930)

	\$ 9,380
	=====

(c) Adjustment to eliminate the amortization of intangible assets of Hughes Defense which would not have been incurred if the Raytheon Merger had occurred on January 1, 1996.

(d) Adjustment to reflect the effect on 1996 and 1997 results relating to a net reduction of accumulated contract costs as an allowance for Raytheon's normal profit on its efforts to complete such contracts.

(e) Elimination of \$29 of non-recurring corporate allocation from the parent of Hughes Defense as a result of the Raytheon Merger for the year ended December 31, 1996 and \$14 for the six months ended June 29, 1997.

(f) Adjustments which represent additional estimated interest expense resulting from the use of borrowings to finance the Raytheon Merger and incremental interest on Raytheon's pre-Raytheon Merger variable rate borrowings to reflect the change in credit rating as a result of the Raytheon Merger.

(g) The amortization of excess of costs over acquired net assets over an estimated life of 40 years. Such amortization expense is subject to possible adjustment resulting from the completion of the valuation analyses. Raytheon expects that any subsequent adjustment would not materially affect the combined pro forma results.

(h) The estimated tax effect on the applicable pro forma adjustments.

(i) Elimination of Hughes Defense interest expense.

(j) The consideration to be paid is subject to adjustment based on the actual net assets at the time of the closing and the amount of debt and equity to be issued is subject to adjustment based on the price of Raytheon Common Stock at the closing of the Raytheon Merger.

4. Other

On September 10, 1997, Raytheon consummated the sale of its home appliance heating and air conditioning and commercial cooking businesses to Goodman Manufacturing Co., L.P. for an aggregate amount of \$550 million in cash, subject to certain changes in the net working capital of such businesses between December 31, 1996 and the closing date of the transaction. Raytheon believes that the 1996 sales, operating income, net income and total assets of the businesses sold were not material and does not expect the sale to have a significant impact on results of operations and, accordingly, the sale of these businesses was not included in the pro forma financial statements.

The Department of Justice and Raytheon entered into an agreement regarding the Texas Instruments Defense Acquisition on July 2, 1997, pursuant to which Raytheon agreed to divest the TI Monolithic Microwave Integrated Circuit operations after closing the transaction. The business, which accounted for less than \$40 million in 1996 revenues, was not material and as such the sale of this business has not been included in the pro forma financial statements.

On October 2, 1997, the Department of Justice entered into a preliminary agreement regarding the Raytheon Merger. The agreement requires Raytheon to divest portions of Hughes Defense's Electro Optics business and portion of Raytheon TI Systems' Focal Plane Array business. These two businesses, which together accounted for less than \$55 million in 1996 revenues, were not material and, as such, the sale of these businesses have not been included in the pro forma financial statements.

OVERVIEW OF NEW RAYTHEON BUSINESS

In early January 1997, Raytheon announced its agreements to acquire Texas Instruments Defense (now Raytheon TI Systems) and to merge with Hughes Defense, thereby creating a unique technology company and a world leader in what it considers to be the most appealing segment of the defense business--defense electronics. Representing the best-of-the-best of the three companies in terms of people, processes and technologies, this dynamic new combination will enhance Raytheon's global competitiveness by fully integrating operations for greater efficiency and effectiveness.

Having completed the acquisition of Texas Instruments Defense on July 11, 1997, the strategic combination of Raytheon and Hughes Defense offers an even broader range of products and services, outstanding returns to New Raytheon stockholders, and a more secure and promising future for its people. The compelling benefits of the powerful Raytheon, Hughes Defense and Texas Instruments combination include:

- . critical mass of programs, skills and investment to compete effectively on cost and performance against top-tier defense companies such as Lockheed Martin and the newly created Boeing/McDonnell Douglas. This same critical mass also provides the technological discriminators and capability to support fully those same primes in areas where teaming is more appropriate;
- . a position of strength in core market areas such as air- and ground-based radar systems, air defense systems, air traffic control systems, airborne and space surveillance systems, communication equipment, information systems, missiles, night vision systems, surface and undersea naval systems, simulation, technical services and training;
- . integration and consolidation of the substantial research and development capabilities of the combined companies, long renowned for their innovative R&D; and
- . annual cost savings and a stronger cash flow through the creation of "centers of excellence" for design and manufacturing and consolidation of operations.

Shortly after the acquisition of Texas Instruments Defense and the Raytheon Merger were announced in January 1997, planning for the new company began with the formation of the Management Transition Committee, which includes personnel from Raytheon and Hughes Defense. Cross-company teams were established in areas such as engineering, facilities, finance, human resources, material procurement, quality and others. Throughout the process, the emphasis has been on achieving efficiencies and refining business operations rapidly while expanding global market presence. In order to accomplish this, the teams have formulated a strategy to integrate and consolidate New Raytheon's businesses, serve its customers and extend its defense technologies and capabilities into related commercial areas. This strategy is currently being used to guide the integration of the operations of Texas Instruments Defense into Raytheon. The end result will be a world-class defense electronics and systems integration company with strong operational management.

The defense operations of New Raytheon will be organized along major product lines, emphasizing weapons systems, sensor systems, information systems, communications systems, training and technical services. Although the defense operations of New Raytheon will be primarily focused on its core capabilities in defense, it will continue to pursue and expand business opportunities in related and growing non-defense areas such as air traffic control, information technology, technical services, telecommunications, training and transportation systems. Furthermore, New Raytheon will be a multi-industry, global enterprise with established commercial businesses in aircraft, engineering and construction and commercial electronics.

After the Raytheon Merger is completed, the business of New Raytheon will consist of:

- . the combined operations of the Raytheon defense business, Hughes Defense and Texas Instruments Defense;
- . the Commercial Electronics business (See "Business of Raytheon--Electronics Segment--Commercial Electronics" in Chapter 4);

- . the Engineering and Construction business (See "Business of Raytheon--Engineering and Construction Segment" in Chapter 4);
- . the Aircraft business (See "Business of Raytheon--Aircraft Segement" in Chapter 4); and
- . the Commercial Laundry and Electronic Controls business (See "Business of Raytheon--Appliances Segment" in Chapter 4).

For additional information regarding the business of Raytheon, see Raytheon Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Raytheon 1996 Form 10-K, which is incorporated into this document by reference.

NEW RAYTHEON MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

BOARD OF DIRECTORS

The Hughes Defense Board currently has three members. The Raytheon Merger Agreement provides that, effective as of the Raytheon Merger Effective Time, the New Raytheon Board will be constituted as set forth below. A majority of such persons will not be employees of New Raytheon.

NAME	AGE
C. Michael Armstrong.....	59
Ferdinand Colloredo-Mansfeld.....	57
Steven D. Dorfman.....	62
Theodore L. Eliot, Jr.....	69
Thomas E. Everhart.....	65
John R. Galvin.....	68
Barbara B. Hauptfuhrer.....	69
Richard D. Hill.....	78
L. Dennis Kozlowski.....	51
James N. Land, Jr.....	68
A. Lowell Lawson.....	59
Thomas L. Phillips.....	73
Dennis J. Picard.....	65
Warren B. Rudman.....	67
Alfred M. Zeien.....	67

The New Raytheon Board will be divided into three classes serving staggered terms. Directors in each class will be elected to serve for three-year terms and until their successors are elected and qualified. Each year, the directors of one class will stand for election as their terms of office expire.

Set forth below is a description of the backgrounds of the persons expected to be directors of New Raytheon.

C. Michael Armstrong. Chairman and Chief Executive Officer, Hughes Electronics Corporation, since March 1992. Prior thereto, Senior Vice President, International Business Machines Corporation (1989-1992).

Ferdinand Colloredo-Mansfeld. Current director of Raytheon. Chairman and Chief Executive Officer, Cabot Partners, since October 1990. Prior thereto, Chairman and Chief Executive Officer, Cabot, Cabot & Forbes Realty Advisers, Inc. (predecessor of Cabot Partners) and Chairman, Chief Executive Officer and President of Cabot, Cabot and Forbes from 1986. Principal Business: Real Estate Investment and Management. Director: Shawmut National Corporation; Data General Corporation.

Steven D. Dorfman. Executive Vice President of Hughes Electronics; Chairman of the Hughes Telecommunications and Space Company; Member of the Hughes Electronics Office of the Chairman. Prior thereto, President and Chief Executive Officer of Hughes Space and Communications Company. Director: DIRECTV; Hughes Network Systems; American Mobile Satellite Corporation and Galaxy Latin America.

Theodore L. Eliot, Jr. Current director of Raytheon. Dean Emeritus of the Fletcher School Law and Diplomacy, Tufts University; former U.S. Ambassador. Director: Neurobiological Technologies, Inc. and Fiberstars, Inc.

Thomas E. Everhart. President and Professor of Electrical Engineering and Applied Physics, California Institute of Technology, Pasadena. Prior thereto, Chancellor of University of Illinois, Urbana-Champaign. Director: General Motors Corporation; Hewlett-Packard Corporation; Saint-Gobain Corporation; Reveo, Inc.; Corporation for National Research Initiatives; Community Television of Southern California (KCET).

John R. Galvin. Current director of Raytheon. Dean of the Fletcher School of Law and Diplomacy, Tufts University. General Galvin retired from the U.S. Army in 1992 after a 38-year career which included positions

CHAPTER 5: NEW RAYTHEON

as NATO Supreme Allied Commander Europe and Commander-in-Chief, U.S. European Command. From 1992 to 1994, General Galvin served as the Olin Distinguished Professor of National Security at the U.S. Military Academy at West Point. In 1994 and 1995 he was a visiting professor at the Mershon Center, The Ohio State University. Director: USLife Corporation and Director or Trustee the Seligman Group of Investment Companies. Trustee: Institute for Defense Analyses.

Barbara B. Hauptfuhrer. Current director of Raytheon. Principal Business: Corporate Director. Director: The Vanguard Group of Investment Companies and each of the mutual funds in the Vanguard Group; The Great Atlantic and Pacific Tea Co., Inc.; Knight-Ridder, Inc.; Massachusetts Mutual Life Insurance Company; Alco Standard Corporation.

Richard D. Hill. Current director of Raytheon. Retired Chairman, Bank of Boston Corporation and The First National Bank of Boston. Principal Business: Corporate Director.

L. Dennis Kozlowski. Current director of Raytheon. Chairman of the Board and Chief Executive Officer of Tyco International Ltd. since 1992. Prior thereto Mr. Kozlowski served as President of Tyco from 1989. Principal business: Fire Protection Systems. Director: Tyco International Ltd.; Dynatech Corporation; Thiokol Corporation and Applied Power, Inc.

James N. Land, Jr. Current director of Raytheon. Principal Business: Corporate Financial Advisor. Director: E.W. Blanch Holdings, Inc.

A. Lowell Lawson. Current director of Raytheon. Executive Vice President of the Company since April 1995 and Chairman of the Board and Chief Executive Officer of E-Systems, Inc. since January 1994. Prior thereto Mr. Lawson served as President of E-Systems from April 1989 and Executive Vice President of E-Systems from April 1987.

Thomas L. Phillips. Current director of Raytheon. Retired Chairman of the Board and Chief Executive Officer, Raytheon Company. Director: John Hancock Mutual Life Insurance Company; Knight-Ridder, Inc.; Digital Equipment Corporation; Systems Research and Applications. Trustee: State Street Research Funds; MetLife-State Street Funds.

Dennis J. Picard. Chairman of the Board and Chief Executive Officer of Raytheon since March 1, 1991. Prior thereto, President from 1989 and Senior Vice President, General Manager of the Missile Systems Division of Raytheon from 1983. Director: State Street Boston Corporation.

Warren B. Rudman. Current director of Raytheon. Partner, law firm of Paul, Weiss, Rifkind, Wharton and Garrison since January 1992. Principal Business: Law. Prior thereto, United States Senator from 1980 through January 1992. Director: Chubb Corporation; several mutual funds managed by Dreyfus Corporation.

Alfred M. Zeien. Current director of Raytheon. Chairman of the Board and Chief Executive Officer of The Gillette Company since 1991. Prior thereto, President of Gillette from 1991 and as Vice Chairman, Gillette International/Diversified Operations from 1988. Principal Business: Consumer Goods and Services. Director: Bank of Boston; The Gillette Company; Polaroid Corporation; Massachusetts Mutual Life Insurance Company; Repligen Corporation.

COMMITTEES

Pursuant to the Raytheon Merger Agreement, from and after the Raytheon Merger Effective Time, the following three new committees will be created: (1) the Board Transition Committee; (2) the Management Transition Committee; and (3) the Defense Business Executive Council. Set forth below is a brief description of the duties and composition of these new committees as well as the composition of the Audit Committee and the Nominating Committee of New Raytheon.

Board Transition Committee. The Board Transition Committee will be responsible for resolving issues relating to the integration of the businesses, facilities, functions and employees of Hughes Defense, Raytheon and Texas Instruments Defense at the New Raytheon Board level. The Board Transition Committee will be comprised of two directors formerly affiliated with Raytheon and two directors formerly affiliated with Hughes Defense (Messrs. Dorfman and Armstrong) and will be chaired by Mr. Armstrong.

Other Board Committees. As of the Raytheon Merger Effective Time, the Audit Committee will be comprised of three directors formerly affiliated with Raytheon and one director formerly affiliated with Hughes Defense (Mr. Dorfman) and the Nominating Committee will be comprised of five directors formerly affiliated with Raytheon and one director formerly affiliated with Hughes Defense (Mr. Everhart).

Management Committees. The Management Transition Committee, which will be comprised of three management personnel formerly affiliated with Raytheon and three management personnel formerly affiliated with Hughes Defense, will be responsible for supervising and implementing the integration of the businesses, facilities, functions and employees of Hughes Defense, Raytheon and Texas Instruments Defense. The Defense Business Executive Council, which will be comprised of four management personnel formerly affiliated with Raytheon and four management personnel formerly affiliated with Hughes Defense, will supervise and manage the combined defense businesses of Hughes Defense, Raytheon and Texas Instruments Defense on an ongoing basis and will serve as a vehicle for planning, communication and decision making on issues involving such combined businesses.

The New Raytheon Board may, from time to time, establish other committees to facilitate the management of New Raytheon or for other purposes it may deem appropriate.

OFFICERS

The Raytheon Merger Agreement provides that the officers of Raytheon immediately prior to the Raytheon Merger Effective Time will be the officers of New Raytheon immediately following the Raytheon Merger Effective Time. Accordingly, effective as of the Raytheon Merger Effective Time, the executive officers of New Raytheon are expected to be as set forth below.

NAME	AGE	POSITIONS
Gail P. Anderson.....	55	Vice President--Human Resources
Shay D. Assad.....	47	Vice President--Contracts Senior Vice President Engineering and Business Development
Renso L. Caporali.....	64	Vice President and Group Executive--Commercial Electronics
Philip W. Cheney.....	61	Electronics
Kenneth H. Colburn....	46	Vice President--Project and International Finance
Peter R. D'Angelo.....	59	Executive Vice President--Chief Financial Officer
Herbert Deitcher.....	64	Senior Vice President--Treasurer
David S. Dwelley.....	58	Vice President--Strategic Business Development Vice President--Corporate Controller and Investor Relations
Michele C. Heid.....	43	Executive Vice President--Law, Corporate Administration, and Secretary
Christoph L. Hoffmann.	53	Administration, and Secretary
Thomas D. Hyde.....	48	Vice President and General Counsel
A. Lowell Lawson.....	59	Executive Vice President and Chairman and Chief Executive Officer of Raytheon E-Systems, Inc. Vice President--Corporate Affairs and Communications
Robert S. McWade.....	41	Communications
Charles Q. Miller.....	52	Executive Vice President and Chairman and Chief Executive Officer of Raytheon Engineers & Constructors International, Inc.
Dennis J. Picard.....	65	Chairman and Chief Executive Officer
Robert A. Skelly.....	55	Vice President--Assistant to the Executive Office
William H. Swanson....	49	Executive Vice President and General Manager-- Raytheon Electronic Systems Division
Arthur E. Wegner.....	60	Executive Vice President and Chairman and Chief Executive Officer of Raytheon Aircraft Company

Executive officers serve at the discretion of the New Raytheon Board.

For a brief description of the backgrounds of the persons expected to be executive officers of New Raytheon upon the consummation of the Hughes Transactions and the Raytheon Merger, please refer to the Raytheon 1996 Form 10-K, which is incorporated into this document by reference. See "Where You Can Find More Information" in Chapter 7.

DIRECTOR AND EXECUTIVE COMPENSATION

The New Raytheon Board will rely on its Compensation Committee, which will be composed of non-employee directors, to recommend the form and amount of compensation to be paid to New Raytheon's executive officers. Raytheon's current retirement, incentive and stock purchase plans for its directors and executive officers generally will apply to New Raytheon's directors and executive officers. These plans are and will continue to be subject to change from time to time. In addition, the following plans were specifically adopted pursuant to the Raytheon Merger Agreement and will continue in full force and effect as plans of New Raytheon following the Raytheon Merger: the Raytheon Company 1991 Stock Plan and the Raytheon Company 1995 Stock Option Plan. For information regarding these plans, as well as compensation committee interlocks and insider participation, please refer to the Raytheon 1996 Form 10-K, which is incorporated into this document by reference. See "Where You Can Find More Information" in Chapter 7.

STOCK OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS AND FIVE PERCENT STOCKHOLDERS

No director or executive officer is expected to own more than one percent of the outstanding shares of New Raytheon Capital Stock after giving effect to the Raytheon Merger. The directors and executive officers of New Raytheon as a group are expected to beneficially own less than five percent of the outstanding shares of New Raytheon Capital Stock after giving effect to the Raytheon Merger. No person is expected to beneficially own more than ten percent of the outstanding shares of New Raytheon after giving effect to the Raytheon Merger (based upon publicly available information).

CHANGE OF CONTROL EMPLOYMENT AGREEMENTS

In connection with the Hughes Transactions, Hughes Defense entered into change in control agreements and retention agreements with 17 of its senior executives and has entered into retention agreements with 86 of its key employees (in addition to the senior executives). New Raytheon will assume Hughes Defense's obligations under these agreements after the Raytheon Merger Effective Time.

The change of control agreements are effective for three years following the GM Spin-Off Merger Effective Time. In the event of an involuntary termination or constructive termination of employment following a change in control (as defined in the agreements), the agreements provide for cash payments, medical and life insurance, an increase in pension benefits (for six of the senior executives), outplacement services, legal fees (if necessary to resolve any dispute thereunder) and gross up payments if excise taxes are assessed. The aggregate liability for the benefits provided in all of the change of control agreements will not exceed \$11 million (exclusive of gross up payments, if any). The retention agreements provide for cash payments, and gross up payments if excise taxes are assessed, to employees covered by such agreements if still employed by New Raytheon at the end of the second and third years (in the case of senior executives) and at the end of the first and second years (in the case of other key employees) after the GM Spin-Off Merger Effective Time. A pro-rata portion of such cash payments will be paid if there is an involuntary termination prior to the benefit payment dates. The aggregate liability for cash payments under all of the retention agreements will not exceed \$60 million (exclusive of gross up payments, if any). Up to \$25 million will be paid if there is a termination or constructive termination of employment following a change of control. The Raytheon Merger is a "change of control" for purposes of the agreements.

Raytheon has entered into Change in Control Severance Agreements with 25 senior executives. These agreements provide the executive with severance pay and the continuation of certain benefits upon the occurrence of a "Change in Control" (as defined in the agreements). Specifically, the agreements will provide a cash payment, continuation of fringe benefits pursuant to all of Raytheon's welfare, benefit and retirement plans, an increase in pension benefit, outplacement services, legal fees if necessary to resolve any dispute thereunder and gross up payments if an excise tax is assessed.

In preparation for the consummation of the Hughes Transactions, Hughes Defense and Hughes Aircraft entered into two unsecured credit agreements with a syndicate of lenders to provide for the new debt to be incurred by Hughes Defense under the terms of the Raytheon Merger Agreement. The following is a summary of the material terms of these agreements and does not purport to be complete and is qualified in its entirety by reference to the agreements, each of which has been filed as an exhibit to the Hughes Defense Registration Statement of which this document is a part. As noted elsewhere in this document, the obligation to repay this indebtedness will remain with New Raytheon after the Raytheon Merger. These agreements consist of a \$3.0 billion revolving credit facility with a five-year maturity date and a \$2.0 billion revolving credit facility with a maturity date of May 29, 1998. With respect to each of its loans obtained under the credit facilities, Hughes Defense has the option thereunder, in accordance with specified procedures, to seek competitive bids from among the syndicate of lenders party to the credit facilities to establish the interest rate applicable to such loans. If Hughes Defense elects not to seek such competitive bids, interest on each loan will be based on, at the option of Hughes Defense, the London interbank market rate for U.S. dollar deposits ("LIBOR") or an adjusted base rate of the administrative agent tied to its prime rate, CD rate or federal funds rate. Prior to the Raytheon Merger, the LIBOR rate will vary based on the ratio of Hughes Defense's total debt to total capitalization and, upon consummation of the Raytheon Merger, the rate will vary based upon credit ratings imposed on certain of New Raytheon's debt.

The funds accessible to Hughes Defense pursuant to these revolving credit facilities will be available after the following principal conditions have been satisfied: (1) all requisite government authorities have approved or consented to the Raytheon Merger; (2) GM's common stockholders have consented to the Hughes Transactions; (3) Raytheon's common stockholders have consented to the Raytheon Merger; and (4) Hughes Aircraft, which is the subsidiary of Hughes Defense which principally operates the defense electronics business, has merged with and into Hughes Defense in preparation for the Hughes Defense Spin-Off (as part of the Hughes Reorganization). In addition, as a condition to funding under these facilities, there can be no actual or threatened litigation or administrative proceedings that, in the judgment of the lenders, might prohibit or impose burdensome conditions on the Raytheon Merger or the financings. It is a condition to GM's obligation to consummate the Hughes Transactions that the proceeds of the new debt permitted to be incurred by Hughes Defense be made available to Hughes Telecom and, if applicable, General Motors.

The credit agreements which document these facilities contain covenants typical of such agreements involving an investment grade borrower, including providing the lenders with certain periodic financial statements of Hughes Defense and restricting liens, sale and leaseback transactions and subsidiaries' debt. In addition, the agreements contain a single financial covenant that specifies a maximum debt to total capitalization ratio of 60% at the time of the Raytheon Merger and specified ratios after consummation of the Raytheon Merger. Absent an unanticipated material adverse change in Hughes Defense's business, the financial and other covenants will not restrict Hughes Defense's ability to use these facilities for the purposes described in this document.

CHAPTER 6
CAPITAL STOCK

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COMPARISON OF GM CLASS H COMMON STOCK, NEW GM CLASS H
COMMON STOCK AND CLASS A COMMON STOCK

INTRODUCTION

OVERVIEW OF GM COMMON STOCK

General Motors currently has two classes of common stock: GM \$1 2/3 Common Stock and GM Class H Common Stock. Upon the consummation of the Hughes Transactions, General Motors will continue to have two classes of common stock: GM \$1 2/3 Common Stock and New GM Class H Common Stock. See "Description of the Hughes Transactions" in Chapter 3. For considerations relating to GM's dual-class common stock capital structure, including a policy statement adopted by the GM Board in connection with the establishment of the terms of the New GM Class H Common Stock, see "Considerations Relating to GM's Dual-Class Common Stock Capital Structure."

GM CLASS H COMMON STOCK AND NEW GM CLASS H COMMON STOCK

Under the GM Certificate of Incorporation, the financial performance of Hughes Electronics currently determines the earnings pool out of which dividends may be paid on GM Class H Common Stock. Accordingly, GM Class H Common Stock is sometimes described as a "tracking stock" of General Motors with respect to Hughes Electronics. The portion of earnings of Hughes Electronics not included in the earnings pool for GM Class H Common Stock is available for the payment of dividends on GM \$1 2/3 Common Stock. New GM Class H Common Stock, into which the GM Class H Common Stock will be recapitalized and converted in the GM Spin-Off Merger, will also be a "tracking stock" of General Motors, tracking the financial performance of New Hughes Electronics. Accordingly, the portion of earnings of New Hughes Electronics not included in the earnings pool for New GM Class H Common Stock will be available for the payment of dividends on GM \$1 2/3 Common Stock.

GM Class H Common Stockholders are stockholders of General Motors (not Hughes Electronics) and, as a result, have voting, liquidation and other rights with respect to General Motors (not Hughes Electronics), as described below. Upon the consummation of the Hughes Transactions, New GM Class H Common Stockholders will continue to be stockholders of General Motors (not New Hughes Electronics) and, as a result, will continue to have voting, liquidation and other rights with respect to General Motors (not New Hughes Electronics), as described below.

GM \$1 2/3 COMMON STOCK

GM \$1 2/3 Common Stock will remain outstanding following the Hughes Transactions, with no changes in its terms. However, the terms of the New GM Class H Common Stock include a formula for determining the per share liquidation and voting rights of the New GM Class H Common Stock based on the relative prices of the two classes of GM common stock in a specified period prior to the consummation of the Hughes Transactions. Based on current market prices, we expect the per share liquidation and voting rights of the New GM Class H Common Stock to equal 0.50, the same as for the GM Class H Common Stock. To the extent, however, that the formula results in per share liquidation and voting rights for the New GM Class H Common Stock in excess of 0.50, the effect will be to reduce the percentage of the aggregate liquidation and voting rights in General Motors attributable to the GM \$1 2/3 Common Stockholders, even though the stated per share liquidation and voting rights of the GM \$1 2/3 Common Stock will remain unchanged at 1.0. In addition, as a result of the Hughes Transactions, 100% of the earnings of Delco will be available for the payment of dividends on GM \$1 2/3 Common Stock after the completion of the Hughes Transactions.

NEW RAYTHEON COMMON STOCK

After the completion of the Hughes Transactions and the Raytheon Merger, New Raytheon will have two classes of common stock: Class A Common Stock and Class B Common Stock. Class A Common Stock will be distributed to GM's common stockholders in the Hughes Defense Spin-Off. Class B Common Stock will be issued upon conversion of outstanding Raytheon Common Stock on a share-for-share basis in the Raytheon Merger. Neither Class A Common Stock nor Class B Common Stock will be a "tracking stock." As stockholders of New Raytheon, the rights of Class A Common Stockholders will be governed by the New

Raytheon Certificate of Incorporation and the New Raytheon By-Laws, which differ in certain material respects from the GM Certificate of Incorporation and the GM By-Laws as summarized below.

Holders of both classes of New Raytheon Common Stock will have identical rights, except that Class A Common Stockholders will be entitled, in the aggregate, to 80.1% and Class B Common Stockholders will be entitled, in the aggregate, to 19.9% of the total voting power of New Raytheon in the election and removal of directors. With respect to all stockholder matters other than the election and removal of directors, separate class approvals of the Class A Common Stockholders and Class B Common Stockholders will be required. As described below, the Class A Common Stockholders (and the Class B Common Stockholders) will have voting, liquidation and other rights with respect to New Raytheon.

COMPARISON

The following chart compares the terms of the GM Class H Common Stock, the New GM Class H Common Stock and the Class A Common Stock (and, in the case of the New GM Class H Common Stock and the Class A Common Stock, gives effect to the consummation of the Hughes Transactions and the Raytheon Merger). More detailed descriptions of the terms, as well as the applicable provisions of Delaware law and the certificates of incorporation and the by-laws of both General Motors and New Raytheon, follow this comparison table. THE COMPARISON CHART BELOW, AS WELL AS THE DESCRIPTIONS WHICH FOLLOW, ARE SUMMARIES AND DO NOT PURPORT TO BE COMPLETE.

	GM CLASS H COMMON STOCK -----	NEW GM CLASS H COMMON STOCK -----	CLASS A COMMON STOCK -----
ISSUER	General Motors, a Delaware corporation, is the issuer of GM Class H Common Stock.	General Motors, a Delaware corporation, will be the issuer of New GM Class H Common Stock.	New Raytheon, a Delaware corporation, will be the issuer of Class A Common Stock.
PRINCIPAL TRACKED BUSINESS(ES)	The defense electronics, automotive electronics and telecommunications and space businesses of Hughes Electronics.	The business of Hughes Telecom (which will be renamed "Hughes Electronics Corporation").	Not applicable.
DIVIDENDS	Under the GM Certificate of Incorporation, dividends on GM Class H Common Stock may be declared by the GM Board and paid out of the assets of General Motors only to the extent of the sum of (1) the paid in surplus of General Motors attributable to the GM Class H Common Stock plus (2) an allocated portion of the earnings of Hughes Electronics, which is referred to in this document as the "Available Separate Consolidated Net Income of Hughes Electronics" and in the	Under the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, the GM Board will be able to declare and pay dividends on New GM Class H Common Stock out of the assets of General Motors only to the extent of the sum of (1) the paid in surplus of General Motors attributable to the New GM Class H Common Stock plus (2) an allocated portion of the earnings of New Hughes Electronics, which is referred to in this document as the	Subject to the rights of the holders of New Raytheon Preferred Stock (if any) and applicable law, under the New Raytheon Certificate of Incorporation the Class A Common Stockholders and the Class B Common Stockholders will be entitled to receive the same amount per share of any cash dividend. The dividend policy with respect to Class A Common Stock and Class B Common Stock will be determined by the New Raytheon Board. It is currently expected that New Raytheon's dividend

GM CLASS H
COMMON STOCK

GM Certificate of
Incor-
poration as the
"Available Sepa-
rate Consolidated
Net Income of
Hughes."

The current
dividend policy
of the GM Board
is to pay
quarterly
dividends on GM
Class H Common
Stock, when, as
and if declared
by the GM Board,
at an annual rate
equal to
approximately 35%
of the Available
Separate
Consolidated Net
Income of Hughes
Electronics for
the prior year.
Notwithstanding
the current
dividend policy
of the GM Board,
the quarterly
dividend paid on
GM Class H Common
Stock of \$0.25
per share during
1997 was based on
an annual rate
higher than 35%
of the Available
Separate
Consolidated Net
Income of Hughes
Electronics for
the preceding
year.

NEW GM CLASS H
COMMON STOCK

"Available
Separate
Consolidated Net
Income of New
Hughes
Electronics" and
in the GM
Certificate of
Incorporation, as
proposed to be
amended in the GM
Spin-Off Merger,
as the "Available
Separate
Consolidated Net
Income of
Hughes."

General Motors
does not
currently
anticipate paying
any cash
dividends
initially on the
New GM Class H
Common Stock
following the
Hughes
Transactions. See
"New GM Class H
Common Stock--
Dividend Policy"
below.

With respect to
the relationship
between dividends
(if any) paid by
New Hughes
Electronics to
General Motors
and dividends (if
any) paid by
General Motors to
its common
stockholders, see
the policy
statement of the

CLASS A
COMMON STOCK

policy with
respect to the
Class A Common
Stock after the
Raytheon Merger
will not differ
from Raytheon's
current dividend
policy with
respect to
Raytheon Common
Stock, which is
to pay a
quarterly
dividend of \$0.20
per share. See
"New Raytheon
Capital Stock--
Common Stock"
below.

GM Board adopted in connection with the establishment of the terms of the New GM Class H Common Stock set forth below under "Considerations Relating to GM's Dual-Class Common Stock Capital Structure."

VOTING RIGHTS

GM Class H Common Stockholders are entitled to cast one-half of a vote per share on all matters submitted to GM's common stockholders for a vote and, with specified exceptions, vote together as a single class with the GM \$1 2/3 Common Stockholders on all matters (including the

New GM Class H Common Stockholders will be entitled to a fixed number of votes per share determined as described below on all matters submitted to GM's common stockholders for a vote and, with specified exceptions, will vote together as a single class with the GM \$1 2/3

With respect to the election and removal of directors, Class A Common Stockholders will be entitled to such number of votes for each share of Class A Common Stock as shall be necessary to entitle the holders of all shares of Class A Common Stock to vote, in the aggregate,

GM CLASS H
COMMON STOCK

election and removal of directors), based on their respective voting rights as set forth in the GM Certificate of Incorporation. The number of votes per share is subject to certain anti-dilution adjustments for stock subdivisions and combinations and certain other events, as set forth in the GM Certificate of Incorporation.

NEW GM CLASS H
COMMON STOCK

Common Stockholders on all matters (including the election and removal of directors), based on their respective voting rights as set forth in the GM Certificate of Incorporation (as proposed to be amended in the GM Spin-Off Merger). The number of votes to which each share of New GM Class H Common Stock will be entitled will be the greater of (1) one-half or (2) a number (rounded to the nearest one-tenth) which reflects the relative market value of New GM Class H Common Stock compared to the market value of GM $\$1 \frac{2}{3}$ Common Stock, based on the average trading prices of such stocks during a specified period following the consummation of the Hughes Transactions. Based on current market prices, we expect this number to be 0.50 per share. The number of votes per share will be subject to certain anti-dilution adjustments for stock subdivisions and combinations and certain other events, as set forth in the GM Certificate of Incorporation (as proposed to be amended in the GM Spin-Off Merger).

CLASS A
COMMON STOCK

80.1% of the total voting

power of all holders of New Raytheon Common Stock. With respect to all other matters submitted to a vote of New Raytheon's common stockholders, the Class A Common Stockholders and the Class B Common Stockholders will each be entitled to a single vote per share and the approval of any such matter will require the approval of both classes of New Raytheon Common Stock, each voting as a separate class. Except as may be provided in connection with any class or series of New Raytheon Preferred Stock issued from time to time or as may be required by law, New Raytheon Common Stock will be the only New Raytheon Capital Stock entitled to vote in the election and removal of directors and other matters presented to the stockholders of New Raytheon from time to time.

Class A Common Stockholders will have the right to vote directly on matters relating to New Raytheon, while GM Class H Common Stockholders vote directly on matters relating to General Motors.

LIQUIDATION
RIGHTS

The GM Certificate of Incorporation provides that upon the liquidation, dissolution or

The GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, provides that

The New Raytheon Certificate of Incorporation provides that upon the liquidation, dissolution or

winding up of
General Motors,
after

upon the
liquidation,

winding up

GM CLASS H
COMMON STOCK

the holders of GM Preferred Stock (if any) and GM Preference Stock receive the full preferential amounts to which they are entitled, GM \$1 2/3 Common Stockholders and GM Class H Common Stockholders will receive the remaining assets of General Motors on a per share basis in proportion to their respective per share liquidation units, which are approximately one per share of GM \$1 2/3 Common Stock and one-half per share of GM Class H Common Stock. The number of liquidation units per share is subject to adjustment as described below with respect to voting rights under "GM Class H Common Stock -- Voting Rights."

GM Class H Common Stockholders have no direct rights in the equity or assets of Hughes Electronics, but rather have rights in the equity and assets of General Motors (which includes 100% of the stock of Hughes Electronics).

NEW GM CLASS H
COMMON STOCK

dissolution or winding up of the business of General Motors, after the holders of GM Preferred Stock (if any) and GM Preference Stock receive the full preferential amounts to which they are entitled, GM \$1 2/3 Common

Stockholders and New GM Class H Common Stockholders will receive the remaining assets of General Motors on a per share basis in proportion to their respective per share liquidation units. GM \$1 2/3 Common Stock is entitled to one liquidation unit per share. New GM Class H Common Stock will be entitled to a number of liquidation units equal to the number of votes to which each such share is entitled, determined as described below under "New GM Class H Common Stock--Voting Rights," subject to adjustment as described above with respect to such voting rights.

New GM Class H Common Stockholders will have no direct rights in the equity or assets of New Hughes Electronics, but rather will have rights in the equity and assets of General Motors (which will include 100% of the stock of New

CLASS A
COMMON STOCK

of New Raytheon, whether voluntary or involuntary, Class A Common Stockholders and Class B Common Stockholders will be entitled to receive the assets of New Raytheon available for distribution

to its stockholders in proportion to the number of shares held by such holders, provided that the full amounts necessary to satisfy any creditors and preferential or participating amounts owing to the holders of New Raytheon Preferred Stock (if any) have been paid or set aside for payment previously.

The liquidation rights of Class A Common Stockholders will relate to New Raytheon, while the liquidation rights of GM Class H Common Stockholders relate to General Motors.

Hughes
Electronics).

RECAPITALIZATION, REPURCHASE RIGHTS AND CERTAIN DISPOSITIONS AND OTHER TRANSACTIONS	Under the GM Certificate of Incorporation, all outstanding shares of GM Class H Common Stock may be recapitalized as	Under the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, all outstanding	Class A Common Stockholders will have no comparable right to that which they possess as GM Class H Common
---	---	---	---

CHAPTER 6: CAPITAL STOCK

GM CLASS H
COMMON STOCK

shares of GM \$1
2/3 Common Stock
(1) at any time
in the sole
discretion of the
GM Board
(provided that
certain
requirements are
met) or (2)
automatically, if
at any time
General Motors
disposes of
substantially all
of the business
of Hughes
Aircraft (or its
successors) or
substantially all
of the other
business of
Hughes
Electronics to a
person, entity or
group of which
General Motors is
not a majority
owner. In the
event of such
recapitalization,
each GM Class H
Common
Stockholder would
receive shares of
GM \$1 2/3 Common
Stock having a
market value, as
of a specified
date provided for
in the GM
Certificate of
Incorporation,
equal to 120% of
the market value
of such holder's
GM Class H Common
Stock on such
date.

As a result of
the GM Spin-Off
Merger, the GM
Certificate of
Incorporation
will be amended
so that the
Hughes
Transactions will
not result in a
recapitalization
of GM Class H
Common Stock into
GM \$1 2/3 Common
Stock at a 120%
exchange ratio,
as described
above.

NEW GM CLASS H
COMMON STOCK

shares of New GM
Class H Common
Stock may be
recapitalized as
shares of GM \$1
2/3 Common Stock
(1) at any time
after December
31, 2002 in the
sole discretion
of the GM Board,
or (2)
automatically, if
at any time
General Motors,
in one
transaction or a
series of related
transactions,
disposes of
substantially all
of the business
of New Hughes
Electronics (or
its successors)
to a person,
entity or group
of which General
Motors is not a
majority owner.
For purposes of
this
recapitalization
provision of the
GM Certificate of
Incorporation,
"substantially
all of the
business" of New
Hughes
Electronics will
mean at least 80%
of the business
of New Hughes
Electronics,
based on the fair
market value of
the assets, both
tangible and
intangible, of
New Hughes
Electronics as of
the time of the
proposed
transaction. In
the event of any
such
recapitalization,
each New GM Class
H Common
Stockholder would
receive shares of
GM \$1 2/3 Common
Stock having a
market value, as
of a specified
date provided for
in the GM
Certificate of
Incorporation (as
proposed to be
amended in the GM
Spin-Off Merger),
equal to 120% of
the market value
of such

CLASS A
COMMON STOCK

Stockholders with
respect to the
potential
recapitalization
of their GM Class
H Common

Stock into GM \$1
2/3 Common Stock
at a 120%
exchange ratio,
as currently
provided for
under certain
circumstances in
the GM
Certificate of
Incorporation.
Class A Common
Stockholders may,
however, have the
potential to
realize premiums
over prevailing
market prices for
Class A Common
Stock in
connection with
certain corporate
transactions,
including tender
offers for New
Raytheon Common
Stock and change
in control
transactions
involving New
Raytheon,
although there
can be no
assurance in this
regard. See "New
Raytheon Capital
Stock--
Limitations on
Changes in
Control" below.
Such premiums, if
any, will not be
limited by any
formula in the
New Raytheon
Certificate of
Incorporation
comparable to
that relating to
the
recapitalization
of GM Class H
Common Stock or
New GM Class H
Common Stock as
described above.

New Raytheon may
not directly or
indirectly
redeem, purchase,
repurchase or
otherwise acquire
for consideration
any shares of New
Raytheon Common
Stock

COMMON STOCK

COMMON STOCK

COMMON STOCK

holder's New GM Class H Common Stock on such date. No automatic recapitalization will occur upon a disposition in connection with the dissolution, liquidation and winding up of General Motors and the distribution of the net assets of General Motors to GM's common stockholders.

unless such action is (1) effected ratably in accordance with the number of outstanding shares of Class A Common Stock and Class B Common Stock, (2) for consideration of the same type and amount as to shares of each class and (3) not in any other way prejudicial to the rights of the holders of one class of New Raytheon Common Stock in favor of the other class of New Raytheon Common Stock.

With respect to certain transfers of assets by New Hughes Electronics to General Motors or the common stockholders of General Motors, see the policy statement of the GM Board adopted in connection with the establishment of the terms of the New GM Class H Common Stock set forth below under "Considerations Relating to GM's Dual-Class Common Stock Capital Structure."

In the event of any corporate merger, consolidation, purchase or acquisition of property or stock, or other reorganization in which any consideration is to be received by the Class A Common Stockholders or the Class B Common Stockholders, the holders of each class will receive the same type and amount of consideration on a per share basis.

CERTAIN LIMITATIONS ON CHANGES IN CONTROL

Not applicable.

Not applicable.

The New Raytheon Certificate of Incorporation and the New Raytheon By-Laws contain certain provisions, such as a classified board of directors, a provision prohibiting stockholder action by written

consent, a provision prohibiting stockholders from calling special meetings and a provision authorizing the New Raytheon Board to consider factors other than stockholders' short-term interests in evaluating an

GM CLASS H
COMMON STOCK

NEW GM CLASS H
COMMON STOCK

CLASS A
COMMON STOCK

offer involving a change in control, which are not present in the GM Certificate of Incorporation or the GM By-Laws and which could have the effect of delaying, deferring or preventing a change in control of New Raytheon or the removal of existing management, of deterring potential acquirors from making an offer to stockholders of New Raytheon and of limiting any opportunity to realize premiums over prevailing market prices for New Raytheon Common Stock in connection therewith.

The New Raytheon Rights Agreement, which also has no equivalent at General Motors, will provide for preferred stock purchase rights that could have the same effect.

New Raytheon, like General Motors, will be subject to Section 203 of the Delaware General Corporation Law.

In order to preserve the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, New Raytheon will be subject to certain covenants under the Spin-Off Separation Agreement which will act to prohibit New Raytheon from entering into or permitting (to the extent that New Raytheon has

GM CLASS H
COMMON STOCK

NEW GM CLASS H
COMMON STOCK

CLASS A
COMMON STOCK

the right to prohibit) certain transactions and taking certain actions with respect to the New Raytheon Certificate of Incorporation or the New Raytheon By-Laws. Such prohibitions, to which General Motors is not subject, could have the effect of delaying, deferring or preventing a change in control of New Raytheon and of limiting the opportunity to realize premiums over prevailing market prices for New Raytheon Common Stock in connection therewith during the period of their applicability. For additional information regarding these prohibitions, see "Separation and Transition Arrangements-- Summary of Spin-Off Separation Agreement-- Preservation of Tax-Free Status of the Hughes Transactions and the Raytheon Merger" in Chapter 3.

NUMBER OF SHARES
OUTSTANDING
IMMEDIATELY
AFTER THE HUGHES
TRANSACTIONS
(BASED ON THE
NUMBER OF SHARES
OF GM CLASS H
COMMON STOCK
OUTSTANDING AS
OF SEPTEMBER 30,
1997)

102,459,163

102,459,163

102,630,503

STOCK EXCHANGE
LISTING

GM Class H Common Stock is listed on the NYSE under the symbol "GMH."

Application has been made to list New GM Class H Common Stock on the NYSE and such application has been granted subject to notice of issuance. It is

Application will be made to list Class A Common Stock on the NYSE. It is expected that Class A Common Stock will be listed on the NYSE under the symbol "RTNA."

GM CLASS H
COMMON STOCK

NEW GM CLASS H
COMMON STOCK

CLASS A
COMMON STOCK

expected that New
GM Class H Common
Stock will be
listed on the
NYSE under the
symbol "GMH."

FORM OF STOCK
OWNERSHIP

Certificated.

Uncertificated
(unless otherwise
requested).

Uncertificated
(unless otherwise
requested).

CHAPTER 6: CAPITAL STOCK

CHAPTER 6: CAPITAL STOCK
CONSIDERATIONS RELATING TO GM'S DUAL-CLASS
COMMON STOCK CAPITAL STRUCTURE

OVERVIEW

General Motors currently has a dual-class common stock capital structure with two classes of common stock outstanding: GM \$1 2/3 Common Stock and GM Class H Common Stock. After the completion of the Hughes Transactions, General Motors will continue to have a dual-class common stock capital structure with two classes of common stock outstanding: GM \$1 2/3 Common Stock and New GM Class H Common Stock. The following discussion addresses certain considerations relating to GM's dual-class common stock structure.

The GM Certificate of Incorporation, both in its current form and as proposed to be amended in the GM Spin-Off Merger, restricts the power of the GM Board to declare and pay dividends on either class of common stock to certain defined amounts which are attributable to each separate class of common stock and subject to the amount legally available for the payment of dividends by General Motors. For dividend purposes, this restriction serves to preserve the interest in retained earnings of holders of each class of GM common stock in relation to the interests therein of holders of the other class. However, this restriction does not result in a physical segregation of the assets of General Motors on the one hand and Hughes Electronics (before the Hughes Transactions) or New Hughes Electronics (after the Hughes Transactions) on the other, nor does it result in the establishment of separate accounts or dividend or liquidation preferences with respect to such assets for the benefit of the holders of either of the separate classes of GM common stock. GM Class H Common Stockholders have no direct rights in the equity or assets of Hughes Electronics but rather, together with GM \$1 2/3 Common Stockholders, have certain liquidation rights in the equity and assets of General Motors (which include 100% of the stock of Hughes Electronics). Similarly, New GM Class H Common Stockholders will have no direct rights in the equity or assets of New Hughes Electronics but rather, together with GM \$1 2/3 Common Stockholders, will have certain liquidation rights in the equity and assets of General Motors (which include 100% of the stock of New Hughes Electronics) after the Hughes Transactions.

The existence of two classes of common stock with separate dividend rights as provided for in the GM Certificate of Incorporation, both in its current form and as proposed to be amended in the GM Spin-Off Merger, can give rise to potential divergences among the interests of the holders of the two classes of GM common stock with respect to various intercompany transactions and other matters. Because General Motors is incorporated under the Delaware General Corporation Law (and will continue to be so after the Hughes Transactions), the laws of Delaware govern, and will continue to govern, the duties of the GM Board with respect to such divergences. Under Delaware law, the GM Board owes an equal fiduciary duty to all holders of GM common stock and must act with due care and on an informed basis in the best interest of General Motors and all such common stockholders, regardless of class. In this regard, the GM Board, in the discharge of its fiduciary duties, principally through its Capital Stock Committee (which is and will continue to be comprised entirely of independent directors of General Motors), oversees the policies, programs and practices of General Motors which may impact the potentially divergent interests of the two classes of GM common stock (and will continue to do so after the Hughes Transactions).

The GM By-Laws, in defining the role of the Capital Stock Committee, currently provide that such Committee shall oversee those matters in which the two classes of stockholders may have divergent interests, particularly as they relate to: (1) the business and financial relationships between General Motors or any of its units and Hughes Electronics; (2) dividends in respect of, disclosures to stockholders and the public concerning, and transactions by General Motors or any of its subsidiaries in, shares of GM Class H Common Stock; and (3) any matters arising in connection therewith, all to the extent the Committee may deem appropriate, and to recommend such changes in such policies, programs and practices as the Committee may deem appropriate. In performing this function, the Capital Stock Committee's role is not to make decisions concerning matters referred to its attention, but rather to oversee the process by which decisions concerning such matters are made. The Committee does this with a view towards, among other things, assuring a process

CHAPTER 6: CAPITAL STOCK

of fair dealing between General Motors and Hughes Electronics as well as fair consideration of the interests of all of GM's common stockholders in the resolution of such matters.

After the Hughes Transactions, the Capital Stock Committee will continue to have the same oversight role with respect to the relationship between General Motors and New Hughes Electronics, dividend policies and practices of General Motors and such other matters as have the potential to have differing effects on holders of both classes of GM common stock as it currently does with respect to General Motors and Hughes Electronics.

BOARD OF DIRECTORS

The Hughes Electronics Board currently has eight members. Three directors are independent directors of General Motors (one of whom is also a member of the Capital Stock Committee of the GM Board), three directors are executive officers of General Motors and two directors are executive officers of Hughes Electronics. Those directors of Hughes Electronics who are also executive officers of General Motors devote a substantial amount of their time to the business and affairs of General Motors and its other subsidiaries or to the oversight thereof.

We expect that the persons currently serving as directors of Hughes Electronics will become directors of New Hughes Electronics. We are continuing to review the composition of the New Hughes Electronics board of directors and may make changes to the composition of the board following the completion of the Hughes Transactions. For additional information regarding the New Hughes Electronics board, see "Business of Hughes Telecom--Directors and Executive Officers of New Hughes Electronics" in Chapter 4.

NEW GM BOARD POLICY STATEMENT

In connection with its determination of the terms of the New GM Class H Common Stock, the GM Board reviewed its policies and practices with respect to GM's dual-class common stock capital structure and adopted, subject to the consummation of the Hughes Transactions, the following policy statement:

GENERAL MOTORS CORPORATION
BOARD OF DIRECTORS

GM BOARD POLICY STATEMENT REGARDING CERTAIN CAPITAL STOCK MATTERS

(A) GENERAL POLICY. It is the policy of the Board of Directors of General Motors Corporation (the "GM Board"):

(1) that all material matters as to which the holders of the two classes of GM common stock may have potentially divergent interests shall be resolved in a manner which the GM Board determines to be in the best interests of General Motors Corporation and all of its common stockholders after giving fair consideration to the potentially divergent interests and all other relevant interests of the holders of the separate classes of GM common stock; and

(2) that a process of fair dealing shall govern the relationship between GM and HEC and the means by which the terms of any material transaction between them shall be determined.

(B) ADDITIONAL MATTERS. In relation to the foregoing policy, it is the further policy of the GM Board that:

(1) QUARTERLY DIVIDENDS.

(a) In contemplation of the GM Board's duty periodically to consider an appropriate dividend policy and practice in relation to Class H Common Stock and its expectation that the Board of Directors of HEC (the "HEC Board") shall, at least annually, consider and determine a quarterly dividend policy with respect to the common stock of HEC (100% of which is held by GM), the GM Board shall, at least annually, determine a quarterly dividend policy with respect to the Class H Common Stock.

(b) The quarterly dividend policy of the GM Board with respect to the Class H Common Stock shall be to declare and pay quarterly dividends on the Class H Common Stock in an amount equal to the product of (i) the aggregate amount of each quarterly dividend received by GM as a stockholder of HEC, if any, multiplied by (ii) the fraction used to determine the Available Separate Consolidated Net Income of Hughes (as such term is used in GM's Restated Certificate of Incorporation, as amended) at the time such dividend was declared by HEC.

(c) GM's payment of a quarterly dividend on the Class H Common Stock shall be made as soon as practicable after receipt of the corresponding dividend payment from HEC.

(2) PRINCIPLES GOVERNING DIVIDENDS AND DISTRIBUTIONS OTHER THAN QUARTERLY DIVIDENDS.

(a) Except as provided in paragraph (B)(2)(b) below, in the event that HEC directly or indirectly makes any transfer of material assets to GM or to GM's stockholders:

(i) TRANSFERS OF HEC ASSETS TO GM. If such transfer of assets by HEC is to GM, the GM Board shall as soon thereafter as practicable declare and pay a dividend or make other provision with respect to a distribution on the Class H Common Stock so that there shall be distributed to the holders of Class H Common Stock a portion of such assets transferred to GM that is not less than the fraction used to determine the Available Separate Consolidated Net Income of Hughes at the time of such transfer to GM; provided that, if the GM Board determines that it is not reasonably practicable or not in the best interests of the holders of Class H Common Stock for GM to distribute any such assets to the holders of Class H Common Stock, GM shall distribute to such holders cash or other noncash assets having an equivalent fair value; and

(ii) TRANSFERS OF HEC ASSETS TO GM'S STOCKHOLDERS. If such transfer of assets by HEC is to GM's stockholders, the portion of such assets transferred to the holders of Class H Common Stock shall be not less than the fraction used to determine the Available Separate Consolidated Net Income of Hughes at the time of such transfer.

(b) EXCEPTIONS TO FOREGOING PRINCIPLES. The provisions of paragraph (B)(2)(a) above shall not apply to any of the following asset transfers:

(i) any transfer that results in the recapitalization of Class H Common Stock into \$1 2/3 Par Value Common Stock pursuant to the provisions of paragraph (c) of Division I of Article Fourth of GM's Restated Certificate of Incorporation, as amended;

(ii) any transfer that is made pursuant to the quarterly dividend policy described in paragraph (B)(1) above;

(iii) any transfer that is made in the ordinary course of HEC's business;

(iv) any transfer for which HEC shall have received fair compensation as determined pursuant to this policy as described in paragraph (A) above, provided that, where required by paragraph (B)(3) below, stockholder consent to such transfer shall have been received; and

(v) any transfer which shall have received the consent of the holders of a majority of the outstanding shares of Class H Common Stock, voting as a separate class, and \$1 2/3 Par Value Common Stock, voting as a separate class.

(3) SEPARATE CLASS VOTES OF GM'S STOCKHOLDERS AS A CONDITION TO GM'S ACQUISITION OF A SIGNIFICANT PORTION OF HEC ASSETS. GM shall not acquire in one transaction or a series of related transactions a significant portion of the business of HEC for compensation without receiving the consent of the holders of a majority of the outstanding shares of Class H Common Stock, voting as a separate class, and \$1 2/3 Par Value Common Stock, voting as a separate class. For purposes of this paragraph, "significant portion of the business of HEC" shall mean more than 33% of the business of HEC, based on the fair market value of the assets, both tangible and intangible, of HEC as of the time that the proposed transaction is approved by the GM Board.

(4) BASIS FOR COMMERCIAL TRANSACTIONS BETWEEN GM AND HEC. GM and HEC shall operate on the principle that all material commercial transactions between them shall be based on commercially reasonable terms.

(C) MEANING OF "GM" AND "HEC" WITHIN THIS POLICY. For purposes of this policy, "GM" shall mean General Motors Corporation and its affiliates (other than HEC), and "HEC" shall mean Hughes Electronics Corporation, including any person controlled by Hughes Electronics Corporation.

(D) ROLE OF CAPITAL STOCK COMMITTEE RELATING TO THIS POLICY. The Capital Stock Committee of the GM Board shall oversee the implementation of, and shall have authority to interpret, this policy.

(E) DELEGATION. In administering this policy, the GM Board may, at its option, delegate its authority, including to the Capital Stock Committee, and may delegate to members of management the authority to implement any matter pursuant to this policy.

(F) FIDUCIARY OBLIGATIONS. In making any and all determinations in connection with this policy, either directly or by appropriate delegation of authority, the GM Board shall act in its fiduciary capacity and pursuant to legal guidance concerning its obligations under applicable law.

(G) GM BOARD MAY MAKE FUTURE PROPOSALS TO STOCKHOLDERS FOR RECAPITALIZATION TRANSACTIONS WHICH WOULD BE ON TERMS DIFFERENT FROM THOSE IN GM'S CURRENT RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED. Consistent with the terms of both GM's Restated Certificate of Incorporation, as amended, and Delaware General Corporation Law, the GM Board may, in the future, propose recapitalization transactions to GM stockholders on terms different from those provided for under GM's Restated Certificate of Incorporation, as amended. (Such alternative proposals were utilized by GM's Board of Directors in connection with the split-off of Electronic Data Systems Corporation in 1996 and the spin-off of the defense electronics business of HEC in 1997.)

(H) INTERPRETATION, AMENDMENTS AND MODIFICATIONS OF THIS POLICY. This policy may at any time and from time to time be modified, rescinded and interpreted by the GM Board, and the GM Board may adopt additional or other policies or make exceptions with respect to the application of this policy in connection with particular facts and circumstances, all as the GM Board may determine, consistent with its fiduciary duties to General Motors Corporation and all of its common stockholders, to be in the best interests of General Motors Corporation and all of its common stockholders, and any such action may be taken with or without the approval of the stockholders of General Motors Corporation.

* * * * *

As set forth therein, this policy statement may be modified or rescinded at any time and from time to time by the GM Board and the GM Board may propose to GM stockholders alternative recapitalization proposals. The GM Board has no present intention to modify or rescind this policy statement or to propose a recapitalization of the New GM Class H Common Stock. See "Risk Factors--Risk Factors Relating to GM's Dual-Class Common Stock Capital Structure--GM Board Policies and Practices Are Subject to Change" in Chapter 2.

Notwithstanding this policy statement or the provisions concerning recapitalization of the New GM Class H Common Stock into GM \$1 2/3 Common Stock at a 120% exchange ratio as provided under certain circumstances in the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, the GM Board may propose to GM's common stockholders for their approval one or more transactions on terms different from those provided for by such provisions or by this policy statement. See "Risk Factors--Risk Factors Relating to GM's Dual-Class Common Stock Capital Structure--Potentially Diverging Interests of GM's Common Stockholders; Fiduciary Duties of the GM Board" in Chapter 2.

GM CLASS H COMMON STOCK

INTRODUCTION

GM Class H Common Stock is one of two classes of GM common stock. The other class of common stock is GM \$1 2/3 Common Stock. On the Record Date, approximately 103 million shares of GM Class H Common Stock, held by approximately 233,240 record holders, were issued and outstanding.

GM Class H Common Stockholders have no direct rights in the equity or assets of Hughes Electronics or Hughes Defense, but rather have rights in the equity and assets of General Motors (which includes 100% of the stock of Hughes Electronics). GM Class H Common Stock is designed to provide holders with financial returns based on the performance of Hughes Electronics. The intent of this design objective is achieved through (1) allocations under the GM Certificate of Incorporation of the earnings of General Motors attributable to Hughes Electronics between amounts available for the payment of dividends on GM Class H Common Stock and amounts available for the payment of dividends on the GM \$1 2/3 Common Stock and (2) the announced current dividend policies and practices of the GM Board with respect to the GM Class H Common Stock, all as more fully described below. The GM Board is free at any time to change dividend policies and practices with respect to GM Class H Common Stock or the GM \$1 2/3 Common Stock.

PRICE RANGE AND DIVIDENDS PAID

The GM Class H Common Stock is listed and traded on the NYSE under the symbol "GMH." The table below shows the range of reported per share sale prices on the NYSE Composite Tape for the GM Class H Common Stock for the periods indicated, and the dividends paid per share on the GM Class H Common Stock in such periods. The last reported sale price of the GM Class H Common Stock on the NYSE on October 15, 1997 was \$68.75 per share.

CALENDAR YEAR	HIGH	LOW	DIVIDENDS PAID
-----	-----	-----	-----
1995			
First Quarter.....	\$41.75	\$33.25	\$0.23
Second Quarter.....	41.63	37.75	0.23
Third Quarter.....	42.75	39.13	0.23
Fourth Quarter.....	50.00	39.50	0.23
1996			
First Quarter.....	63.38	45.00	0.24
Second Quarter.....	68.25	57.50	0.24
Third Quarter.....	61.38	53.13	0.24
Fourth Quarter.....	59.25	49.50	0.24
1997			
First Quarter.....	64.88	54.25	0.25
Second Quarter.....	60.25	49.00	0.25
Third Quarter.....	67.50	56.13	0.25
Fourth Quarter (through October 15, 1997).....	68.75	66.81	--

On January 15, 1997, the day prior to the day on which General Motors announced that it intended to pursue the Hughes Transactions, the closing price of the GM Class H Common Stock, as reported on the NYSE Composite Tape, was \$62 5/8, and the aggregate market value of the outstanding GM Class H Common Stock was approximately \$6.3 billion. On such date, the closing price of the GM \$1 2/3 Common Stock, as reported on the NYSE Composite Tape, was \$60 1/8 and the aggregate market value of the outstanding GM \$1 2/3 Common Stock was approximately \$45.4 billion.

On October 6, 1997, the day on which General Motors announced that the GM Board had approved the final terms of the Hughes Transactions, including the Distribution Ratio, the closing price of the GM Class H

CHAPTER 6: CAPITAL STOCK

Common Stock, as reported on the NYSE Composite Tape, was \$67.00, and the aggregate market value of the outstanding GM Class H Common Stock was approximately \$6.9 billion. On such date, the closing price of the GM \$1 2/3 Common Stock, as reported on the NYSE Composite Tape, was \$68.50 and the aggregate market value of the outstanding GM \$1 2/3 Common Stock was approximately \$48.4 billion.

GM CERTIFICATE OF INCORPORATION PROVISIONS REGARDING DIVIDENDS

Subject to the rights of the holders of GM Preferred Stock (if any) and GM Preference Stock, under the GM Certificate of Incorporation, dividends on GM Class H Common Stock may be declared and paid out of the assets of General Motors only to the extent of the sum of (1) the paid in surplus of General Motors attributable to the GM Class H Common Stock plus (2) an allocated portion of the earnings of Hughes Electronics after December 31, 1985, the date that General Motors acquired Hughes Aircraft, which is referred to as the Available Separate Consolidated Net Income of Hughes Electronics (determined as described below).

The Available Separate Consolidated Net Income of Hughes Electronics for any quarterly period represents the separate consolidated net income of Hughes Electronics for such period, excluding the effects of GM purchase accounting adjustments arising at the time of GM's acquisition of Hughes Aircraft, calculated for such period and multiplied by a fraction, the numerator of which is a number equal to the weighted average number of shares of GM Class H Common Stock outstanding during the quarter (100 million during the second quarter of 1997) and the denominator of which was 400 million for the second quarter of 1997, provided that such fraction shall never be greater than one. The GM Certificate of Incorporation permits the denominator to be adjusted from time to time as deemed appropriate by the GM Board (1) to reflect subdivisions and combinations of GM Class H Common Stock and stock dividends payable in shares of GM Class H Common Stock to GM Class H Common Stockholders, (2) to reflect the fair market value of contributions of cash or property by General Motors or its subsidiaries to Hughes Electronics or its subsidiaries and to reflect such contributions or contributions of GM capital stock by General Motors to, or for the benefit of, employees of Hughes Electronics or its subsidiaries in connection with employee benefit plans or arrangements and (3) to reflect payments by Hughes Electronics to General Motors of amounts applied to the repurchase by General Motors of shares of GM Class H Common Stock and purchases by Hughes Electronics of shares of GM Class H Common Stock. The GM Board has determined the denominator will be automatically adjusted at the end of each quarter to reflect on a weighted-average basis the number of shares of GM Class H Common Stock acquired or sold by Hughes Electronics during such quarter. For all purposes, determination of the Available Separate Consolidated Net Income of Hughes Electronics is in the discretion of the GM Board, subject to the provisions described above of the GM Certificate of Incorporation.

As described above, under the GM Certificate of Incorporation, the amortization of intangible assets arising from the purchase accounting adjustments related to GM's acquisition of Hughes Aircraft is charged against earnings attributable to GM \$1 2/3 Common Stock and not against earnings attributable to GM Class H Common Stock. For additional information regarding these purchase accounting adjustments, see the Hughes Electronics financial information set forth in Exhibit 99 to the GM 1996 Form 10-K.

For purposes of determining the approximate earnings per share attributable to GM Class H Common Stock for financial reporting purposes, an investor may divide the quarterly earnings allocated to GM Class H Common Stock (the Available Separate Consolidated Net Income of Hughes Electronics) by the weighted average number of shares of GM Class H Common Stock outstanding during such quarter, which is the numerator of the fraction described above. You can obtain approximately the same mathematical result by dividing the quarterly earnings used for computation of the Available Separate Consolidated Net Income of Hughes Electronics (i.e., net income) by the denominator of the fraction described above.

DIVIDEND POLICY

The declaration of any dividend on either class of GM common stock is a matter to be acted upon by the GM Board upon the recommendation of GM management. Dividend policy with respect to GM Class H

Common Stock is, and with respect to New GM Class H Common Stock will be, one of the matters reviewed by the Capital Stock Committee of the GM Board. See "Considerations Relating to GM's Dual-Class Common Stock Capital Structure" above. The current dividend policy of the GM Board is to pay quarterly dividends on GM Class H Common Stock, when, as and if declared by the GM Board, at an annual rate equal to approximately 35% of the Available Separate Consolidated Net Income of Hughes Electronics for the prior year. Notwithstanding this dividend policy, the GM Board has decided that a quarterly dividend of \$0.25 per share shall be paid on GM Class H Common Stock during 1997, an annual rate somewhat higher than 35% of the Available Separate Consolidated Net Income of Hughes Electronics for the preceding year.

Under Delaware law and the GM Certificate of Incorporation, the GM Board is not required to declare dividends on any class of GM common stock. If and to the extent the GM Board chooses to declare dividends on either or both of the classes of its common stock, neither Delaware law nor the GM Certificate of Incorporation requires that there be any proportionate or other fixed relationship between the amount of dividends declared with respect to such different classes of common stock. The GM Board reserves the right to reconsider from time to time its policies and practices regarding dividends on GM common stock and to increase or decrease the dividends paid on GM common stock on the basis of GM's consolidated financial position, including liquidity, and other factors, including, with regard to GM Class H Common Stock, the earnings and consolidated financial position of Hughes Electronics. There is no fixed relationship, on a per share or aggregate basis, between the cash dividends that may be paid by General Motors to GM Class H Common Stockholders and cash dividends or other amounts that may be paid by Hughes Electronics to General Motors. However, it has been the practice of the Hughes Electronics Board to pay quarterly cash dividends to General Motors in an aggregate amount equal to the quarterly dividend per share paid by General Motors on GM Class H Common Stock multiplied by the denominator of the fraction used to determine the Available Separate Consolidated Net Income of Hughes Electronics. In addition, under the current dividend policies and practices of the GM Board, dividends on GM Class H Common Stock are not materially affected by developments involving the performance (operations, liquidity or financial condition) of General Motors (excluding Hughes Electronics).

VOTING RIGHTS

Under the GM Certificate of Incorporation and subject to adjustment as described below under "--Subdivision or Combination," GM Class H Common Stockholders are entitled to cast one-half of a vote per share on all matters submitted to GM's common stockholders for a vote (including the election and removal of directors), while GM \$1 2/3 Common Stockholders may cast one vote per share. Holders of both classes of GM common stock vote together as a single class on all matters, except that separate class votes are required for certain amendments to the GM Certificate of Incorporation, including any amendment which adversely affects the rights, powers or privileges of any class, which must also be approved by the holders of that class voting separately as a class.

LIQUIDATION RIGHTS

In the event of the liquidation, dissolution or winding up of the business of General Motors, whether voluntary or involuntary, the GM Certificate of Incorporation provides that, after the holders of GM Preferred Stock (if any) and GM Preference Stock receive the full preferential amounts to which they are entitled, GM Class H Common Stockholders and GM \$1 2/3 Common Stockholders will receive the assets remaining for distribution to the GM's stockholders on a per share basis in proportion to the respective per share liquidation units of such classes. Subject to adjustment as described below under "--Subdivision or Combination," each share of GM Class H Common Stock and GM \$1 2/3 Common Stock would be entitled to liquidation units of approximately one-half and one, respectively. GM Class H Common Stockholders have no direct rights in the equity or assets of Hughes Electronics, but rather have rights in the equity and assets of General Motors (which includes 100% of the stock of Hughes Electronics).

RECAPITALIZATION

Under the GM Certificate of Incorporation, all outstanding shares of GM Class H Common Stock may be recapitalized as shares of GM \$1 2/3 Common Stock (1) at any time in the sole discretion of the GM Board (provided that, during each of the five full fiscal years preceding the exchange, the aggregate cash dividends on the GM Class H Common Stock have been no less than the product of the Payout Ratio (as defined below) for such year multiplied by the Available Separate Consolidated Net Income of Hughes Electronics for the prior fiscal year) or (2) automatically, if at any time General Motors disposes of substantially all of the business of Hughes Aircraft (or its successors) or of substantially all of the other business of Hughes Electronics to a person, entity or group of which General Motors is not a majority owner. In the event of such a recapitalization, each GM Class H Common Stockholder would receive shares of GM \$1 2/3 Common Stock having a market value, as of a specified date provided for in the GM Certificate of Incorporation, equal to 120% of the market value of such holder's GM Class H Common Stock on such date. Based on the dividends paid on GM Class H Common Stock in 1992 through 1996, the conditions described in clause (1) above would be satisfied during 1997.

No fractional shares of GM \$1 2/3 Common Stock would be issued in any such exchange. In lieu of fractional shares, GM Class H Common Stockholders would receive cash equal to the product of (A) the fraction of a share of GM \$1 2/3 Common Stock to which the holder would otherwise have been entitled multiplied by (B) the average market price per share of GM \$1 2/3 Common Stock on such valuation date.

The "Payout Ratio" equals the lesser of (A) 0.25 or (B) the quotient of (x) the total cash dividends paid on the GM \$1 2/3 Common Stock in respect of such fiscal year, divided by (y) the consolidated net income of General Motors and its subsidiaries for each such fiscal year minus the Available Separate Consolidated Net Income of EDS (as defined in Article Fourth of the GM Certificate of Incorporation) for any portion of such fiscal year during which EDS was a direct or indirect wholly owned subsidiary of General Motors and the Available Separate Consolidated Net Income of Hughes Electronics for such fiscal year.

SUBDIVISION OR COMBINATION

If General Motors subdivides (by stock split or otherwise) or combines (by reverse stock split or otherwise) the outstanding shares of the GM \$1 2/3 Common Stock or the GM Class H Common Stock, the voting and liquidation rights of shares of GM Class H Common Stock relative to GM \$1 2/3 Common Stock will be appropriately adjusted. In the event of the issuance of shares of GM Class H Common Stock as a dividend on shares of GM \$1 2/3 Common Stock, the liquidation rights of the applicable class of common stock would be adjusted so that the relative aggregate liquidation rights of each stockholder would not be changed as a result of such dividend.

INTRODUCTION

Upon the consummation of the Hughes Transactions, each outstanding share of GM Class H Common Stock will be recapitalized and converted into one share of New GM Class H Common Stock and will be entitled to receive a distribution of Class A Common Stock in accordance with the Distribution Ratio. Persons who currently hold GM Class H Common Stock will be holders of New GM Class H Common Stock and Class A Common Stock. Reference is also made to the more detailed provisions of, and such descriptions are qualified in their entirety by reference to, Article Fourth of the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, a copy of which is attached as Exhibit A to Appendix A to this document. WE URGE YOU TO READ APPENDIX A (INCLUDING EXHIBIT A THERETO) CAREFULLY.

New GM Class H Common Stockholders will have no direct rights in the equity or assets of New Hughes Electronics, but rather will have rights in the equity and assets of General Motors (which will include 100% of the stock of New Hughes Electronics). New GM Class H Common Stock has been designed to provide holders with financial returns based on the performance of New Hughes Electronics. The intent of this design objective has been achieved through (1) allocations under the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, of the earnings of General Motors attributable to New Hughes Electronics between amounts available for the payment of dividends on New GM Class H Common Stock and amounts available for the payment of dividends on the GM \$1 2/3 Common Stock and (2) the dividend policies and practices of the GM Board with respect to the New GM Class H Common Stock, including the policy statement of the GM Board regarding certain capital stock matters, all as more fully described elsewhere in this document. General Motors, not New Hughes Electronics, will be the issuer of New GM Class H Common Stock. The GM Board will be free at any time to change dividend policies and practices with respect to New GM Class H Common Stock or the GM \$1 2/3 Common Stock. See "Risk Factors--Risk Factors Relating to GM's Dual-Class Common Stock Structure--GM Board Policies and Practices Are Subject to Change" in Chapter 2.

GM CERTIFICATE OF INCORPORATION PROVISIONS REGARDING DIVIDENDS

Under the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, dividends may be paid on GM's two classes of common stock to the extent of the assets of General Motors legally available for the payment of dividends, subject to the rights of the holders of GM Preferred Stock (if any) and GM Preference Stock, and subject to the allocation of the legally available amount between GM's two classes of common stock, as described below. The total amount legally available for the payment of dividends by a Delaware corporation is generally the excess of the fair market value of the corporation's net assets over amounts constituting the corporation's capital; this excess amount is referred to as "surplus." Dividends may also be paid, if there is no surplus, to the extent of the net profits for the then current and/or the preceding fiscal year.

The GM Certificate of Incorporation, as proposed to be amended, will allocate the total amount legally available for the payment of dividends on GM's common stock between GM's two classes of common stock as follows:

- . Dividends may be paid on the GM \$1 2/3 Common Stock to the extent of the assets of General Motors legally available for the payment of dividends reduced by the sum of (1) the amount initially attributed by the GM Board to the New GM Class H Common Stock as described below plus the paid in surplus attributable to shares of New GM Class H Common Stock issued after the closing of the Hughes Transactions, plus (2) the portion of the net earnings of General Motors after the closing of the Hughes Transactions attributed to the New GM Class H Common Stock in accordance with the GM Certificate of Incorporation, which is based on the Available Separate Consolidated Net Income of New Hughes Electronics, as described below, plus or minus (3) the amount of any adjustment made by the GM Board as described below.

. Dividends may be paid on the New GM Class H Common Stock to the extent of the assets of General Motors legally available for the payment of dividends reduced by the sum of (1) the amount initially attributed by the GM Board to the GM \$1 2/3 Common Stock as described below plus the paid in surplus attributable to shares of GM \$1 2/3 Common Stock issued after the closing of the Hughes Transactions, plus (2) all of the earnings of General Motors after the closing of the Hughes Transactions other than the earnings attributed to the New GM Class H Common Stock in accordance with the GM Certificate of Incorporation, which is based on the Available Separate Consolidated Net Income of New Hughes Electronics, as described below, plus or minus (3) the amount of any adjustment made by the GM Board as described below.

. The GM Board has determined that the amount available for the payment of dividends on the outstanding shares of GM \$1 2/3 Common Stock as of the closing of the Hughes Transactions will be the cumulative amount available for dividends on such shares as of immediately before the closing, reduced by a pro rata portion (approximately 74.4% based on the current Class H Fraction) of the net reduction in GM's total stockholders' equity resulting from the Hughes Transactions. The impact of this reduction is described below on a pro forma basis as of June 30, 1997.

. The GM Board has determined that the amount initially available for the payment of dividends on the shares of New GM Class H Common Stock to be issued in the Hughes Transactions will be the cumulative amount available for dividends on shares of GM Class H Common Stock as of immediately before the closing of the Hughes Transactions, reduced by a pro rata portion (approximately 25.6% based on the current Class H Fraction) of the net reduction in GM's total stockholders' equity resulting from the Hughes Transactions. The impact of this reduction is described below on a pro forma basis as of June 30, 1997.

The amount available for dividends on each class of GM common stock will be reduced from time to time by dividends paid on that class and will be adjusted from time to time for changes to the amount of surplus attributed to the class resulting from the repurchase or issuance of shares of that class. In addition, the amount of surplus, and therefore the amount available for dividends on each class, may be adjusted as provided by Delaware law for any reason deemed appropriate by the GM Board. Delaware law permits the board of directors of a corporation to adjust the total amount legally available for the payment of dividends to reflect a re-valuation of the assets and liabilities of the corporation in the exercise of its business judgment.

Subject to the foregoing, the declaration and payment of dividends on each class of GM common stock, and the amount thereof, shall at all times be solely in the discretion of the GM Board. The GM Board may, in its sole discretion, declare dividends payable exclusively to the holders of GM \$1 2/3 Common Stock, exclusively to the holders of GM Class H Common Stock or to the holders of both such classes in equal or unequal amounts, notwithstanding the respective amounts of surplus available for dividends to each class, the respective voting and liquidation rights of each class, the amount of prior dividends declared on each class or any other factor.

As of June 30, 1997, based on the stockholders' equity of General Motors reflected in its consolidated balance sheet at such date prepared in accordance with generally accepted accounting principles and subject to the authority of the GM Board to make adjustments as described above, the cumulative amount available for payment of dividends on GM common stock was approximately \$26.5 billion, of which approximately \$23 billion was available for dividends on the GM \$1 2/3 Common Stock and approximately \$3.5 billion was available for dividends on the GM Class H Common Stock. Based on the Recent Raytheon Stock Price, the estimated net effect of the Hughes Transactions on total stockholders' equity would be a reduction of approximately \$1.5 billion. The GM Board has determined that it would be appropriate in the context of the Hughes Transactions to allocate the net reduction in total stockholders' equity between the two classes of GM common stock following the completion of the Hughes Transactions in proportion to the derivative interests of the two existing classes of common stock in the earnings of Hughes Electronics, which are reflected in the

Class H Fraction. Accordingly, the GM Board determined to allocate approximately 74.4% of the net reduction to the GM \$1 2/3 Common Stock, resulting in a pro forma amount available for dividends on such stock of approximately \$21.6 billion as of June 30, 1997 (after giving effect to the impact of the preferred stock exchange that occurred on July 9, 1997). Similarly, the GM Board has set the initial amount available for dividends on the New GM Class H Common Stock to be issued upon the closing of the Hughes Transactions as the amount available for the payment of dividends on the GM Class H Common Stock immediately before the closing of the Hughes Transactions less approximately 25.6% of the net reduction in total stockholders' equity resulting from the Hughes Transactions, resulting in an initial amount available for dividends on the New GM Class H Common Stock that would have been approximately \$3.1 billion on a pro forma basis as of June 30, 1997.

As described above, under the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, the amortization of intangible assets arising from the purchase accounting adjustments related to GM's acquisition of Hughes Aircraft applicable to the telecommunications and space business of Hughes Electronics will be charged against earnings attributable to GM \$1 2/3 Common Stock and not against earnings attributable to New GM Class H Common Stock. For additional information regarding these purchase accounting adjustments, see the Hughes Telecom financial information set forth in Appendix E to this document.

For purposes of determining the approximate earnings per share attributable to New GM Class H Common Stock for financial reporting purposes, an investor will be able to divide the quarterly earnings allocated to New GM Class H Common Stock (the Available Separate Consolidated Net Income of New Hughes Electronics) by the weighted average number of shares of New GM Class H Common Stock outstanding during such quarter, which is the numerator of the fraction described above. You will be able to obtain approximately the same mathematical result by dividing the quarterly earnings used for computation of the Available Separate Consolidated Net Income of New Hughes Electronics (i.e., net income) by the denominator of the fraction described above.

DIVIDEND POLICY

Under Delaware law and the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, the GM Board will not be required to declare dividends on any class of GM common stock. If and to the extent the GM Board chooses to declare dividends on either or both of the classes of its common stock, neither Delaware law nor the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, will require that there be any proportionate or other fixed relationship between the amount of dividends declared with respect to such different classes of common stock. The GM Board reserves the right to reconsider from time to time its policies and practices regarding dividends on GM common stock and to increase or decrease the dividends paid on GM common stock on the basis of GM's consolidated financial position, including liquidity, and other factors, including, with regard to New GM Class H Common Stock, the earnings and consolidated financial position of New Hughes Electronics. Information concerning General Motors and its consolidated financial performance, including Management's Discussion and Analysis, may be found in the documents incorporated into this document by reference, including the GM 1996 Form 10-K.

In connection with its determination of the terms of the New GM Class H Common Stock to be issued in the Hughes Transactions, the GM Board reviewed its policies and practices with respect to GM's dual-class common stock capital structure and, as described above, subject to consummation of the Hughes Transactions, adopted a policy statement which will provide, among other things, that the quarterly dividend policy of the GM Board with respect to the New GM Class H Common Stock will be to declare and pay quarterly dividends on the New GM Class H Common Stock in an amount equal to the product of (1) the aggregate amount of each quarterly dividend received by General Motors as a stockholder of New Hughes Electronics, if any, multiplied by (2) the fraction used to determine the Available Separate Consolidated Net Income of New Hughes Electronics at the time such dividend was declared by New Hughes Electronics. The policy statement

further provides that GM's payment of a quarterly dividend on the New GM Class H Common Stock will be made as soon as practicable after receipt of the corresponding dividend payment from New Hughes Electronics. As set forth therein, this policy statement may at any time and from time to time be modified or rescinded by the GM Board. The GM Board has no present intention to modify or rescind this policy statement. See "Considerations Relating to GM's Dual-Class Common Stock Capital Structure--New GM Board Policy Statement" above.

Following the completion of the Hughes Transactions, future earnings (if any) from the telecommunications and space business of New Hughes Electronics will be retained for the development of that business. As a result, it is not currently expected that dividends will initially be paid by New Hughes Electronics to General Motors. Accordingly, the GM Board does not currently intend to pay initially any cash dividends on New GM Class H Common Stock.

VOTING RIGHTS

New GM Class H Common Stockholders will be entitled to a fixed number of votes per share on all matters submitted to GM's common stockholders for a vote and, with specified exceptions, as described below, will vote together as a single class with the GM \$1 2/3 Common Stockholders on all matters (including the election and removal of directors), based on their respective voting rights as set forth in the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger. The number of votes to which each share of New GM Class H Common Stock will be entitled to the greater of (1) one-half or (2) a number (rounded to the nearest one-tenth) which reflects the relative market value of New GM Class H Common Stock compared to the market value of GM \$1 2/3 Common Stock, to be determined based on the average trading prices of such stocks during the 20-trading day period starting on the eleventh trading day following the consummation of the Hughes Transactions. Each share of GM \$1 2/3 Common Stock will continue to be entitled to one vote after the Hughes Transactions. The number of votes to which each share of GM Class H Common Stock and GM \$1 2/3 Common Stock will be entitled will be subject to adjustment as described below under "--Subdivision or Combination." New GM Class H Common Stock will be entitled to vote separately as a class only on (1) any amendment to the GM Certificate of Incorporation which adversely affects the rights, powers or privileges of the New GM Class H Common Stock and (2) any increase in the number of authorized shares of New GM Class H Common Stock.

LIQUIDATION RIGHTS

In the event of the liquidation, dissolution or winding up of the business of General Motors, whether voluntary or involuntary, the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, provides that, after the holders of GM Preferred Stock (if any) and GM Preference Stock receive the full preferential amounts to which they are entitled, New GM Class H Common Stockholders and GM \$1 2/3 Common Stockholders will receive the assets remaining for distribution to GM's stockholders on a per share basis in proportion to the respective per share liquidation units of such classes. Subject to adjustment as described below under "--Subdivision or Combination," each share of New GM Class H Common Stock will be entitled to liquidation units equal to the number of votes to which each such share is entitled, determined as described above under "--Voting Rights," and each share of GM \$1 2/3 Common Stock will be entitled to one liquidation unit. New GM Class H Common Stockholders will have no direct rights in the equity or assets of New Hughes Electronics, but rather will have rights in the equity and assets of General Motors (which will include 100% of the stock of New Hughes Electronics).

RECAPITALIZATION AND CERTAIN OTHER TRANSACTIONS

Under the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, all outstanding shares of New GM Class H Common Stock may be recapitalized as shares of GM \$1 2/3 Common Stock (1) at any time after December 31, 2002 in the sole discretion of the GM Board or (2) automatically, if at

any time General Motors, in one transaction or a series of related transactions, disposes of substantially all of the business of New Hughes Electronics (or its successors) to a person, entity or group of which General Motors is not a majority owner. For purposes of this recapitalization provision of the GM Certificate of Incorporation, "substantially all of the business" of New Hughes Electronics will mean at least 80% of the business of New Hughes Electronics, based on the fair market value of the assets, both tangible and intangible, of New Hughes Electronics as of the time of the proposed transaction. No automatic recapitalization will occur upon a disposition in connection with the dissolution, liquidation and winding up of General Motors and the distribution of the net assets of General Motors to GM's common stockholders. In the event of any recapitalization, each New GM Class H Common Stockholder would receive shares of GM \$1 2/3 Common Stock having a market value, as of a specified date provided for in the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, equal to 120% of the market value of such holder's New GM Class H Common Stock on such date.

No fractional shares of GM \$1 2/3 Common Stock would be issued in any such exchange. In lieu of fractional shares, a New GM Class H Common Stockholder would receive cash equal to the product of (A) the fraction of a share of GM \$1 2/3 Common Stock to which the holder would otherwise have been entitled multiplied by (B) the average market price per share of GM \$1 2/3 Common Stock on such valuation date.

As described above, the GM Board has adopted, subject to consummation of the Hughes Transactions, a policy statement which will provide, among other things, that, subject to certain exceptions, in the event that New Hughes Electronics transfers any material assets to General Motors, the GM Board shall declare and pay a dividend or make a distribution so that there will be distributed to New GM Class H Common Stockholders a portion of such assets (or cash or other assets having an equivalent fair value) that is not less than their proportionate tracking stock interest in New Hughes Electronics (determined accordingly to the fraction used to calculate the Available Separate Consolidated Net Income of New Hughes Electronics) at the time of such transfer. The policy statement further provides that, subject to certain exceptions, in the event that New Hughes Electronics transfers any such material assets to GM's stockholders, the portion of such assets transferred to the New GM Class H Common Stockholders will not be less than their proportionate tracking stock interest in New Hughes Electronics (determined as described above) at the time of such transfer. The policy statement further provides that General Motors will not acquire in one transaction or a series of transactions a significant portion (more than 33%) of the business of New Hughes Electronics for compensation without receiving the consent of the holders of a majority of the outstanding shares of New GM Class H Common Stock, voting as a separate class, and GM \$1 2/3 Common Stock, voting as a separate class.

SUBDIVISION OR COMBINATION

If General Motors subdivides (by stock split or otherwise) or combines (by reverse stock split or otherwise) the outstanding shares of the GM \$1 2/3 Common Stock or the New GM Class H Common Stock, the voting and liquidation rights of shares of New GM Class H Common Stock relative to GM \$1 2/3 Common Stock will be appropriately adjusted. In the event of the issuance of shares of New GM Class H Common Stock as a dividend on shares of GM \$1 2/3 Common Stock, the liquidation rights of the applicable class of common stock would be adjusted so that the relative aggregate liquidation rights of each stockholder would not be changed as a result of such dividend.

STOCK EXCHANGE LISTING

Application has been made to list the New GM Class H Common Stock on the NYSE and such application has been granted subject to notice of issuance. It is expected that New GM Class H Common Stock will be listed on the NYSE under the symbol "GMH."

TRANSFER AGENT AND REGISTRAR

BankBoston, N.A. will serve as the Transfer Agent and Registrar for the New GM Class H Common Stock.

INTRODUCTION

Under the New Raytheon Certificate of Incorporation, the authorized capital stock of New Raytheon will consist of Class A Common Stock, par value \$0.01 per share, Class B Common Stock, par value \$0.01 per share, and New Raytheon Preferred Stock, par value \$0.01 per share.

Holders of both classes of GM common stock will receive Class A Common Stock in the GM Spin-Off Merger. Upon the consummation of the Raytheon Merger (pursuant to which the then outstanding Raytheon Common Stock will be converted on a share-for-share basis into Class B Common Stock of New Raytheon), Class A Common Stock will be one of two classes of common stock of New Raytheon, neither of which will be a "tracking stock." There are no current plans for the New Raytheon Board to issue New Raytheon Preferred Stock.

THE FOLLOWING DESCRIPTIONS OF NEW RAYTHEON CAPITAL STOCK (1) ARE SUMMARIES AND DO NOT PURPORT TO BE COMPLETE AND (2) GIVE EFFECT TO THE CONSUMMATION OF THE HUGHES DEFENSE SPIN-OFF AND THE RAYTHEON MERGER. SEE "DESCRIPTION OF THE HUGHES TRANSACTIONS" AND "DESCRIPTION OF THE RAYTHEON MERGER" IN CHAPTER 3 AND "COMPARISON OF GM CLASS H COMMON STOCK, NEW GM CLASS H COMMON STOCK AND CLASS A COMMON STOCK" ABOVE. REFERENCE IS ALSO MADE TO THE MORE DETAILED PROVISIONS OF, AND SUCH DESCRIPTIONS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, THE FORMS OF THE NEW RAYTHEON CERTIFICATE OF INCORPORATION AND THE NEW RAYTHEON BY-LAWS, COPIES OF WHICH ARE FILED WITH THE SEC AS EXHIBITS TO A REGISTRATION STATEMENT OF WHICH THIS DOCUMENT IS A PART.

COMMON STOCK

With respect to the election or removal of directors, (1) Class A Common Stockholders, representing approximately 30% of the equity ownership of New Raytheon as of immediately after the Raytheon Merger Effective Time, will be entitled to such number of votes for each share of Class A Common Stock as shall be necessary to entitle the holders of all shares of Class A Common Stock to vote, in the aggregate, 80.1% of the total voting power of all holders of New Raytheon Common Stock and (2) Class B Common Stockholders, representing approximately 70% of the equity ownership of New Raytheon as of immediately after the Raytheon Merger Effective Time, will be entitled to one vote for each share of Class B Common Stock, which votes shall represent, in the aggregate, 19.9% of the total voting power of all holders of New Raytheon Common Stock. The New Raytheon Board will determine the number of votes for each share of Class A Common Stock outstanding promptly following the fixing of a record date for each annual or special meeting of stockholders at which directors are to be elected or a vote with respect to removal of directors is to be taken. A plurality of votes cast shall elect directors. With respect to all stockholder matters other than the election and removal of directors, the Class A Common Stockholders and the Class B Common Stockholders will each be entitled to a single vote per share and the approval of any such matter will require the approval of both classes of New Raytheon Common Stock, each voting as a separate class. Except as may be provided in connection with any class or series of New Raytheon Preferred Stock issued from time to time or as may otherwise be required by law or the New Raytheon Certificate of Incorporation, the New Raytheon Common Stock will be the only capital stock of New Raytheon entitled to vote in the election and removal of directors and other matters presented to the stockholders of New Raytheon from time to time. The New Raytheon Common Stock will not have cumulative voting rights.

DIVIDEND POLICY

Under Delaware law and the New Raytheon Certificate of Incorporation, the New Raytheon Board will not be required to declare dividends on either class of New Raytheon Common Stock. The New Raytheon Board reserves the right to reconsider from time to time its policies and practices regarding dividends on New Raytheon Common Stock and to increase or decrease the dividends paid on New Raytheon Common Stock on the basis of New Raytheon's consolidated financial position, including liquidity, and other factors. Subject to the rights of holders of New Raytheon Preferred Stock (if any) and applicable law, the Class A Common

Stockholders and the Class B Common Stockholders will be entitled to receive such dividends as may be lawfully declared from time to time by the New Raytheon Board. The Class A Common Stockholders and the Class B Common Stockholders will be entitled to receive the same amount per share of any such dividends, provided that the New Raytheon Board may declare a dividend or distribution of shares of Class A Common Stock to Class A Common Stockholders and shares of Class B Common Stock to Class B Common Stockholders so long as, immediately following such dividend or other distribution, the number of shares of Class A Common Stock and Class B Common Stock then outstanding bears the same relationship to each other as immediately prior to such dividend or other distribution. Raytheon's current dividend policy is to pay a quarterly dividend of \$0.20 per share on Raytheon Common Stock. Raytheon does not expect to change its policy prior to the Raytheon Merger. It is currently expected that New Raytheon's dividend policy with respect to the Class A Common Stock and the Class B Common Stock after the Raytheon Merger will not differ from Raytheon's current dividend policy with respect to Raytheon Common Stock.

In the case of any split, subdivision, combination or reclassification of Class A Common Stock or Class B Common Stock, the shares of Class A Common Stock or the Class B Common Stock, as the case may be, shall also be split, subdivided, combined or reclassified so that the number of shares of Class A Common Stock and Class B Common Stock outstanding immediately following such split, subdivision, combination or reclassification shall bear the same relationship to each other as immediately prior to such split, subdivision, combination or reclassification.

Upon any liquidation, dissolution or winding up of New Raytheon, whether voluntary or involuntary, the Class A Common Stockholders and the Class B Common Stockholders will be entitled to receive such assets as are available for distribution to stockholders in proportion to the number of shares held by such holders, respectively, without regard to class, after there shall have been paid or set aside for payment the full amounts necessary to satisfy any creditors and any preferential or participating rights to which the holders of each outstanding series of New Raytheon Preferred Stock (if any) are entitled by the express terms of such series.

New Raytheon may not directly or indirectly redeem, purchase, repurchase or otherwise acquire for consideration any shares of New Raytheon Common Stock unless such action is (1) effected ratably in accordance with the number of outstanding shares of Class A Common Stock and Class B Common Stock, (2) for consideration of the same type and amount as to shares of each class and (3) not in any other way prejudicial to the rights of the holders of one class of New Raytheon Common Stock in favor of the other class of New Raytheon Common Stock. In the case of an offer to purchase shares of New Raytheon Common Stock by New Raytheon made to all holders of New Raytheon Common Stock, New Raytheon will purchase shares of New Raytheon Common Stock ratably in accordance with the number of shares of each class of New Raytheon Common Stock tendered thereunder.

Under the New Raytheon Certificate of Incorporation, in the event of any corporate merger, consolidation, purchase or acquisition of property or stock, or other reorganization in which any consideration is to be received by the Class A Common Stockholders or the Class B Common Stockholders, the holders of each class must receive the same type and amount of consideration on a per share basis.

The outstanding shares of New Raytheon Common Stock will be fully paid and nonassessable. The New Raytheon Common Stock will not have any preemptive, subscription or conversion rights. Additional shares of authorized New Raytheon Common Stock may be issued, as authorized by the New Raytheon Board from time to time, without stockholder approval, except as may be required by applicable stock exchange requirements.

Except as indicated above, the rights of the Class A Common Stockholders and the Class B Common Stockholders are in all respects and for all purposes and in all circumstances identical, and New Raytheon will not in any other manner directly or indirectly take any other action or in any other fashion agree to, facilitate, condone or support any transaction in which the Class A Common Stockholders and the Class B Common Stockholders are subject to discriminatory or unequal treatment.

The dual-class capitalization of New Raytheon is designed, among other things, to allow the Hughes Defense Spin-Off and the Hughes Telecom Spin-Off to each be treated as a tax-free distribution for U.S. federal income tax purposes. However, the dual-class capitalization may have certain adverse consequences. In particular, while we expect the shares of both Class A Common Stock and Class B Common Stock to trade on the NYSE, the listing policies of the NYSE with respect to corporations with dual-class capitalizations may change in the future, and there can be no assurance that such policies will allow for the continued listing of the lower vote Class B Common Stock.

PREFERRED STOCK

The New Raytheon Board is empowered, without approval of its stockholders, to cause shares of New Raytheon Preferred Stock to be issued in one or more series, with the numbers of shares of each series and the powers, preferences, rights and limitations of each series to be determined by it. Among the specific matters that may be determined by the New Raytheon Board are the rate of dividends (if any), the terms of redemption (if any), the obligation to purchase or redeem pursuant to a sinking fund or otherwise, and the terms thereof (if any), the amount payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of New Raytheon, rights and terms of conversion or exchange (if any) and voting rights (if any). The Series A Preferred Stock of New Raytheon described under "--New Raytheon Rights Agreement" below is a series of New Raytheon Preferred Stock that has been authorized by the Hughes Defense Board.

Although the New Raytheon Board currently has no plans to issue New Raytheon Preferred Stock, the issuance of shares of New Raytheon Preferred Stock, or the issuance of rights to purchase such shares, could be used to discourage an unsolicited acquisition proposal. For example, a business combination could be impeded by the issuance of a series of New Raytheon Preferred Stock containing class voting rights that would enable the holder or holders of such series to block any such transaction. Alternatively, a business combination could be facilitated by the issuance of a series of New Raytheon Preferred Stock having sufficient voting rights to provide a required percentage vote of the stockholders. In addition, under certain circumstances, the issuance of New Raytheon Preferred Stock could adversely affect the voting power of the holders of the New Raytheon Common Stock. Although the New Raytheon Board is required to make any determination to issue any such stock based on its judgment as to the best interests of the stockholders of New Raytheon, the New Raytheon Board could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of the stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over prevailing market prices of such stock. The New Raytheon Board does not at present intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by law or applicable stock exchange requirements. The New Raytheon Board's ability to issue New Raytheon Preferred Stock, however, is limited by certain provisions of the Spin-Off Separation Agreement for a specified period of time after the GM Spin-Off Merger Effective Time. See "Separation and Transition Arrangements--Summary of Spin-Off Separation Agreement--Preservation of the Tax-Free Status of the Hughes Transactions and the Raytheon Merger" in Chapter 3.

NEW RAYTHEON RIGHTS AGREEMENT

In connection with the Raytheon Merger, the Hughes Defense Board intends to adopt the New Raytheon Rights Agreement, effective as of immediately prior to the Raytheon Merger Effective Time. Immediately prior to the Raytheon Merger Effective Time, the Hughes Defense Board will declare a dividend of one New Raytheon Right to be paid at the GM Spin-Off Merger Effective Time in the case of Class A Common Stock and at the Raytheon Merger Effective Time in respect of each share of the Class B Common Stock to the holder of record thereof as of such effective time. Thus, each share of Class A Common Stock distributed to GM's common stockholders in the Hughes Defense Spin-Off will have a New Raytheon Right attached. The following description of the New Raytheon Rights and the New Raytheon Rights Agreement (1) is a summary and does not purport to be complete and (2) gives effect to the consummation of the Hughes Transactions and the Raytheon Merger.

Each New Raytheon Right will entitle the registered holder to purchase from New Raytheon one one-hundredth of a share of New Raytheon Junior Preferred Stock at a price per one one-hundredth of a share to be determined by the Hughes Defense Board prior to the Raytheon Merger Effective Time (the "Exercise Price"), subject to adjustment. The terms of the New Raytheon Rights will be set forth in the New Raytheon Rights Agreement.

The New Raytheon Rights (1) will not be exercisable until the New Raytheon Rights Effective Date (as defined below) and (2) will expire on the 10th anniversary of the Raytheon Merger Effective Date (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the New Raytheon Rights are earlier redeemed or exchanged by New Raytheon, in each case, as described below.

The Exercise Price payable, and the number of shares of Series A Junior Participating Preferred Stock, \$0.01 par value of New Raytheon (the "New Raytheon Junior Preferred Stock") or other securities or property issuable, upon exercise of the New Raytheon Rights are subject to adjustment from time to time to prevent dilution under the following circumstances:

- . in the event of a stock dividend on, or a subdivision, combination or reclassification of, the shares of New Raytheon Junior Preferred Stock;
- . upon the grant to holders of the shares of New Raytheon Junior Preferred Stock of certain rights or warrants to subscribe for or purchase shares of New Raytheon Junior Preferred Stock at a price, or securities convertible into shares of New Raytheon Junior Preferred Stock with a conversion price, less than the then-current market price of the shares of New Raytheon Junior Preferred Stock; or
- . upon the distribution to holders of the shares of New Raytheon Junior Preferred Stock of evidences of indebtedness or assets (other than certain dividend payments) or of subscription rights or warrants (other than those referred to above).

The number of outstanding New Raytheon Rights and the number of one one-hundredths of a share of New Raytheon Junior Preferred Stock issuable upon exercise of each New Raytheon Right are also subject to adjustment in the event of a stock split of New Raytheon Common Stock or a stock dividend on New Raytheon Common Stock payable in New Raytheon Common Stock or subdivisions, consolidations or combinations of New Raytheon Common Stock occurring, in any such case, prior to the New Raytheon Rights Effective Date.

The New Raytheon Rights received on the Raytheon Merger Effective Date will be evidenced by the certificates representing shares of New Raytheon Common Stock which will be on deposit with BankBoston, N.A. as Transfer Agent and Registrar for New Raytheon, until the New Raytheon Rights Effective Date. Ownership of New Raytheon Rights will be reflected on the account statements received in connection with the book-entry ownership of shares of New Raytheon Common Stock, including the Class A Common Stock distributed in the Hughes Defense Spin-Off. The "New Raytheon Rights Effective Date" is a date which is the earlier to occur of (1) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired beneficial ownership of 15% or more of (a) the outstanding shares of Class A Common Stock, (b) the outstanding shares of Class B Common Stock, or (c) the aggregate voting power in the election of directors (each, a "Triggering Holding") or (2) 10 business days (or a later date determined by the New Raytheon Board prior to any person or group becoming an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of a Triggering Holding.

The New Raytheon Rights Agreement will provide that, until the New Raytheon Rights Effective Date (or earlier redemption or expiration of the New Raytheon Rights):

- . the New Raytheon Rights will be transferred with and only with the shares of New Raytheon Common Stock;

- . certificates representing shares of New Raytheon Common Stock will contain a notation incorporating the terms of the New Raytheon Rights by reference; and
- . the surrender for transfer of any certificates representing shares of New Raytheon Common Stock will also constitute the transfer of the New Raytheon Rights associated with the shares of New Raytheon Common Stock represented by such certificate.

As soon as practicable following the New Raytheon Rights Effective Date, separate certificates evidencing the New Raytheon Rights ("New Raytheon Rights Certificates") will be mailed to holders of record of the shares of New Raytheon Common Stock as of the close of business on the New Raytheon Rights Effective Date. Such separate New Raytheon Rights Certificates alone will then evidence the New Raytheon Rights.

Flip-in Right. In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, each holder of a New Raytheon Right, other than New Raytheon Rights beneficially owned by the Acquiring Person (which rights become void upon acquisition of a Triggering Holding), will thereafter have the right to receive, upon exercise thereof at the then-current Exercise Price, that number of shares of Class B Common Stock having a market value of two times the Exercise Price of the New Raytheon Right (such right being referred to as a "Flip-in Right"). Thus, if Class B Common Stock at the time the Flip-in Right became exercisable were trading at \$30 per share and the Exercise Price at such time were \$120, each New Raytheon Right would thereafter be exercisable at \$120 for eight shares of Class B Common Stock.

Flip-over Right. In the event that, at any time on or after the date that any person has become an Acquiring Person, New Raytheon is acquired in a merger or other business combination transaction or 50% or more of consolidated assets or earning power are sold, each holder of a New Raytheon Right will thereafter have the right to receive, upon the exercise thereof at the then-current Exercise Price, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the Exercise Price of the New Raytheon Right (such right being referred to as a "Flip-over Right"). Thus, if the acquiring company's common stock at the time of such transaction were trading at \$30 per share and the Exercise Price of the New Raytheon Rights at such time were \$120, each New Raytheon Right would thereafter be exercisable at \$120 for eight shares (i.e., the number of shares that could be purchased for \$240, or two times the exercise price of the rights) of the acquiring company's common stock.

Exchange. At any time after any person or group of affiliated or associated persons becomes an Acquiring Person and prior to the acquisition by such person or group of 50% or more of the outstanding shares of New Raytheon Common Stock, the New Raytheon Board may exchange the New Raytheon Rights (other than New Raytheon Rights owned by such person or group which will have become void), in whole or in part, at an exchange ratio of one share of Class B Common Stock, or one one-hundredth of a share of New Raytheon Junior Preferred Stock, per New Raytheon Right (subject to adjustment).

At any time prior to the acquisition by a person or group of affiliated or associated persons of beneficial ownership of a Triggering Holding of New Raytheon Common Stock, the New Raytheon Board may redeem the New Raytheon Rights in whole, but not in part, at a price of \$0.01 per New Raytheon Right (the "Redemption Price"). The redemption of the New Raytheon Rights may be made effective at such time, on such basis and with such conditions as the New Raytheon Board, in its sole discretion, may establish. Immediately upon any redemption of the New Raytheon Rights, the right to exercise the New Raytheon Rights will terminate and the only right of the holders of New Raytheon Rights will be to receive the Redemption Price.

Shares of New Raytheon Junior Preferred Stock purchasable upon exercise of the New Raytheon Rights will not be redeemable. Each share of New Raytheon Junior Preferred Stock will be entitled to a minimum preferential quarterly dividend payment of \$1.00 per share but will be entitled to an aggregate dividend equal to 100 times the dividend declared per share of New Raytheon Common Stock. In the event of liquidation, the holders of the New Raytheon Junior Preferred Stock will be entitled to a minimum preferential liquidation

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payment of \$100 per share but will be entitled to an aggregate payment equal to 100 times the payment made per share of New Raytheon Common Stock. Each share of New Raytheon Junior Preferred Stock will have 100 votes, and will vote on all matters together with the Class B Common Stockholders. Finally, in the event of any merger, consolidation or other transaction in which New Raytheon Common Stock is exchanged, each share of New Raytheon Junior Preferred Stock will be entitled to receive an amount equal to 100 times the amount received per share of New Raytheon Common Stock. These rights are protected by customary antidilution provisions.

Because of the nature of the dividend, liquidation and voting rights of New Raytheon Junior Preferred Stock, the value of the one one-hundredth interest in a share of New Raytheon Junior Preferred Stock purchasable upon exercise of each New Raytheon Right should approximate the value of one share of Class B Common Stock.

With certain exceptions, no adjustment in the Exercise Price will be required until cumulative adjustments require an adjustment of at least 1% in such Exercise Price. No fractional shares of New Raytheon Junior Preferred Stock will be issued (other than fractions which are integral multiples of one one-hundredth of a share of New Raytheon Junior Preferred Stock, which may, at the election of the New Raytheon Board, be evidenced by depositary receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the shares of New Raytheon Junior Preferred Stock on the last trading day prior to the date of exercise.

The terms of the New Raytheon Rights may be amended by the New Raytheon Board without the consent of the holders of the New Raytheon Rights, including an amendment to lower (1) the threshold at which a person becomes an Acquiring Person and (2) the percentage of New Raytheon Common Stock proposed to be acquired in a tender or exchange offer that would cause the New Raytheon Rights Effective Date to occur, to not less than the greater of (a) the sum of 0.001% and the largest percentage of the outstanding New Raytheon Common Stock then known to New Raytheon to be beneficially owned by any person or group of affiliated or associated persons and (b) 10%, except that, from and after such time as any person or group of affiliated or associated persons becomes an Acquiring Person, no such amendment may adversely affect the interests of the holders of the New Raytheon Rights.

Until a New Raytheon Right is exercised, the holder thereof, as such, will have no rights as a stockholder of New Raytheon, including, without limitation, the right to vote or to receive dividends.

The New Raytheon Rights related to the shares of Class A Common Stock distributed in the Hughes Defense Spin-Off are being registered under the Exchange Act, with such shares. In the event that the New Raytheon Rights become exercisable, New Raytheon will register the shares of New Raytheon Junior Preferred Stock for which the New Raytheon Rights may be exercised in accordance with applicable law.

The New Raytheon Rights will have certain antitakeover effects. The New Raytheon Rights will cause substantial dilution to any person or group that attempts to acquire New Raytheon without the approval of the New Raytheon Board. As a result, the overall effect of the New Raytheon Rights may be to render more difficult or discourage any attempt to acquire New Raytheon even if such acquisition may be favorable to the interests of New Raytheon's stockholders. Because the New Raytheon Board can redeem the New Raytheon Rights, the New Raytheon Rights should not interfere with a merger or other business combination approved by the New Raytheon Board. The New Raytheon Rights will be distributed to protect New Raytheon's stockholders from coercive or abusive takeover tactics and to give the New Raytheon Board more negotiating leverage in dealing with prospective acquirors.

LIMITATION ON NEW RAYTHEON DIRECTORS' LIABILITY

The New Raytheon Certificate of Incorporation provides, as authorized by Section 102(b)(7) of the Delaware General Corporation Law, that a director of New Raytheon will not be personally liable to New

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Raytheon or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption or limitation is prohibited under the Delaware General Corporation Law.

The inclusion of this provision in the New Raytheon Certificate of Incorporation may have the effect of reducing the likelihood of derivative litigation against directors, and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited New Raytheon and its stockholders.

SECTION 203 OF THE DELAWARE GENERAL CORPORATION LAW

Like General Motors, New Raytheon is a Delaware corporation and subject to Section 203 of the Delaware General Corporation Law. Generally, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the time such stockholder became an interested stockholder, unless (1) prior to such time, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, (2) upon the consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced or (3) at or subsequent to such time, the business combination is approved by the board of directors and authorized by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder. A "business combination" includes (a) any merger or consolidation of the corporation with the interested stockholder, (b) any sale, lease, exchange or other disposition, except proportionately as a stockholder of such corporation, to or with the interested stockholder of assets of the corporation having an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the corporation or the aggregate market value of all the outstanding stock of the corporation, (c) certain transactions resulting in the issuance or transfer by the corporation of stock of the corporation to the interested stockholder, (d) certain transactions involving the corporation which have the effect of increasing the proportionate share of the stock of any class or series of the corporation which is owned by the interested stockholder or (e) certain transactions in which the interested stockholder receives financial benefits provided by the corporation. An "interested stockholder" generally is (1) any person that owns 15% or more of the outstanding voting stock of the corporation, (2) any person that is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period prior to the date on which it is sought to be determined whether such person is an interested stockholder and (3) the affiliates or associates of any such person.

LIMITATIONS ON CHANGES IN CONTROL

The New Raytheon By-Laws contain provisions requiring that advance notice be delivered to New Raytheon of any business to be brought by a stockholder before an annual meeting of stockholders and providing for certain procedures to be followed by stockholders in nominating persons for election to the New Raytheon Board. Generally, such advance notice provisions provide that the stockholder must give written notice to the Secretary of New Raytheon not less than 90 days nor more than 120 calendar days before the first anniversary of the preceding year's annual meeting. In the event that the date of the annual meeting is more than 30 calendar days before or more than 60 calendar days after such anniversary date, notice by the stockholder to be timely must be delivered to the Secretary of New Raytheon not earlier than the close of business on the 120th calendar day prior to such annual meeting and not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the calendar day on which public announcement of the date of such meeting is first made by New Raytheon. In the event that the number of directors to be elected to the New Raytheon Board is increased and there is no public announcement by New Raytheon naming all of the nominees for director or specifying the size of the increased New Raytheon Board at least 100 calendar days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice will also be considered timely if it is delivered not later than the close of business on the 10th calendar day following the day on which public announcement is first made by New

Raytheon. The notice must set forth specific information regarding such stockholder and such business or director nominee, as described in the New Raytheon By-Laws.

The New Raytheon Certificate of Incorporation provides that, except as may be provided by the New Raytheon Certificate of Incorporation or in the resolution or resolutions providing for the issuance of any series of New Raytheon Preferred Stock, the number of directors shall not be fewer than three nor more than fifteen and provides for a classified board of directors, consisting of three classes as nearly equal in size as practicable. Each class holds office until the third annual stockholders' meeting for election of directors following the most recent election of such class, except that the initial terms of the three classes expire in 1998, 1999 and 2000, respectively. See "Chapter 5: New Raytheon." A director of New Raytheon may be removed only for cause.

The New Raytheon Certificate of Incorporation provides that stockholders may not act by written consent in lieu of a meeting. Special meetings of the stockholders may be called by the Chairman of the New Raytheon Board or by the New Raytheon Board (if approved by a majority of directors which New Raytheon would have if there were no vacancies), but may not be called by stockholders. No business other than that stated in the notice shall be transacted at any special meeting. In the event New Raytheon calls a special meeting for the purpose of electing one or more directors to the New Raytheon Board, any stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the notice of special meeting, if notice by the stockholder is delivered to the Secretary of New Raytheon not earlier than the close of business on the 120th calendar day prior to such special meeting and not later than the close of business on the later of the 90th calendar day prior to such special meeting or the 10th calendar day following the calendar day on which public announcement of the date of such meeting and the nominees proposed by the New Raytheon Board to be elected at such meeting is first made by New Raytheon.

The New Raytheon Certificate of Incorporation provides that the New Raytheon Board, in determining whether to take or refrain from taking corporate action on any matter, including making or declining to make any recommendation to the stockholders of New Raytheon, may in its discretion consider the long-term as well as short-term best interests of New Raytheon (including the possibility that these interests may be best served by the continued independence of New Raytheon), taking into account, and weighing as the directors deem appropriate, the effects of such action on employees, suppliers and customers of New Raytheon and its subsidiaries, the effect upon communities in which offices or other facilities of New Raytheon are located and any other factors the directors consider pertinent.

In order to preserve the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, New Raytheon will be subject to certain covenants under the Spin-Off Separation Agreement which will act to prohibit New Raytheon from entering into or permitting (to the extent that New Raytheon has the right to prohibit) certain transactions, such as (1) certain acquisition transactions, stock issuance transactions and stock buyback transactions for two years following the Raytheon Merger Effective Time and (2) certain recapitalizations, reincorporations and similar transactions affecting the rights and privileges of New Raytheon Common Stock, in each case unless General Motors has, in its sole and absolute discretion, which discretion shall be exercised in good faith solely to preserve the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, determined that such transactions would not jeopardize the tax-free status of any of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger. In addition, for three years following the Hughes Defense Spin-Off, New Raytheon will be prohibited from amending or changing the New Raytheon Certificate of Incorporation or the New Raytheon By-Laws in such a way as to affect the composition or size of the New Raytheon Board, the manner in which the New Raytheon Board is elected or the duties and responsibilities of the New Raytheon Board unless General Motors has, in its sole and absolute discretion, which discretion shall be exercised in good faith solely to preserve the tax-free status of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger, determined that such actions would not jeopardize the tax-free status of any of the Hughes Defense Spin-Off, the Hughes Telecom Spin-Off and the Raytheon Merger. For additional information

regarding these prohibitions, see "Separation and Transition Arrangements--Summary of Spin-Off Separation Agreement--Preservation of Tax-Free Status of the Hughes Transactions and the Raytheon Merger" in Chapter 3.

The foregoing provisions of the New Raytheon Certificate of Incorporation, the New Raytheon By-Laws and the Spin-Off Separation Agreement, together with the New Raytheon Rights Agreement and the provisions of Section 203 of the Delaware General Corporation Law, could have the effect of delaying, deferring or preventing a change in control of New Raytheon or the removal of existing management, of deterring potential acquirors from making an offer to stockholders of New Raytheon and of limiting any opportunity to realize premiums over prevailing market prices for New Raytheon Common Stock in connection therewith. For a description of certain other factors that could limit such changes in control and offers, see "Risk Factors--Risk Factors Regarding New Raytheon After the Raytheon Merger--Certain Limitations on Changes in Control of New Raytheon; New Raytheon's Ability to Participate in Future Defense Industry Consolidation" in Chapter 2. This could be the case notwithstanding that a majority of New Raytheon's stockholders might benefit from such a change in control or offer.

STOCK EXCHANGE LISTING

Application will be made to list the Class A Common Stock and the Class B Common Stock on the NYSE. It is expected that the trading symbol on the NYSE for the Class A Common Stock will be "RTNA" and the trading symbol for the Class B Common Stock will be "RTNB."

TRANSFER AGENT AND REGISTRAR

BankBoston, N.A. will serve as the Transfer Agent and Registrar for the New Raytheon Common Stock.

CHAPTER 7: CONSENT SOLICITATION AND
CERTAIN OTHER MATTERS

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CONSENT SOLICITATION AND
CERTAIN OTHER MATTERS

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CHAPTER 7: CONSENT SOLICITATION AND
CERTAIN OTHER MATTERS
SOLICITATION OF WRITTEN CONSENT OF GM'S
COMMON STOCKHOLDERS

MATTER TO BE APPROVED

We are furnishing this document to you in connection with our solicitation of your approval of the Hughes Transactions, including the adoption of the GM Spin-Off Merger Agreement.

The Hughes Transactions which you are being asked to approve include the Hughes Reorganization, the GM Spin-Off Merger (pursuant to which, among other things, the Hughes Defense Spin-Off and the recapitalization and conversion of GM Class H Common Stock into New GM Class H Common Stock will be effected), the Master Separation Agreement and all of the other agreements contemplated thereby and the completion of the other transactions and events described in the GM Spin-Off Merger Agreement.

In order to consummate the Hughes Transactions, General Motors must obtain the consent of the holders of (1) a majority of the outstanding shares of GM \$1 2/3 Common Stock, voting as a separate class and (2) a majority of the outstanding shares of GM Class H Common Stock, voting as a separate class. If General Motors obtains both of these approvals, as required by applicable law, General Motors will also have obtained the approval of a majority of the voting power of all outstanding shares of both classes of GM common stock, voting together as a single class based on their respective per share power pursuant to the provisions set forth in the GM Certificate of Incorporation. When voting together as a single class with respect to any proposal, holders of record of GM \$1 2/3 Common Stock are entitled to one vote per share and holders of record of GM Class H Common Stock are entitled to one-half of a vote per share.

You are not being asked to approve the Raytheon Merger, which has already been approved by Hughes Electronics as the sole stockholder of Hughes Defense. Although you are not being asked to approve the Raytheon Merger, the Raytheon Merger is conditioned upon, among other things, the approval of the Hughes Transactions by GM's common stockholders as described in this document. We and Raytheon are obligated to complete the Raytheon Merger immediately after the consummation of the Hughes Defense Spin-Off. If the Hughes Transactions are not completed, the Raytheon Merger will not take place and, if the Raytheon Merger cannot be completed, the Hughes Transactions will not be completed. See "Description of the Raytheon Merger" in Chapter 3.

The GM Board has unanimously recommended that you approve the Hughes Transactions. To the best of GM's knowledge, all of GM's directors and executive officers currently intend to consent to the Hughes Transactions and, except in their capacities as members of the Hughes Electronics Board or the GM President's Counsel as described above under "Summary--The Hughes Transactions" in Chapter 1 and "Special Factors--Background of the Hughes Transactions" and "Special Factors--Recommendations of the Capital Stock Committee and the GM Board; Fairness of the Hughes Transactions" in Chapter 3, none of GM's executive officers who are not directors have made any recommendations with respect to the Hughes Transactions.

ACTION BY WRITTEN CONSENT

We have delivered this document to you in order to obtain your written consent to consummate the Hughes Transactions. We will not hold a special meeting of GM's common stockholders with respect to the Hughes Transactions. Only GM's common stockholders of record on October 15, 1997, the Record Date, are entitled to consent with respect to the Hughes Transactions. On the Record Date, there were outstanding approximately 708 million shares of GM \$1 2/3 Common Stock held by approximately 566,374 holders of record and approximately 103 million shares of GM Class H Common Stock held by approximately 233,240 holders of record. Approval of the Hughes Transactions by GM's common stockholders will be deemed to be obtained once consents have been received and not revoked from holders of the number of outstanding shares of GM \$1 2/3 Common Stock and GM Class H Common Stock required for approval as described above. In no event will this be sooner than 20 business days after the date on which we complete the mailing of this

CHAPTER 7: CONSENT SOLICITATION AND
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document. Notwithstanding the foregoing, if we do not receive the number of consents required to approve the Hughes Transactions within 60 days of the date of the earliest dated consent delivered to us, no consent will be effective to approve the Hughes Transactions and we will not consummate the Hughes Transactions or the Raytheon Merger.

The shares represented by each executed consent submitted with respect to the proposal to approve the Hughes Transactions will be deemed to have approved the Hughes Transactions.

If you participate in any of the employee benefit or other plans described below or maintain other accounts under a different name (e.g., with and without a middle initial), you may receive more than one set of solicitation materials. To ensure that all of your shares are voted, you must execute and return every consent received.

You may revoke your consent at any time before the approval of the Hughes Transactions by GM's common stockholders, which will occur when unrevoked consents representing the requisite number of shares required to approve the Hughes Transactions are delivered to General Motors (but no sooner than 20 business days after the completion of the mailing of this document to GM's common stockholders). To revoke your consent, file with the Secretary of General Motors a written notice of revocation or another form of written consent bearing a date later than the date of the consent. Any such notice of revocation of written consent should be sent to General Motors at the following address:

General Motors Corporation General Motors
Building 3044 West Grand Boulevard Detroit,
Michigan 48202-3091 Attention: Secretary

OTHER CONSENT SOLICITATION MATTERS

Under the rules of the NYSE, brokers who hold shares in street names may not consent on behalf of customers to non-routine proposals such as the approval of the Hughes Transactions without specific instructions from such customers. Thus, "broker non-votes" with respect to the proposal to approve the Hughes Transactions will have the effect of a vote against such proposal.

Arrangements will be made to furnish copies of solicitation materials to fiduciaries, custodians and brokerage houses for forwarding to beneficial owners of GM \$1 2/3 Common Stock and GM Class H Common Stock. Brokers, dealers, banks, voting trustees and their nominees who desire a supply of this solicitation material for transmittal to beneficial owners should write to General Motors at the following address:

General Motors Corporation c/o Morrow & Co.,
Inc. 909 Third Avenue, 20th Floor New York, New
York 10022-4799

General Motors will bear the cost of preparing and mailing this document and related materials to GM's common stockholders. General Motors will solicit written consents by mail, and the directors, officers and employees of General Motors may also solicit written consents by telephone, facsimile or personal interview. These persons will receive no additional compensation for such services. In addition, General Motors has retained Morrow & Co., Inc. to assist in soliciting written consents regarding the Hughes Transactions. General Motors has agreed to pay Morrow & Co., Inc. a fee of \$125,000 and reasonable out-of-pocket expenses for its solicitation services. General Motors has also retained Morrow & Co., Inc. to assist in providing information regarding the Hughes Transactions.

CERTAIN PLANS

If you are a participant in the General Motors Savings-Stock Purchase Program for Salaried Employees in the United States (the "GM SSPP"), the General Motors Personal Savings Plan for Hourly-Rate Employees in the United States (the "GM PSP"), the General Motors Canadian Savings-Stock Purchase Program, the Hughes Salaried Employees' Thrift and Savings Plan (the "Hughes Salaried Plan"), the Hughes Tucson Bargaining Employees' Thrift and Savings Plan (the "Hughes Tucson Plan"), the Hughes California Hourly Employees' Thrift and Savings Plan (the "Hughes California Plan"), the Hughes Thrift and Savings Plan, the Saturn Individual Savings Plan for Represented Members (the "Saturn ISP"), the Saturn Personal Choices Savings Plan for Non-Represented Members (the "Saturn PCSP") or the GMAC Mortgage Corporation Savings Incentive Plan, each of your consents will also serve as a voting instruction for the trustees, plan committees or independent fiduciaries of those plans. With respect to the GM SSPP, the Hughes Salaried Plan, the Hughes Tucson Plan, the Hughes California Plan, the Hughes Thrift and Savings Plan and the Saturn PCSP, if voting instructions are not received for shares in such plans, those shares will be voted by the trustee, plan committee or independent fiduciary. For the GM PSP and the Saturn ISP, shares in such plans for which voting instructions are not received will not be voted unless the trustee of each plan determines, respectively, that it is required to do so under ERISA.

CHAPTER 7: CONSENT SOLICITATION AND
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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL
OWNERS AND MANAGEMENT OF GENERAL MOTORS

The following table sets forth, based on information available to General Motors as of September 30, 1997, beneficial ownership of both classes of GM common stock for each current director, the Chief Executive Officer and the four other most highly compensated executive officers of General Motors and all current directors and officers of General Motors as a group. Each of these individuals, and the group as a whole, are owners of less than one percent of the outstanding shares and voting power of both classes of GM common stock (based on the number of shares of the applicable class outstanding on the Record Date).

These shares do not include any shares of GM \$1 2/3 Common Stock or GM Class H Common Stock held by the pension and profit sharing plans or endowment funds of other corporations or by educational and charitable institutions of which such directors and officers serve as directors or trustees.

The following table also sets forth, based on information available to General Motors as of September 30, 1997, the only person known to General Motors to be a beneficial owner of more than five percent of either class of GM common stock.

DIRECTORS	CLASS OF STOCK	SHARES BENEFICIALLY OWNED	DEFERRED STOCK UNITS	TOTAL	STOCK OPTIONS(A)
A. L. Armstrong.....	GM \$1 2/3 Common Stock	1,500	17,846	19,346	1,000
	GM Class H Common Stock	112	4,760	4,872	--
P. Barnevik.....	GM \$1 2/3 Common Stock	10,000	359	10,359	--
	GM Class H Common Stock	--	--	--	--
J. H. Bryan.....	GM \$1 2/3 Common Stock	2,000	4,428	6,428	1,000
	GM Class H Common Stock	--	--	--	--
T. E. Everhart.....	GM \$1 2/3 Common Stock	400	8,378	8,778	1,000
	GM Class H Common Stock	--	4,620	4,620	--
C. T. Fisher, III.....	GM \$1 2/3 Common Stock	3,388	8,817	12,205	1,000
	GM Class H Common Stock	58	4,397	4,455	--
G. M. C. Fisher.....	GM \$1 2/3 Common Stock	5,000	401	5,401	1,000
	GM Class H Common Stock	--	--	--	--
J. W. Marriott, Jr.....	GM \$1 2/3 Common Stock	1,000	6,333	7,333	--
	GM Class H Common Stock	--	2,460	2,460	--
A. D. McLaughlin.....	GM \$1 2/3 Common Stock	951	1,686	2,637	--
	GM Class H Common Stock	--	963	963	--
H. J. Pearce.....	GM \$1 2/3 Common Stock	16,995	23,263	40,258	115,168
	GM Class H Common Stock	23,888	7,340	31,228	54,084(b)
E. Pfeiffer.....	GM \$1 2/3 Common Stock	1,000	1,357	2,357	--
	GM Class H Common Stock	--	112	112	--
J. G. Smale.....	GM \$1 2/3 Common Stock	16,000	5,417	21,417	1,000
	GM Class H Common Stock	200	45	245	--
J. F. Smith, Jr.....	GM \$1 2/3 Common Stock	84,727	54,039	138,766	514,790
	GM Class H Common Stock	19,687	11,209	30,896	--
L. W. Sullivan.....	GM \$1 2/3 Common Stock	100	2,365	2,465	--
	GM Class H Common Stock	--	441	441	--
D. Weatherstone.....	GM \$1 2/3 Common Stock	6,000	16,478	22,478	--
	GM Class H Common Stock	--	5,407	5,407	--

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DIRECTORS	CLASS OF STOCK	SHARES BENEFICIALLY OWNED	DEFERRED STOCK UNITS	TOTAL	STOCK OPTIONS(A)
T. H. Wyman.....	GM \$1 2/3 Common Stock	1,000	5,898	6,898	1,000
	GM Class H Common Stock	250	2,730	2,980	--
OTHER NAMED EXECUTIVES					
C. M. Armstrong.....	GM \$1 2/3 Common Stock	6,318	--	6,318	25,000
	GM Class H Common Stock	61,652	15,274	76,926	211,818
L. R. Hughes.....	GM \$1 2/3 Common Stock	18,443	24,775	43,218	171,667
	GM Class H Common Stock	7,683	5,485	13,168	--
G. R. Wagoner, Jr.....	GM \$1 2/3 Common Stock	18,742	24,472	43,214	208,557
	GM Class H Common Stock	6,234	5,485	11,719	--
All directors and officers of General Motors as a group.....	GM \$1 2/3 Common Stock	193,564	206,312	399,876	1,042,182
	GM Class H Common Stock	119,764	70,728	190,492	265,902
FIVE PERCENT OWNERS					
The Capital Group Companies, Inc. 333 South Hope Street Los Angeles, CA 90071...	GM Class H Common Stock	5,383,900	--	5,383,900	--
Putnam Investments, Inc. One Post Office Square Boston, MA 02109.....	GM Class H Common Stock	6,527,777	--	6,527,777	--
Fidelity Management & Research Company 82 Devonshire Street Boston, MA 02109.....	GM \$1 2/3 Common Stock	60,407,423	--	60,407,423	--
	GM Class H Common Stock	110,004	--	110,004	--

(a) GM common stock that may be acquired within 60 days through exercise of stock options.

(b) In connection with the Hughes Transactions, 50% of these options will be adjusted and converted into options for shares of New GM Class H Common Stock and 50% of these options will be adjusted and converted into options for shares of GM \$1 2/3 Common Stock.

As of the Record Date, directors and executive officers of General Motors held an aggregate of 196,698 outstanding shares of GM \$1 2/3 Common Stock and 121,392 outstanding shares of GM Class H Common Stock. In each case, such holdings constituted, as of the Record Date, less than 1% of the outstanding shares of each class of GM common stock.

FORWARD-LOOKING INFORMATION MAY PROVE INACCURATE

This document contains certain forward-looking statements and information relating to General Motors (including Delco and Delphi) and Hughes Telecom that are based on the beliefs of General Motors and/or Hughes Telecom management as well as assumptions made by and information currently available to General Motors and/or Hughes Telecom management. When used in this document, the words "anticipate," "believe," "estimate" and "expect" and similar expressions, as they relate to General Motors (including Delco and Delphi), Hughes Telecom or GM management or Hughes Telecom management, are intended to identify forward-looking statements. Such statements reflect the current view of General Motors and/or Hughes Telecom with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected. General Motors and Hughes Telecom do not intend to update these forward-looking statements.

This document also contains certain forward-looking statements and information relating to Hughes Defense, Raytheon and New Raytheon that are based on the beliefs of Raytheon and/or Hughes Defense management as well as assumptions made by and information currently available to Raytheon and/or Hughes Defense management. When used in this document, the words "anticipate," "believe," "estimate" and "expect" and similar expressions, as they relate to Hughes Defense, Raytheon, New Raytheon or Raytheon management or Hughes Defense management, are intended to identify forward-looking statements. Such statements reflect the current views of Raytheon and/or Hughes Defense with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected. Raytheon and Hughes Defense do not intend to update these forward-looking statements.

Statements made concerning expected financial performance, ongoing financial performance strategies, and possible future action which Hughes Electronics intends to pursue to achieve strategic objectives for each of its three principal business segments (including the Hughes Transactions) constitute forward-looking information. The implementation of these strategies and of such future actions and the achievement of such financial performance are each subject to numerous conditions, uncertainties and risk factors. Accordingly, no assurance can be given that Hughes Electronics will be able to successfully accomplish its strategic objectives or achieve such financial performance. The principal important risk factors which could cause actual performance and future actions to differ materially from the forward-looking statements made in this document include economic conditions, product demand and market acceptance, government action, competition, ability to achieve cost reductions, GM's global sourcing strategy with respect to automotive electronics, GM NAO volumes, technological risk, interruptions to production attributable to causes outside Hughes Electronics' control, and the receipt of various approvals with respect to the Hughes Transactions.

ESTIMATED FEES AND EXPENSES

Estimated costs and fees of General Motors and its subsidiaries incurred in connection with the Hughes Transactions and the Raytheon Merger are as follows:

(IN MILLIONS)

Goldman Sachs.....	\$28.5
Merrill Lynch.....	21.0
Salomon Brothers.....	21.0
Legal Fees and Expenses.....	9.0
Printing and Mailing Expenses.....	5.0
Exchange Agent/Transfer Agent Fees.....	3.8
SEC Filing Fees.....	2.8
Solicitation and Information Agent Fees and Expenses.....	1.0
Accounting Fees and Expenses.....	0.8
Miscellaneous.....	7.1

Total.....	\$100.0
	=====

In general, all costs and expenses of either General Motors or Hughes Defense in connection with the Hughes Defense Spin-Off and the Raytheon Merger will be paid by the party that incurs such costs and expenses. Pursuant to the Spin-Off Separation Agreement, General Motors or one of its subsidiaries will pay all fees and out-of-pocket expenses of Hughes Defense in connection with Hughes Transactions and the Raytheon Merger except that Hughes Defense will pay all costs and expenses relating exclusively to the Raytheon Merger. General Motors or its subsidiaries (excluding Hughes Defense) will also pay all fees and expenses relating to the Hughes Transactions except (1) the costs of printing and engraving the certificates representing the Hughes Defense Common Stock, (2) fees of any transfer or exchange agent engaged by Hughes Defense and (3) all fees relating to the listing of the Hughes Defense Common Stock on the NYSE, all of which will be paid by Hughes Defense. See "Separation and Transition Arrangements--Summary of Spin-Off Separation Agreement" in Chapter 3.

With respect to those fees and expenses to be borne by General Motors or Hughes Telecom, General Motors and Hughes Telecom have agreed that all costs and expenses which relate exclusively to the Hughes

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Transactions (not including those incurred in connection with the Raytheon Merger) will be paid by General Motors and all of such costs and expenses which relate exclusively to the Raytheon Merger will be paid by New Hughes Electronics. In addition, they have agreed that certain of such costs and expenses which relate to both the Hughes Transactions and the Raytheon Merger will be shared equally by General Motors and New Hughes Electronics. These costs and expenses include the SEC filing fees, the printing and mailing expenses and the solicitation and information agent fees and expenses. As a result of these arrangements, we estimate that General Motors will pay for approximately 55% and New Hughes Electronics will pay for approximately 45% of the above-listed fees and expenses.

LEGAL MATTERS

The validity of the shares of New GM Class H Common Stock to be distributed to the former GM Class H Common Stockholders upon the consummation of the Hughes Transactions will be passed upon for General Motors by Warren G. Andersen, Esq., Attorney, Legal Staff of General Motors. The validity of the shares of Class A Common Stock to be distributed to the GM $\frac{2}{3}$ Common Stockholders and the former GM Class H Common Stockholders upon the consummation of the Hughes Defense Spin-Off will be passed upon for Hughes Defense by Weil, Gotshal & Manges LLP. Certain matters relating to U.S. federal income tax considerations in connection with the Hughes Transactions will be passed upon for General Motors by Kirkland & Ellis. Certain matters relating to the U.S. federal income tax considerations in connection with the Raytheon Merger will be passed upon for Hughes Defense by Weil, Gotshal & Manges LLP.

EXPERTS

The consolidated financial statements and financial statement schedule of General Motors Corporation and subsidiaries as of December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996, included in the GM 1996 Form 10-K, incorporated by reference in this document, have been audited by Deloitte & Touche LLP, independent public accountants, as stated in their report appearing therein, and have been so incorporated by reference in this document in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

The consolidated financial statements and financial statement schedule of Hughes Electronics Corporation as of December 31, 1996 and 1995 and for each of the years in the three-year period ended December 31, 1996, included in Exhibit 99 to the GM 1996 Form 10-K, incorporated by reference in this document, have been audited by Deloitte & Touche LLP, independent public accountants, as stated in their reports appearing therein, and have been so incorporated by reference in reliance upon such reports given upon the authority of that firm as experts in accounting and auditing.

The combined financial statements of Hughes Defense as of December 31, 1996 and 1995 and for each of the years in the three-year period ended December 31, 1996, included in Appendix C to this document, have been audited by Deloitte & Touche LLP, independent public accountants, as stated in their reports appearing therein, and have been so included in reliance upon such reports given upon the authority of that firm as experts in accounting and auditing.

The combined financial statements of Delco as of December 31, 1996 and 1995 and for each of the years in the three-year period ended December 31, 1996, included in Appendix D to this document, have been audited by Deloitte & Touche LLP, independent public accountants, as stated in their reports appearing therein, and have been so included in reliance upon such reports given upon the authority of that firm as experts in accounting and auditing.

The combined financial statements of Hughes Telecom as of December 31, 1996 and 1995 and for each of the years in the three-year period ended December 31, 1996, included in Appendix E to this document, have been audited by Deloitte & Touche LLP, independent public accountants, as stated in their reports appearing therein, and have been so included in reliance upon such reports given upon the authority of that firm as experts in accounting and auditing.

The consolidated financial statements and financial statement schedule of Raytheon Company and Subsidiaries as of December 31, 1996 and 1995 and for each of the years in the three-year period ended December 31, 1996, included in the Raytheon 1996 Form 10-K, incorporated by reference in this document, have been audited by Coopers & Lybrand L.L.P., independent auditors, as stated in their reports appearing therein, and have been so incorporated by reference in reliance upon such reports given upon the authority of that firm as experts in accounting and auditing.

The financial statements of the Defense Business of Texas Instruments Incorporated as of December 31, 1996 and 1995 and for each of the years in the three-year period ended December 31, 1996, included in Raytheon's Form 8-K dated March 14, 1997, which is incorporated into this document by reference, have been audited by Ernst & Young LLP, independent auditors, as stated in their reports appearing therein, and have been so incorporated by reference in reliance upon such reports given upon the authority of that firm as experts in accounting and auditing.

The consolidated financial statements of PanAmSat Corporation as of December 31, 1996 and 1995 and for each of the years in the three-year period ended December 31, 1996, included in the PanAmSat Proxy Statement, incorporated by reference in this document, have been audited by Arthur Andersen LLP, independent auditors, as stated in their reports appearing therein, and have been so incorporated by reference in reliance upon such reports given upon the authority of that firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

General Motors is subject to the information requirements of the Exchange Act and files reports and other information with the SEC. You may read and copy any reports or other information General Motors files at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. You may also request copies of these documents upon payment of a duplicating fee, by writing to the SEC's Public Reference Section. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. GM's SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at "<http://www.sec.gov>," and the web site maintained by General Motors at "<http://www.gm.com>."

GM \$1 2/3 Common Stock and GM Class H Common Stock are listed on the NYSE. GM \$1 2/3 Common Stock is also listed on the Chicago Stock Exchange, the Pacific Stock Exchange and the Philadelphia Stock Exchange.

Each of General Motors and Hughes Defense have filed a registration statement with respect to its stock to be issued to GM common stockholders in the Hughes Transactions. Pursuant to SEC rules and regulations, this document does not contain all the information you can find in such registration statements. You may read and copy this information in the same way as any other information that General Motors files with the SEC. Statements in this document concerning any document filed as an exhibit to such registration statements are not necessarily complete and, in each instance, reference is made to the copy of such document filed as an exhibit to one or both registration statements. Each of such statements is qualified in its entirety by such reference.

General Motors has filed a Schedule 13E-3 Transaction Statement under the Exchange Act with respect to the Hughes Transactions. Pursuant to the rules and regulations of the SEC, this document omits certain information contained in the Schedule 13E-3, including reports of financial advisors referred to in this document and filed as exhibits to the Schedule 13E-3. These reports may be inspected and copied, and obtained by mail, from the SEC as set forth above and will be available for inspection and copying at the principal executive offices of General Motors at General Motors Corporation, 100 Renaissance Center, Detroit, Michigan 48243-7301 during regular business hours by any interested stockholder of General Motors or his or her representative who has been so designated in writing.

The SEC allows us to "incorporate by reference" information into this document, which means that we can disclose important information to you by referring you to another document filed separately with the SEC, including GM's regular annual and quarterly reports. The information incorporated by reference is deemed to be part of this document, except for any information superseded by information in this document.

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This document incorporates by reference the documents set forth below that General Motors previously filed with the SEC. These documents contain important information about General Motors and its finances and the Hughes Transactions.

SEC FILINGS (FILE NO. 1-143) -----	PERIOD -----
Annual Report on Form 10-K.....	Year ended December 31, 1996
Quarterly Reports on Form 10-Q...	Quarters ended March 31, 1997 and June 30, 1997
Current Reports on Form 8-K.....	Dated January 16, 1997, January 27, 1997, March 12, 1997, April 14, 1997, May 23, 1997, May 27, 1997, July 1, 1997, July 14, 1997, October 6, 1997 and October 13, 1997.

This document also incorporates by reference the documents set forth below that Raytheon previously filed with the SEC. These documents contain important information about Raytheon and Texas Instruments Defense and their finances.

SEC FILINGS (FILE NO. 1-2833) -----	PERIOD -----
Annual Report on Form 10-K.....	Year ended December 31, 1996
Quarterly Reports on Form 10-Q...	Quarters ended March 30, 1997 and June 29, 1997
Current Reports on Form 8-K.....	Dated January 4, 1997, January 16, 1997, March 14, 1997, July 11, 1997, September 10, 1997 and October 7, 1997.

We are also incorporating by reference additional documents that we and Raytheon file with the SEC between the date of this document and the consummation of the Hughes Transactions. Any statement in this document or in a document incorporated or deemed to be incorporated by reference in this document shall be deemed to be modified or superseded for purposes of this document to the extent that a statement contained in this document or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this document modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed to constitute a part of this document, except as so modified or superseded.

In addition, this document incorporates by reference (1) PanAmSat's Consolidated Financial Statements contained in pages FIN-1 through FIN-19 of the Proxy Statement on Schedule 14A, filed on April 18, 1997, of PanAmSat (File No. 0-26712) and (2) the unaudited financial statements of PanAmSat contained in the Quarterly Report on Form 10-Q/A for the quarter ended March 31, 1997 of PanAmSat).

If you are a GM common stockholder, we may have already sent you some of the GM documents incorporated by reference, but you can obtain any document incorporated by reference through us or the SEC. Documents incorporated by reference are available from General Motors without charge, excluding all exhibits unless we have specifically incorporated by reference an exhibit in this document. You may obtain documents incorporated by reference in this document by making a request to General Motors by telephone at (800) 331-9922 or in writing at the following address:

General Motors Corporation MC 482-111-238 3044
West Grand Boulevard Detroit, Michigan 48202-3091
Tel: (313) 556-2044

If you would like to request documents from General Motors, please do so within 15 business days of the date of the mailing of this document in order to ensure timely delivery.

GLOSSARY

This Glossary contains certain terms used throughout this document. Certain other terms used exclusively in only one portion of this document do not appear in this Glossary. Unless otherwise indicated, all definitions speak as of the date of this document.

"Available Separate Consolidated Net Income of Hughes Electronics" means, for any quarterly period, an amount representing the separate consolidated net income of Hughes Electronics for such period excluding the effects of GM purchase accounting adjustments arising at the time of GM's acquisition of Hughes Aircraft, calculated for such period and multiplied by a fraction, the numerator of which is a number equal to the weighted average number of shares of GM Class H Common Stock outstanding during the quarter (100 million during the second quarter of 1997) and the denominator of which was 400 million for the second quarter of 1997; provided that such fraction shall never be greater than one. This term is defined in the GM Certificate of Incorporation as part of the terms of the GM Class H Common Stock and is used in determining the amount available for the payment of dividends on the GM Class H Common Stock.

"Available Separate Consolidated Net Income of New Hughes Electronics" means, for any quarterly period, an amount representing the separate consolidated net income of New Hughes Electronics for such period excluding the effects of GM purchase accounting adjustments arising at the time of GM's acquisition of Hughes Aircraft, calculated for such period and multiplied by a fraction, the numerator of which is a number equal to the weighted average number of shares of New GM Class H Common Stock outstanding during the quarter and the denominator of which will initially be the denominator of the fraction described above in "Available Separate Consolidated Net Income of Hughes Electronics" as of immediately prior to the GM Spin-Off Merger Effective Time (currently expected to be approximately 400 million); provided that such fraction shall never be greater than one. This term will be defined in the GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, as part of the terms of the New GM Class H Common Stock and will be used in determining the amount available for the payment of dividends on the New GM Class H Common Stock. The GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, will use the term "Available Separate Consolidated Net Income of Hughes" to refer to what this document refers to as the Available Separate Consolidated Net Income of New Hughes Electronics.

"Capital Stock Committee" means a standing committee of the GM Board, comprised entirely of independent directors of General Motors, which oversees those matters in which the two classes of GM's common stockholders may have divergent interests.

"Class A Common Stock" means the Class A Common Stock, \$0.01 par value per share, of Hughes Defense (i.e., HE Holdings) which will be distributed to GM's common stockholders pursuant to the GM Spin-Off Merger.

"Class A Common Stockholder" means a holder of Class A Common Stock.

"Class A Share Value" means the average closing market price of Raytheon Common Stock during the 30-day period ending on the fifth business day before the consummation of the Raytheon Merger.

"Class B Common Stock" means the Class B Common Stock, \$0.01 par value per share, of Hughes Defense (i.e., HE Holdings) which will be distributed to Raytheon's common stockholders pursuant to the Raytheon Merger.

"Class B Common Stockholder" means a holder of Class B Common Stock.

"Class H Distribution" means the total number of shares of Class A Common Stock to be distributed to GM Class H Common Stockholders.

GLOSSARY

GLOSSARY

"Class H Fraction" means the fraction which expresses the relationship between the number of shares of GM Class H Common Stock outstanding and the Class H Dividend Base, which is the denominator of the fraction that is used in the GM Certificate of Incorporation to allocate the earnings of Hughes Electronics between GM's two classes of common stock for dividend purposes. See "Special Factors--The Distribution Ratio" in Chapter 3.

"Code" means the Internal Revenue Code of 1986, as amended.

"Delaware General Corporation Law" means the General Corporation Law of the State of Delaware, as amended.

"Delco" means Delco Electronics Corporation, a Delaware corporation and (1) before the Hughes Reorganization, a wholly owned subsidiary of Hughes Electronics comprising the automotive electronics business of Hughes Electronics, and (2) after the Hughes Reorganization, a wholly owned subsidiary of General Motors comprising the automotive electronics business of Hughes Electronics. "Delco" also means, as appropriate, the automotive electronics business of Hughes Electronics.

"Delphi" means Delphi Automotive Systems, the automotive components sector of General Motors.

"Department of Defense" means the U.S. Department of Defense.

"Distribution Ratio" means the relationship between (1) the number of shares of Class A Common Stock to be allocated and distributed to the GM $\$1 \frac{2}{3}$ Common Stockholders and (2) the number of shares of Class A Common Stock to be allocated and distributed to the GM Class H Common Stockholders, pursuant to the Hughes Defense Spin-Off. For a description of the Distribution Ratio and the methodology used by the GM Board to determine the Distribution Ratio, see "Background--The Distribution Ratio" in Chapter 3.

"EDS" means Electronic Data Systems Corporation, a Delaware corporation and formerly a wholly owned subsidiary of General Motors.

"EDS Split-Off" means the split-off of EDS from General Motors consummated on June 7, 1996, pursuant to which all of the outstanding shares of common stock of EDS were exchanged for all of the outstanding shares of the Class E Common Stock, \$0.10 par value, of General Motors.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

"FTC" means the U.S. Federal Trade Commission.

"General Motors" or "GM" means General Motors Corporation, a Delaware corporation. When we refer to "GM" or "General Motors" in this document, we mean General Motors and its subsidiaries (including Hughes Defense prior to the Hughes Defense Spin-Off) unless the context indicates that we mean otherwise.

"GMAC" means General Motors Acceptance Corporation, a New York corporation and a wholly owned subsidiary of General Motors.

"GM Board" means the Board of Directors of General Motors.

"GM By-Laws" means the By-Laws of General Motors, as amended.

"GM Certificate of Incorporation" means the Restated Certificate of Incorporation of General Motors, as amended.

GLOSSARY

"GM Class H Common Stock" means the Class H Common Stock, \$0.10 par value per share, of General Motors.

"GM Class H Common Stockholder" means a holder of GM Class H Common Stock.

"GM 1996 Form 10-K" means the Annual Report on Form 10-K of General Motors for the year ended December 31, 1996.

"GM \$1 2/3 Common Stock" means the Common Stock, \$1 2/3 par value per share, of General Motors and, following the GM Spin-Off Merger Effective Time, the Common Stock, \$1 2/3 par value per share, of General Motors as the surviving corporation of the GM Spin-Off Merger.

"GM \$1 2/3 Common Stockholder" means a holder of GM \$1 2/3 Common Stock.

"GM Preference Stock" means the Preference Stock, \$0.10 par value per share, of General Motors (including the Series B 9 1/8% Preference Stock, the Series D 7.92% Preference Stock and the Series G 9.12% Preference Stock).

"GM Preferred Stock" means the Preferred Stock, without par value, of General Motors.

"GM President's Council" means a standing council of certain members of senior management of General Motors, appointed by the GM Board and charged with senior policy-making authority, currently comprised of persons holding the following positions: (1) the Chairman, Chief Executive Officer and President of General Motors, (2) the Vice Chairman of Hughes Electronics, Allison Transmission Division, GM Locomotive Group and Corporate Affairs, (3) the Chairman and Chief Executive Officer of Hughes Electronics, (4) the Executive Vice President of General Motors and President of Delphi Automotive Systems, (5) the Executive Vice President and President, International Operations of General Motors, (6) the Executive Vice President and Chief Financial Officer of General Motors and (7) the Executive Vice President of General Motors and President of GM NAO, including Saturn Corporation.

"GM Recapitalization" means the recapitalization and conversion of each issued and outstanding share of GM Class H Common Stock into one share of New GM Class H Common Stock and the right to receive a distribution of Class A Common Stock in accordance with the Distribution Ratio. The GM Recapitalization will be accomplished pursuant to the GM Spin-Off Merger.

"GM Recapitalization Opinion" means the opinion of Kirkland & Ellis, outside tax counsel to General Motors, to the effect that the GM Recapitalization will constitute a tax-free reorganization within the meaning of Section 368(a) of the Code.

"GM Spin-Off Merger" means the merger of Merger Sub with General Motors, with General Motors as the surviving corporation of the GM Spin-Off Merger, to effect, among other things, the Hughes Defense Spin-Off and the GM Recapitalization.

"GM Spin-Off Merger Agreement" means the Agreement and Plan of Merger by and between General Motors and Merger Sub, dated as of October 17, 1997, as amended.

"GM Spin-Off Merger Effective Time" means the time at which the GM Spin-Off Merger becomes effective.

"GM Transfer Agent" means BankBoston, N.A., in its capacity as the transfer agent for the GM common stock.

"Goldman Sachs" means Goldman, Sachs & Co., in its capacity as financial advisor to General Motors, Hughes Electronics and Hughes Defense in connection with the Raytheon Merger.

"Goldman Sachs Fairness Opinion" means the written opinion of Goldman Sachs, dated as of January 16, 1997, addressed to the Boards of Directors of General Motors, Hughes Electronics and Hughes Defense in connection with the Raytheon Merger that, on the basis of and subject to the assumptions and limitations and other matters set forth therein, as of the date thereof, the Aggregate Consideration (as defined therein) is fair to the GM Group (as defined therein) as a whole.

"Hart-Scott-Rodino Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"HE Holdings" means HE Holdings, Inc., a Delaware corporation and (1) before the Hughes Reorganization, a wholly owned subsidiary of Hughes Electronics comprising the defense electronics business and the telecommunications and space business of Hughes Electronics, and (2) after the Hughes Reorganization (but before the Hughes Defense Spin-Off), a wholly owned subsidiary of General Motors comprising the defense electronics business of Hughes Electronics. HE Holdings will be the issuer of the Class A Common Stock to be distributed in the Hughes Defense Spin-Off. In the Raytheon Merger, Raytheon will merge with and into HE Holdings, with HE Holdings as the surviving corporation, which will be renamed "Raytheon Company" in connection with the merger. With respect to periods following the Raytheon Merger Effective Time, we sometimes refer in this document to HE Holdings as "New Raytheon."

"Hughes Aircraft" means Hughes Aircraft Company, a Delaware corporation.

"Hughes Defense" means HE Holdings. "Hughes Defense" also means, as appropriate, the defense electronics business of Hughes Electronics.

"Hughes Defense By-Laws" means the Amended and Restated By-Laws of Hughes Defense, which will continue as the by-laws of New Raytheon after the Raytheon Merger. With respect to periods following the Raytheon Merger Effective Time, we sometimes refer in this document to the Hughes Defense By-Laws as the "New Raytheon By-Laws."

"Hughes Defense Certificate of Incorporation" means the Amended and Restated Certificate of Incorporation of Hughes Defense, which will continue as the certificate of incorporation of New Raytheon after the Raytheon Merger. With respect to periods following the Raytheon Merger Effective Time, we sometimes refer in this document to the Hughes Defense Certificate of Incorporation as the "New Raytheon Certificate of Incorporation."

"Hughes Defense Common Stock" means the Class A Common Stock and the Class B Common Stock. With respect to periods following the Raytheon Merger Effective Time, we sometimes refer in this document to the Hughes Defense Common Stock as "New Raytheon Common Stock."

"Hughes Defense Recapitalization" means the adoption by Hughes Defense of the Hughes Defense Certificate of Incorporation, which authorizes Class A Common Stock and Class B Common Stock, and the recapitalization of the common stock, no par value per share, of Hughes Defense into shares of Class A Common Stock.

"Hughes Defense Registration Statement" means the Registration Statement on Form S-4 of Hughes Defense, as amended and including exhibits, to register with the SEC the shares of Class A Common Stock to be distributed in the Hughes Defense Spin-Off. This document is part of the Hughes Defense Registration Statement.

"Hughes Defense Spin-Off" means the spin-off of Hughes Defense from General Motors.

"Hughes Defense Spin-Off Committee" means a special committee of the GM Board formed to supervise the process of soliciting interest in Hughes Defense and to oversee matters relating to the Hughes Transactions.

The Hughes Defense Spin-Off Committee, which has been renamed the "Hughes Transactions Committee," is currently comprised of John G. Smale, Thomas H. Wyman, John H. Bryan, Ann D. McLaughlin, Edmund T. Pratt and Dennis Weatherstone. See "Background--Background of the Hughes Transactions" in Chapter 3.

"Hughes Electronics" means Hughes Electronics Corporation, a Delaware corporation and a wholly owned subsidiary of General Motors. See the definition of "New Hughes Electronics."

"Hughes Electronics Board" means the Board of Directors of Hughes Electronics.

"Hughes Network Systems" means Hughes Network Systems, Inc., a Delaware corporation and a wholly owned subsidiary of Hughes Defense.

"Hughes Reorganization" means all transfers of assets and liabilities by and among Delco, Hughes Telecom and Hughes Defense and their respective subsidiaries, the Hughes Telecom Spin-Off, the transfer of Delco from Hughes Electronics to General Motors, the merger of Hughes Electronics with General Motors (resulting in the liquidation of Hughes Electronics), the merger of Hughes Aircraft with Hughes Defense (resulting in the liquidation of Hughes Aircraft) and the Hughes Defense Recapitalization.

"Hughes Telecom" means, before the Hughes Reorganization, the telecommunications and space business of Hughes Electronics. "Hughes Telecom" also means, as appropriate, the telecommunications and space business of New Hughes Electronics with respect to periods after the Hughes Reorganization.

"Hughes Telecom Spin-Off" means the spin-off of Hughes Telecom by Hughes Defense to General Motors.

"Hughes Transactions" means collectively (1) the Hughes Reorganization, (2) the Hughes Defense Spin-Off, (3) the GM Recapitalization, (4) the consummation of the GM Spin-Off Merger, (5) the execution and delivery of each of the Separation Agreements and (6) the consummation of the other transactions and events contemplated by the Transaction Agreements.

"Hughes Transactions Exchange Agent" means BankBoston, N.A. in its capacity as the exchange agent for the Hughes Transactions.

"Implementation Agreement" means the Implementation Agreement by and between General Motors and Raytheon, dated as of January 16, 1997, as amended.

"Intercompany Payment" means the application of the proceeds of the new indebtedness to be incurred by Hughes Defense as contemplated by the Raytheon Merger Agreement. Such proceeds (up to \$4.0 billion) will be made available to Hughes Telecom, with the amount, if any, in excess of \$4.0 billion used to repay intercompany loans owed to Delco. See "Description of the Raytheon Merger--Raytheon Merger Agreement--Certain Covenants--Indebtedness" in Chapter 3.

"Intercompany Payment Amount" means, as set forth in the Raytheon Merger Agreement, the amount of indebtedness for borrowed money that may be incurred by Hughes Defense prior to the Raytheon Merger Effective Time. See "Description of the Raytheon Merger--Raytheon Merger Agreement--Covenants--Indebtedness" in Chapter 3.

"IRS" means the Internal Revenue Service of the U.S. Department of Treasury.

"IRS Ruling" means the letter ruling, dated as of July 11, 1997, received from the IRS which holds, in part, that each of (1) the distribution of Class A Common Stock to the GM Class H Common Stockholders and the GM $\frac{1}{3}$ Common Stockholders as contemplated by the GM Spin-Off Merger Agreement and (2) the Hughes Telecom Spin-Off will constitute a tax-free (to the applicable distributing corporation and its stockholders) distribution under Sections 355 and 368(a)(1)(D) of the Code. The IRS Ruling includes a holding which constitutes the IRS Supplemental Ruling defined below.

"IRS Supplemental Ruling" means the holding contained in the IRS Ruling that the consummation of the transactions contemplated by the GM Spin-Off Merger Agreement and the consummation of the Raytheon Merger will not in any way jeopardize the tax-free status of the EDS Split-Off.

"Master Separation Agreement" means the Master Separation Agreement among General Motors, Hughes Telecom, Delco and Hughes Defense, to be entered into in connection with the consummation of the Hughes Transactions.

"Merger Sub" means GM Mergeco Corporation, a Delaware corporation and a wholly owned subsidiary of General Motors, formed for the purpose of effecting the GM Spin-Off Merger.

"Merrill Lynch" means Merrill Lynch, Pierce, Fenner & Smith Incorporated, in its capacity as financial advisor to General Motors in connection with the Hughes Transactions.

"Net Transaction Effect" means the Net Transaction Effect Base Amount, plus, if the Intercompany Payment Amount exceeds \$4.0 billion, such excess multiplied by the Class H Fraction as of immediately prior to the GM Spin-Off Merger Effective Time. See "Special Factors--The Distribution Ratio" in Chapter 3.

"Net Transaction Effect Base Amount" means \$6.5 billion multiplied by the Class H Fraction as of immediately prior to the GM Spin-Off Merger Effective Time. See "Special Factors--The Distribution Ratio" in Chapter 3.

"New GM Class H Common Stock" means the Class H Common Stock, \$0.10 par value per share, of General Motors to be issued in the GM Spin-Off Merger.

"New GM Class H Common Stockholder" means a holder of New GM Class H Common Stock.

"New Hughes Electronics" means a wholly owned subsidiary of General Motors comprising the business of Hughes Telecom. See the definition of "Hughes Telecom."

"New Raytheon" means Hughes Defense (i.e., HE Holdings) as the surviving corporation of the Raytheon Merger.

"New Raytheon Board" means the Board of Directors of New Raytheon.

"New Raytheon By-Laws" means the Amended and Restated By-Laws of New Raytheon, after the consummation of the Raytheon Merger. See the definition of "Hughes Defense By-Laws."

"New Raytheon Capital Stock" means the New Raytheon Common Stock and the New Raytheon Preferred Stock.

"New Raytheon Certificate of Incorporation" means the Amended and Restated Certificate of Incorporation of New Raytheon. See the definition of "Hughes Defense Certificate of Incorporation."

"New Raytheon Common Stock" means the Class A Common Stock and the Class B Common Stock of New Raytheon. See the definition of "Hughes Defense Common Stock."

"New Raytheon Preferred Stock" means the Preferred Stock, \$0.01 par value per share, of New Raytheon.

"New Raytheon Right" means a right to purchase one one-hundredth of a share of New Raytheon Junior Preferred Stock as provided in the New Raytheon Rights Agreement.

"New Raytheon Rights Agreement" means the Rights Agreement, to be entered into by and between HE Holdings and the Rights Agent (as defined in the New Raytheon Rights Agreement).

"NYSE" means the New York Stock Exchange, Inc.

"\$1 2/3 Distribution" means the total number of shares of Class A Common Stock to be distributed to GM \$1 2/3 Common Stockholders.

"Original Merrill Lynch Fairness Opinion" means the written opinion of Merrill Lynch, dated October 6, 1997, addressed to GM Board that, as of such date, on the basis of and subject to the assumptions, limitations and other matters set forth therein, taking into account all relevant aspects of the Hughes Transactions and the Raytheon Merger, the consideration to be provided to General Motors and its subsidiaries and to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders in the Hughes Transactions was fair from a financial point of view to the GM \$1 2/3 Common Stockholders and to the GM Class H Common Stockholders.

"Original Salomon Brothers Fairness Opinion" means the written opinion of Salomon Brothers, dated October 6, 1997, addressed to the GM Board that, as of such date, on the basis of and subject to the assumptions, limitations and other matters set forth therein, taking into account all relevant aspects of the Hughes Transactions and the Raytheon Merger, the consideration to be provided to General Motors and its subsidiaries and to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders in the Hughes Transactions was fair from a financial point of view to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders.

"PanAmSat" means PanAmSat Corporation, a Delaware corporation, prior to the consummation of a series of transactions with Hughes Telecom resulting in the merger of their respective satellite services operations as of May 16, 1997.

"PanAmSat Merger" means the series of transactions resulting in the merger of the satellite services operations of each of Hughes Telecom and PanAmSat into a new, publicly held company, which we refer to herein as "New PanAmSat," which were consummated on May 16, 1997.

"Raytheon" means Raytheon Company, a Delaware corporation.

"Raytheon Common Stock" means the Common Stock, \$0.01 par value per share, of Raytheon.

"Raytheon Merger" means the merger of Raytheon with Hughes Defense pursuant to the Raytheon Merger Agreement.

"Raytheon Merger Agreement" means the Agreement and Plan of Merger by and between Hughes Defense and Raytheon, dated as of January 16, 1997, as amended.

"Raytheon Merger Effective Time" means the time at which the Raytheon Merger becomes effective, which will be immediately following the consummation of the GM Spin-Off Merger.

"Raytheon Merger Exchange Agent" means BankBoston, N.A. in its capacity as the exchange agent for the Raytheon Merger.

"Raytheon Merger Opinions" means collectively the opinions of Wachtell, Lipton, Rosen & Katz, counsel to Raytheon, and Weil, Gotshal & Manges LLP, counsel to Hughes Defense, each to the effect that the Raytheon Merger will constitute a tax-free reorganization within the meaning of Section 368(a) of the Code.

"Raytheon 1996 Form 10-K" means the Annual Report on Form 10-K of Raytheon for the year ended December 31, 1996.

"Raytheon Proxy Statement" means the proxy/consent solicitation statement of Raytheon with respect to the Raytheon Merger.

GLOSSARY

"Raytheon Registration Statement" means the Registration Statement on Form S-4 of Hughes Defense, as amended and including exhibits, to register with the SEC the shares of Class B Common Stock to be distributed in the Raytheon Merger.

"Record Date" means October 15, 1997.

"Registration Statements" means (1) the Registration Statement on Form S-4 of General Motors, as amended and including exhibits, to register with the SEC the shares of New GM Class H Common Stock to be distributed in the GM Spin-Off Merger and (2) the Hughes Defense Registration Statement.

"Requisite Stockholder Approval" means the approval by (1) a majority of the outstanding shares of GM Class H Common Stock, voting as a separate class, and (2) a majority of the outstanding shares of GM $\$1 \frac{2}{3}$ Common Stock, voting as a separate class.

"Salomon Brothers" means Salomon Brothers Inc, in its capacity as financial advisor to General Motors in connection with the Hughes Transactions.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

"Separation Agreements" means collectively the Master Separation Agreement, the Spin-Off Separation Agreement, the Tax Sharing Agreement and all of the other agreements contemplated by the Master Separation Agreement.

"Schedule 13E-3" means the Schedule 13E-3 Transaction Statement, as amended and including the exhibits, filed by General Motors in connection with the Hughes Transactions.

"Spin-Off Separation Agreement" means the Spin-Off Separation Agreement by and between Hughes Defense and General Motors, to be entered into in connection with the consummation of the Hughes Transactions.

"Tax Sharing Agreement" means the Tax Sharing Agreement by and among General Motors, Hughes Defense and Hughes Telecom, to be entered into in connection with the consummation of the Hughes Transactions.

"Texas Instruments" means Texas Instruments Incorporated, a Delaware corporation.

"Texas Instruments Defense" means the defense systems and electronics business of Texas Instruments, which was acquired by Raytheon on July 11, 1997.

"Texas Instruments Defense Acquisition" means the acquisition by Raytheon of Texas Instruments Defense on July 11, 1997.

"Transaction Agreements" means the GM Spin-Off Merger Agreement, the Implementation Agreement, the Raytheon Merger Agreement and the Separation Agreements.

"Treasury Regulations" means the rules and regulations promulgated by the U.S. Department of Treasury under the Code.

"Updated Merrill Lynch Fairness Opinion" means the written opinion of Merrill Lynch, dated October , 1997, addressed to GM Board that, as of such date, on the basis of and subject to the assumptions, limitations and other matters set forth therein, taking into account all relevant aspects of the Hughes

Transactions and the Raytheon Merger, the consideration to be provided to General Motors and its subsidiaries and to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders in the Hughes Transactions was fair from a financial point of view to the GM \$1 2/3 Common Stockholders and to the GM Class H Common Stockholders.

"Updated Salomon Brothers Fairness Opinion" means the written opinion of Salomon Brothers, dated October , 1997, addressed to the GM Board that, as of such date, on the basis of and subject to the assumptions, limitations and other matters set forth therein, taking into account all relevant aspects of the Hughes Transactions and the Raytheon Merger, the consideration to be provided to General Motors and its subsidiaries and to the GM \$1 2/3 Common Stockholders and the GM Class H Common Stockholders in the Hughes Transactions was fair from a financial point of view to the GM \$1 2/3 Common Stockholders and to the GM Class H Common Stockholders.

APPENDICES

- APPENDIX A GM Spin-Off Merger Agreement
 - Exhibit A: Article Fourth of the GM Certificate of Incorporation, After Giving Effect to the GM Spin-Off Merger
- APPENDIX B Fairness Opinions
 - Updated Merrill Lynch Fairness Opinion
 - Updated Salomon Brothers Fairness Opinion
 - Goldman Sachs Fairness Opinion
 - Hughes Defense Combined Financial
- APPENDIX C Statements
 - Independent Auditors' Report
 - Hughes Defense Combined Financial Statements and Notes Thereto
- APPENDIX D Delco Combined Financial Statements
 - Independent Auditors' Report
 - Delco Combined Financial Statements and Notes Thereto
 - Hughes Telecom Combined Financial
- APPENDIX E Statements
 - Independent Auditors' Report
 - Hughes Telecom Combined Financial Statements and Notes Thereto

APPENDIX A
AGREEMENT AND PLAN OF MERGER

BY AND BETWEEN

GENERAL MOTORS CORPORATION

AND

GM MERGECO CORPORATION

DATED AS OF OCTOBER 17, 1997

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER ("Agreement") is made and entered into as of October 17, 1997 by and between General Motors Corporation, a Delaware corporation ("GM"), and GM Mergeco Corporation, a Delaware corporation and a wholly owned subsidiary of GM ("Mergeco"). GM and Mergeco are sometimes referred to herein individually as a "Party" and collectively as the "Parties." Certain capitalized terms used herein have the meanings ascribed to such terms in Section 1 hereof.

WHEREAS, Hughes is an indirect wholly owned subsidiary of GM;

WHEREAS, Hughes and Raytheon desire to combine Raytheon's business with the Defense Business pursuant to the Hughes Merger Agreement;

WHEREAS, as a condition to entering into the Hughes Merger Agreement, Raytheon has required that GM and Hughes agree that, at the time of consummation of the Hughes Merger, Hughes be an independent, publicly owned company, comprising the Defense Business;

WHEREAS, Mergeco has been formed for the purpose of effectuating the spin-off of Hughes from GM and certain related transactions;

WHEREAS, the Parties intend that, subject to the terms and conditions hereof, Mergeco will merge with and into GM in a tax-free (to GM and the holders of GM Common Stocks) transaction pursuant to which, among other things, (i) the GM Class H Stockholders will receive a distribution of shares of Hughes Class A Common Stock in respect of their shares of GM Class H Common Stock and GM Class H Common Stock will be recapitalized into New GM Class H Common Stock and (ii) the GM $\$1 \frac{2}{3}$ Common Stockholders will receive a distribution of shares of Hughes Class A Common Stock in respect of their shares of GM $\$1 \frac{2}{3}$ Common Stock; and

WHEREAS, the GM board of directors has determined that the transactions contemplated hereby are desirable and in the best interests of GM and the holders of the GM Common Stocks and, by resolutions duly adopted, has approved and adopted this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

Section 1. Definitions

" $\frac{1}{3}$ Defense Distribution" means 102,630,503 minus the Class H Defense Distribution.

"Agreement" has the meaning set forth in the preface above.

"Average Closing Price of Raytheon Common Stock" means the average closing price of Raytheon common stock, regular way, on the New York Stock Exchange during the 30-day period ending five days prior to the effective time of the Hughes Merger.

"Class H Defense Distribution" means the sum of:

(i) the product of multiplying (A) 102,630,503 times (B) the Class H Fraction, plus

(ii) the result of dividing (Y) the Net Transaction Effect by (Z) the Average Closing Price of Raytheon Common Stock.

"Class H Dividend Base" means the denominator of the fraction used to calculate the Available Separate Consolidated Net Income of Hughes (as defined in the GM Certificate of Incorporation), as of immediately prior to the Effective Time.

"Class H Fraction" means a fraction, the numerator of which is equal to the total number of shares of GM Class H Common Stock outstanding immediately prior to the Effective Time and the denominator of which is equal to the Class H Dividend Base.

"Closing" has the meaning set forth in Section 2(b) below.

"Closing Time" has the meaning set forth in Section 2(b) below.

"Code" means the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated thereunder.

"Defense Business" has the meaning ascribed to such term in the Master Separation Agreement.

"Delaware Certificate of Merger" has the meaning set forth in Section 2(c) below.

"Delaware General Corporation Law" means the General Corporation Law of the State of Delaware, as amended.

"Delco" has the meaning ascribed to such term in the Master Separation Agreement.

"EDS" means Electronic Data Systems Corporation, a Delaware corporation and a former wholly owned subsidiary of GM.

"Effective Time" has the meaning set forth in Section 2(d)(i) below.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

"GM" has the meaning set forth in the preface above.

"GM Certificate of Incorporation" means the Amended and Restated Certificate of Incorporation of GM, as amended and in effect immediately prior to the Effective Time.

"GM Class H Common Stock" means the Class H Common Stock, \$0.10 par value per share, of GM.

"GM Class H Stockholder" means any holder of record of GM Class H Common Stock.

"GM Common Stocks" means collectively the GM \$1 2/3 Common Stock and the GM Class H Common Stock.

"GM Implementation Agreement" means the Implementation Agreement dated as of January 16, 1997 by and between GM and Raytheon, as amended from time to time.

"GM Transactions" means collectively (i) the HEC Reorganization, (ii) the Hughes Recapitalization, (iii) the spin-off of Hughes from GM as contemplated hereby, (iv) the recapitalization of GM Class H Common Stock into New GM Class H Common Stock as contemplated hereby, (v) the consummation of the Spin-Off Merger pursuant hereto, (vi) the execution and delivery of each of the Separation Agreements and (vii) the consummation of the other transactions and events contemplated hereby.

"GM \$1 2/3 Common Stock" means, as of immediately prior to the Effective Time, the Common Stock, \$1 2/3 par value per share, of GM and, at and after the Effective Time, the Common Stock, \$1 2/3 par value per share, of the Surviving Corporation.

"GM \$1 2/3 Common Stockholder" means any holder of record of GM \$1 2/3 Common Stock.

"Governmental Authority" means any court, arbitral tribunal, administrative agency or commission or other governmental or regulatory body, agency, instrumentality or authority.

"Hart-Scott-Rodino Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"HEC" means Hughes Electronics Corporation, a Delaware corporation, a wholly owned subsidiary of GM and the sole stockholder of Hughes.

"HEC Reorganization" means the Telecom Spin-Off, the transfer of Delco by HEC to GM or another subsidiary of GM, the merger of Hughes Subsidiary with and into Hughes and all related transfers of assets and liabilities by and among Hughes, Telecom and Delco and their respective subsidiaries.

"Hughes" means HE Holdings, Inc., a Delaware corporation and an indirectly wholly owned subsidiary of GM.

"Hughes Class A Common Stock" means the Class A Common Stock, \$0.01 par value per share, of Hughes, as set forth in Exhibit A to the Hughes Merger Agreement.

"Hughes Class B Common Stock" means the Class B Common Stock, \$0.01 par value per share, of Hughes, as set forth in Exhibit A to the Hughes Merger Agreement.

"Hughes Distribution Ratio" means the relationship between (i) the number of shares of Hughes Class A Common Stock to be allocated and distributed to the holders of GM \$1 2/3 Common Stock and (ii) the number of shares of Hughes Class A Common Stock to be allocated and distributed to the holders of GM Class H Common Stock, in each case pursuant to the Spin-Off Merger, as set forth in Section 2(d) hereof.

"Hughes Merger" means the merger of Raytheon with and into Hughes, with Hughes as the surviving corporation.

"Hughes Merger Agreement" means the Agreement and Plan of Merger dated as of January 16, 1997 by and between Hughes and Raytheon, as amended from time to time.

"Hughes Recapitalization" means the adoption by Hughes of a certificate of incorporation authorizing the Hughes Class A Common Stock and Hughes Class B Common Stock and the recapitalization of the shares of Hughes Common Stock owned by GM into shares of Hughes Class A Common Stock.

"Hughes Spin-Off Separation Agreement" means the Hughes Spin-Off Separation Agreement attached as Exhibit J to the Master Separation Agreement, as amended from time to time in accordance with the terms thereof and Section 4.2(b) of the GM Implementation Agreement.

"Hughes Subsidiary" means Hughes Aircraft Company, a Delaware corporation and, immediately prior to the consummation of the transactions constituting the HEC Reorganization, a wholly owned subsidiary of Hughes.

"Intercompany Payment" has the meaning ascribed to such term in the Hughes Merger Agreement.

"Intercompany Payment Amount" has the meaning ascribed to such term in the Hughes Merger Agreement.

"IRS" means the Internal Revenue Service.

"Master Separation Agreement" means the Master Separation Agreement attached as Exhibit B to the GM Implementation Agreement, as amended from time to time in accordance with the terms thereof and Section 4.2(b) of the GM Implementation Agreement.

"Mergeco" has the meaning set forth in the preface above.

"Mergeco Share" means any share of the Common Stock, \$0.01 par value, of Mergeco.

"Merrill Lynch" has the meaning set forth in Section 3(c) below.

"Net Transaction Effect" means \$6.5 billion multiplied by the Class H Fraction; plus, if the Intercompany Payment Amount exceeds \$4.0 billion, an amount equal to such excess multiplied by the Class H Fraction.

"New GM Class H Common Stock" means the Class H Common Stock, \$0.10 par value per share, of GM, as described on Exhibit A attached hereto.

"Parties" has the meaning set forth in the preface above.

"Party" has the meaning set forth in the preface above.

"Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity (or any department, agency or political subdivision thereof).

"Raytheon" means Raytheon Company, a Delaware corporation.

"Registration Statements" means all registration statements under the Securities Act and the proxy or consent solicitation statement under the Exchange Act required to be filed by GM and Hughes in connection with the GM Transactions.

"Requisite Stockholder Approval" means the approval of the holders of (i) a majority of the voting power of all outstanding shares of the GM Common Stocks, voting together as a single class based on their respective per share voting power pursuant to the provisions set forth in the GM Certificate of Incorporation, (ii) a majority of the outstanding shares of GM \$1 2/3 Common Stock, voting as a separate class, and (iii) a majority of the outstanding shares of GM Class H Common Stock, voting as a separate class.

"Ruling" has the meaning set forth in Section 3(e) below.

"Salomon Brothers" has the meaning set forth in Section 3(c) below.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

"Separation Agreements" means collectively the Master Separation Agreement and all of the other agreements contemplated thereby.

"Spin-Off Merger" has the meaning set forth in Section 2(a) below.

"Subsidiary" means, with respect to a Party, any corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Party or by any one or more of its subsidiaries, or by such Party and one or more of its subsidiaries.

"Supplemental Ruling" has the meaning set forth in Section 3(f) below.

"Surviving Corporation" has the meaning set forth in Section 2(a) below.

"Tax-Free Status of the EDS Split-Off" means the nonrecognition of taxable gain or loss for United States federal income tax purposes to GM and GM's current or former stockholders, including, without limitation, the former holders of GM's Class E Common Stock, par value \$0.10 per share, in connection with the split-off of EDS from GM which split-off was consummated on June 7, 1996.

"Telecom" has the meaning ascribed to such term in the Master Separation Agreement.

"Telecom Spin-Off" means the spin-off of Telecom by Hughes to GM.

Section 2. Basic Transaction.

(a) The Spin-Off Merger. On the terms and subject to the conditions of this Agreement, Mergeco shall merge with and into GM (the "Spin-Off Merger") at and as of the Effective Time. GM shall be the corporation surviving the Spin-Off Merger (the "Surviving Corporation").

(b) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Kirkland & Ellis, 153 East 53rd Street, New York, New York, or at such other place as GM may determine, on such date and at such time as GM may determine (the "Closing Time"), which time shall be on or after the time at which all conditions to the obligations of GM to consummate the transactions contemplated hereby are satisfied or waived by GM and which time shall be immediately prior to the consummation of the Hughes Merger.

(c) Actions at the Closing. At the Closing, GM will cause to be filed with the Secretary of State of the State of Delaware, as provided in Section 251 of the Delaware General Corporation Law, a Certificate of Merger (the "Delaware Certificate of Merger").

(d) Effects of Spin-Off Merger.

(i) General. The Spin-Off Merger shall become effective at such time (the "Effective Time") as GM files the Delaware Certificate of Merger with the Secretary of State of the State of Delaware or as is otherwise specified in the Delaware Certificate of Merger. The Spin-Off Merger shall have the effects set forth in Section 259 of the Delaware General Corporation Law. The Surviving Corporation may, at any time after the Effective Time, take any action (including the execution and delivery of any document) in the name and on behalf of either GM or Mergeco in order to carry out and effectuate the transactions contemplated by this Agreement.

(ii) Certificate of Incorporation. At the Effective Time, Article Fourth of the GM Certificate of Incorporation will be amended to read in its entirety as set forth in Exhibit A attached hereto and the GM Certificate of Incorporation as in effect at and as of immediately prior to the Effective Time, with Article Fourth as so amended and with all Certificates of Designations then in effect, shall be the Certificate of Incorporation of the Surviving Corporation.

(iii) Bylaws. The Bylaws of GM as in effect at and as of immediately prior to the Effective Time will remain the Bylaws of the Surviving Corporation without any modification or amendment as a result of the Spin-Off Merger.

(iv) Directors and Officers. The directors and officers of GM in office at and as of immediately prior to the Effective Time will remain the directors and officers of the Surviving Corporation (retaining their respective positions and terms of office).

(v) Distribution on and Recapitalization of GM Class H Common Stock. At and as of the Effective Time, by virtue of the Spin-Off Merger and without any action on the part of GM, Mergeco, any holder of

any capital stock of GM or any other Person, (A) each share of GM Class H Common Stock issued and outstanding as of immediately prior to the Effective Time (other than shares to be cancelled in accordance with Section 2(d)(viii)) shall be recapitalized and converted into one fully paid and nonassessable share of New GM Class H Common Stock and the right to receive a distribution of such number of fully paid and nonassessable shares of Hughes Class A Common Stock which is equal to the Class H Defense Distribution divided by the number of shares of GM Class H Common Stock (other than shares to be cancelled in accordance with 2(d)(viii)) outstanding as of immediately prior to the Effective Time (rounded to the nearest 0.00001 of a share) and (B) all such shares of GM Class H Common Stock shall be cancelled and shall cease to exist. No share of GM Class H Common Stock shall be exchanged for GM \$1 2/3 Common Stock at a 120% exchange ratio as currently provided under certain circumstances in the GM Certificate of Incorporation by virtue of the Spin-Off Merger. Accordingly, from and after the Effective Time, (x) for all purposes of determining the record holders of New GM Class H Common Stock and Hughes Class A Common Stock, the holders of GM Class H Common Stock as of immediately prior to the Effective Time shall be deemed to be holders of New GM Class H Common Stock and Hughes Class A Common Stock distributed to such holders pursuant to this subsection and (y) subject to any transfer of such stock, each such holder shall be entitled to receive all dividends payable on, and exercise voting rights and all other rights and privileges with respect to, New GM Class H Common Stock and Hughes Class A Common Stock distributed to such holders pursuant to this subsection. Each such holder shall be entitled, upon proper surrender (in accordance with the requirements specified in the letter of transmittal and other instructions provided to such holder following the Effective Time) of the certificate or certificates representing the shares of GM Class H Common Stock formerly held by such holder, to receive a certificate or certificates representing, or other evidence of ownership of, shares of New GM Class H Common Stock and shares of Hughes Class A Common Stock then held by such holder.

(vi) Distribution on and Conversion of GM \$1 2/3 Common Stock. At and as of the Effective Time, by virtue of the Spin-Off Merger and without any action on the part of GM, Mergeco, any holder of any capital stock of GM or any other Person, each share of GM \$1 2/3 Common Stock issued and outstanding as of immediately prior to the Effective Time (subject to Section 2(d)(viii)) shall be converted into (A) one fully paid and nonassessable share of GM \$1 2/3 Common Stock of the Surviving Corporation having the same designations, rights, powers and preferences, and the same qualifications, limitations and restrictions thereof, as the share of GM \$1 2/3 Common Stock being converted pursuant thereto and (B) the right to receive a distribution of such number of fully paid and nonassessable shares of Hughes Class A Common Stock which is equal to the \$1 2/3 Defense Distribution divided by the number of shares of GM \$1 2/3 Common Stock (other than shares described in Section 2(d)(viii)) outstanding as of immediately prior to the Effective Time (rounded to the nearest 0.00001 of a share). Accordingly, from and after the Effective Time, (x) for all purposes of determining the record holders of Hughes Class A Common Stock, the holders of GM \$1 2/3 Common Stock as of immediately prior to the Effective Time shall be deemed to be holders of Hughes Class A Common Stock distributed to such holders pursuant to this subsection and (y) subject to any transfer of such stock, each such holder shall be entitled to receive all dividends payable on, and exercise voting rights and all other rights and privileges with respect to, Hughes Class A Common Stock distributed to such holder pursuant to this subsection. Without any action on the part of any holder of GM \$1 2/3 Common Stock, following the Effective Time each such holder shall receive a certificate or certificates representing, or other evidence of ownership of, the shares of Hughes Class A Common Stock then held by such holder as a result of the foregoing.

(vii) Other GM Capital Stock. All classes and series of GM capital stock outstanding as of immediately prior to the Effective Time, other than GM Class H Common Stock and GM \$1 2/3 Common Stock, shall remain unaffected as a result of the Spin-Off Merger. At and as of the Effective Time, the capital stock of the Surviving Corporation, other than the New Class H Common Stock, shall be represented by the certificates representing the corresponding capital stock of GM outstanding as of immediately prior to the Effective Time.

(viii) Treasury Shares. At and as of the Effective Time, by virtue of the Spin-Off Merger, without any action on the part of GM, Mergeco or any other Person, each share of GM Class H Common Stock

held by GM as treasury stock as of immediately prior to the Effective Time shall be cancelled and retired and shall cease to exist, and no stock or other consideration shall be delivered in exchange therefor. No share of GM \$1 2/3 Common Stock held by GM as treasury stock as of immediately prior to the Effective Time shall be converted into the right to receive a distribution of any shares of Hughes Class A Common Stock in connection herewith.

(ix) Mergeco Shares. Each Mergeco Share issued and outstanding as of immediately prior to the Effective Time shall be cancelled and retired and shall cease to exist and no stock or other consideration shall be delivered in exchange therefor.

(e) Closing of Transfer Records. After the Effective Time, transfers of shares of GM Class H Common Stock outstanding prior to the Effective Time shall not be made on the stock transfer books of the Surviving Corporation or otherwise.

(f) Exchange Procedures. Certificates representing, or other evidence of ownership of, the shares of New GM Class H Common Stock and Hughes Class A Common Stock to which holders of GM Common Stocks are entitled pursuant to Sections 2(d)(v) and (vi) shall be delivered as contemplated in Section 2.1(d) of the Hughes Spin-Off Separation Agreement.

(g) GM Ownership of Hughes Class A Common Stock. As of immediately after the Effective Time, GM shall not own any shares of Hughes Class A Common Stock.

Section 3. Conditions to Obligation to Close. The obligation of GM to consummate the Spin-Off Merger is subject to satisfaction of the following conditions:

(a) no temporary restraining order, preliminary or permanent injunction or other order or decree which prevents the consummation of any of the transactions contemplated by this Agreement shall have been issued and remain in effect, and no statute, rule or regulation shall have been enacted by any Governmental Authority which prevents the consummation of any of the transactions contemplated by this Agreement;

(b) the GM Transactions, including the adoption of this Agreement, shall have received the Requisite Stockholder Approval;

(c) GM shall have received from each of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Salomon Brothers Inc ("Salomon Brothers") a written opinion, dated on or about the date of the proxy or consent solicitation statement included in the Registration Statements, addressed to GM's board of directors that, as of such date, on the basis of and subject to the assumptions, limitations and other matters set forth therein, taking into account all relevant aspects of the GM Transactions, the consideration to be provided to GM and its subsidiaries and to the holders of GM \$1 2/3 Common Stock and the holders of GM Class H Common Stock in the GM Transactions is fair, from a financial point of view, to the holders of GM \$1 2/3 Common Stock and to the holders of GM Class H Common Stock, together with a consent authorizing the inclusion of such opinion in the Registration Statements, and neither of such opinions shall have been withdrawn, revoked or modified;

(d) GM shall have received from Goldman, Sachs & Co. a written confirmation, dated on or about the date of the proxy or consent solicitation statement included in the Registration Statements, of its opinion, dated January 16, 1997, to the boards of directors of GM, HEC and Hughes that, as of such date, on the basis of and subject to the assumptions, limitations and other matters set forth therein, the Aggregate Consideration (as defined therein) is fair to the GM Group (as defined therein) as a whole, together with a consent authorizing the use of such opinion and confirmation in connection with the Registration Statements, and neither of such opinion or confirmation shall have been withdrawn, revoked or modified;

(e) GM shall have received a ruling from the IRS (the "Ruling"), in form and substance reasonably satisfactory to GM, to the effect that each of (i) the distribution of Hughes Class A Common Stock to GM Class H Stockholders and GM \$1 2/3 Stockholders as contemplated by this Agreement and (ii) the Telecom

Spin-Off will constitute a tax-free (to the applicable distributing corporation and its stockholders) distribution under Sections 355 and 368(a)(1)(D) of the Code, and GM shall not have been notified by the IRS that the Ruling has been withdrawn, invalidated or modified in any way, and GM shall not have determined in good faith, on the basis of advice of tax counsel, that the representations and assumptions underlying the Ruling are not true and correct in all material respects;

(f) GM shall have received a ruling from the IRS (the "Supplemental Ruling"), in form and substance reasonably satisfactory to GM, that the consummation of the transactions contemplated by this Agreement and the consummation of the Hughes Merger will not in any way jeopardize the Tax-Free Status of the EDS Split-Off, and GM shall not have been notified by the IRS that the Supplemental Ruling has been withdrawn, invalidated or modified in any way, and GM shall not have determined in good faith, on the basis of advice of tax counsel, that the representations and assumptions underlying the Supplemental Ruling are not true and correct in all material respects;

(g) GM shall have received an opinion from Kirkland & Ellis, in form and substance reasonably satisfactory to GM, to the effect that, on the basis of and subject to the assumptions, representations, limitations and other matters set forth therein, (i) the recapitalization of GM Class H Common Stock into New GM Class H Common Stock contemplated hereby will be tax-free to GM and the holders thereof and (ii) each of GM Class H Common Stock and New GM Class H Common Stock is stock of GM for U.S. federal income tax purposes;

(h) each of the HEC Reorganization and the Hughes Recapitalization shall have been fully consummated;

(i) each of the Separation Agreements shall have been fully executed and delivered, and each of the same shall be in full force and effect;

(j) GM's board of directors shall not have determined in good faith, in the exercise of its fiduciary obligations under applicable law, on the basis of oral or written advice of outside counsel, that consummation of the GM Transactions would not be both in the best interests of GM and its common stockholders and fair to the holders of GM \$1 2/3 Common Stock and to the holders of GM Class H Common Stock;

(k) all conditions to the Hughes Merger, other than the consummation of the Spin-Off Merger, shall have been satisfied or waived (provided that any such waiver by Hughes shall have been made only with GM's consent) and the parties to the Hughes Merger Agreement shall be prepared to cause the consummation of the Hughes Merger immediately following the Effective Time;

(l) all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Act and any applicable similar law of any foreign jurisdiction with respect to the GM Transactions shall have expired or otherwise been terminated and the Parties shall have made all other required notifications with respect to the GM Transactions and shall have received all other required authorizations, consents and approvals with respect to the GM Transactions of all governments and governmental agencies to which GM, its Subsidiaries or the GM Transactions are subject (including, without limitation, those of foreign governments and governmental agencies);

(m) the Registration Statements shall have become effective under the Securities Act and the Exchange Act and no stop order suspending the effectiveness of any of the Registration Statements shall have been issued and no proceeding for that purpose shall have been initiated by the SEC;

(n) the shares of New GM Class H Common Stock and Hughes Class A Common Stock shall have been approved for listing on the New York Stock Exchange, subject to official notice of issuance; and

(o) the Intercompany Payment shall have been paid in full.

GM may waive any condition specified in this Section 3 in its sole discretion.

Section 4. Termination.

(a) Termination of Agreement. GM may terminate this Agreement (with the prior authorization of its board of directors, if applicable, whether before or after receipt of the Requisite Stockholder Approval) as provided below:

(i) GM may terminate this Agreement by giving written notice to Mergeco at any time prior to the Effective Time in the event that GM's board of directors determines in good faith, in the exercise of its fiduciary obligations under applicable law, on the basis of oral or written advice of outside counsel, (A) that consummation of the GM Transactions as then set forth herein would not be both in the best interests of GM and its common stockholders and fair to the holders of GM \$1 2/3 Common Stock and the holders of GM Class H Common Stock and (B) that the foregoing determination could not reasonably be avoided by adjusting the Hughes Distribution Ratio so as to satisfy the conditions set forth in Section 1.1 of the GM Implementation Agreement as of the date of such adjustment;

(ii) GM may terminate this Agreement by giving written notice to Mergeco at any time prior to the Effective Time in the event that (A) any opinion or confirmation referred to in Section 3(c) is withdrawn or revoked or (B) any opinion or confirmation referred to in Section 3(d) is withdrawn or revoked.

(iii) GM may terminate this Agreement by giving written notice to Mergeco at any time prior to the Effective Time in the event that GM has been notified by the IRS that the Ruling has been withdrawn, invalidated or modified in an adverse manner or has been notified by the IRS or otherwise reasonably determines, on the basis of advice of outside tax counsel, that the consummation of any of (A) the distribution of Hughes Class A Common Stock to GM Class H Stockholders and GM \$1 2/3 Stockholders, (B) the Telecom Spin-Off and (C) the recapitalization of the GM Class H Common Stock into New GM Class H Common Stock will not be tax-free as contemplated by Section 3(e) or Section 3(g);

(iv) GM may terminate this Agreement by giving written notice to Mergeco at any time prior to the Effective Time in the event that GM has been notified by the IRS that the Supplemental Ruling has been withdrawn, invalidated or modified or has been notified by the IRS or otherwise reasonably determines, on the basis of advice of outside tax counsel, that the consummation of the transactions contemplated by this Agreement will jeopardize the Tax-Free Status of the EDS Split-Off;

(v) GM may terminate this Agreement by giving written notice to Mergeco in the event the GM Transactions, including the adoption of this Agreement, fail to receive the Requisite Stockholder Approval at the time contemplated by the Registration Statements; and

(vi) GM may terminate this Agreement by giving written notice to Mergeco at any time following the termination of the Hughes Merger Agreement or the GM Implementation Agreement in accordance with their terms.

(b) Effect of Termination. If GM terminates this Agreement pursuant to Section 4(a) above, all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in breach).

Section 5. Amendment. Subject to Section 4.2(b) of the GM Implementation Agreement, this Agreement may be amended at any time and from time to time if set forth in a writing executed by both Parties; provided, however, that any such amendment made after this Agreement has received the Requisite Stockholder Approval shall not (i) alter or change the amount or kind of shares, securities, cash and/or property to be distributed to, or the rights to be received in exchange for or on recapitalization and conversion of, the GM Class H Common Stock, (ii) alter or change the amount or kind of shares, securities, cash and/or property to be distributed to, or the rights to be received by, GM \$1 2/3 Common Stockholders, (iii) alter or change any term of the Certificate of Incorporation of the Surviving Corporation or (iv) alter or change any of the terms and conditions of this Agreement if such alteration or change would adversely affect the holders of any class or series of GM capital stock.

* * * * *

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on as of the date first above written.

GENERAL MOTORS CORPORATION

/s/ General Motors Corporation

GM MERGECO CORPORATION

/s/ GM Mergeco Corporation

EXHIBIT A TO GM SPIN-OFF MERGER AGREEMENT

ARTICLE FOURTH OF THE GM AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION, AFTER GIVING EFFECT TO THE SPIN-OFF MERGER

The complete text of Article Fourth of the General Motors Certificate of Incorporation, as proposed to be amended, appears below. New text is set forth in bold type and underlined. Deleted text has been lined through. Footnotes are for informational purposes only.

ARTICLE FOURTH

The total authorized capital stock of the Corporation is as follows: 2,706,000,000 shares, of which 6,000,000 shares shall be Preferred Stock, without par value ("Preferred Stock"), 100,000,000 shares shall be Preference Stock, \$0.10 par value ("Preference Stock"), and 2,600,000,000 shares shall be Common Stock, of which 2,000,000,000 shares shall be Common Stock, \$1 2/3 par value ("Common Stock"), and 600,000,000 shares shall be Class H Common Stock, \$0.10 par value ("Class H Common Stock").

DIVISION I:
COMMON STOCK
AND CLASS H COMMON STOCK.

The Common Stock and the Class H Common Stock shall be identical in all respects and shall have equal rights and privileges, except as otherwise provided in this Article FOURTH. The relative rights, privileges and restrictions of the shares of each class are as follows:

(a) Dividend Rights.

Subject to the express terms of any outstanding series of Preferred Stock or Preference Stock, dividends may be paid in cash or otherwise upon the Common Stock and the Class H Common Stock out of the assets of the Corporation in the relationship and upon the terms provided for below with respect to each such class:

(1) Dividends on Common Stock.

Dividends on Common Stock may be declared and paid only to the extent of the assets of the Corporation legally available FOR THE PAYMENT OF DIVIDENDS reduced by an amount equal to the sum of (A) THE AMOUNT DETERMINED BY THE GM BOARD TO BE AVAILABLE FOR THE PAYMENT OF DIVIDENDS ON THE CLASS H COMMON STOCK AS OF /1/, 1997 (THE "HUGHES TRANSACTIONS DATE") PLUS the paid in surplus attributable to SHARES OF Class H Common Stock ISSUED AFTER THE HUGHES TRANSACTIONS DATE; and (B) that portion of the earned surplus of the Corporation attributable to the Available Separate Consolidated Net Income of Hughes (as defined in subparagraph (A)(4)) EARNED SINCE THE HUGHES TRANSACTIONS DATE <(a)(5)> earned since the date of the acquisition by the Corporation of Hughes Electronics Corporation, its subsidiaries and successors ("Hughes")>. Dividends declared and paid with respect to shares of Common Stock and any adjustments to CAPITAL OR surplus resulting from either (i) the repurchase or issuance of any shares of Common Stock or (ii) any other reason deemed appropriate by the Board of Directors shall be subtracted from or added to the AMOUNT available for the payment of dividends on Common Stock. Subject to the foregoing, the declaration and payment of dividends on the Common Stock, and the amount thereof, shall at all times be solely in the discretion of the Board of Directors of the Corporation.

(2) Dividends on Class H Common Stock.

Dividends on the Class H Common Stock may be declared and paid only to the extent of the assets of the Corporation legally available FOR THE PAYMENT OF DIVIDENDS reduced by an amount equal to the sum of (A) THE AMOUNT DETERMINED BY THE GM BOARD TO BE AVAILABLE FOR THE PAYMENT OF DIVIDENDS ON THE COMMON STOCK AS OF THE HUGHES TRANSACTIONS DATE PLUS the paid in surplus attributable to SHARES OF Common Stock ISSUED AFTER THE HUGHES TRANSACTIONS DATE; and (B) the earned surplus of the Corporation EARNED SINCE THE HUGHES TRANSACTIONS DATE exclusive of that portion of such earned surplus attributable to the Available Separate Consolidated Net Income of Hughes earned since the HUGHES TRANSACTIONS DATE . Dividends declared and paid with respect to shares of

1 Insert date of the Effective Time (as defined in the Agreement and Plan of Merger to which this Exhibit is attached).

Class H Common Stock and any adjustments to CAPITAL OR surplus resulting from either (i) the repurchase or issuance of any shares of Class H Common Stock or (ii) any other reason deemed appropriate by the Board of Directors shall be subtracted from or added to the AMOUNT available for the payment of dividends on Class H Common Stock. Subject to the foregoing, the declaration and payment of dividends on the Class H Common Stock, and the amount thereof, shall at all times be solely in the discretion of the Board of Directors of the Corporation.

(3) Discrimination Between Common Stock and Class H Common Stock.

The Board of Directors, subject to the provisions of subparagraphs (a)(1) and (a)(2), may, in its sole discretion, declare dividends payable exclusively to the holders of Common Stock, exclusively to the holders of Class H Common Stock or to the holders of both such classes in equal or unequal amounts, notwithstanding the respective amounts available for dividends to each class, the respective voting and liquidation rights of each class, the amount of prior dividends declared on each class or any other factor.

(4)< Available Separate Consolidated Net Income of EDS.

The "Available Separate Consolidated Net Income of EDS" for any period during which Electronic Data Systems Corporation (together with its subsidiaries and successors, "EDS") was a direct or indirect wholly-owned subsidiary of the Corporation shall mean the separate net income of EDS on a consolidated basis, determined in accordance with generally accepted accounting principles without giving effect to any adjustment which would result from accounting for the acquisition of EDS by the Corporation using the purchase method, calculated for each quarterly accounting period and multiplied by a fraction, the numerator of which shall be the weighted average number of shares of Class E Common Stock outstanding during such accounting period and the denominator of which shall initially be 121,888,889; provided, that such fraction shall in no event be greater than one. The denominator of the foregoing fraction shall be adjusted from time to time as deemed appropriate by the Board of Directors of the Corporation (i) to reflect subdivisions (by stock split or otherwise) and combinations (by reverse stock split or otherwise) of the Class E Common Stock and stock dividends payable in shares of Class E Common Stock to holders of Class E Common Stock, (ii) to reflect the fair market value of contributions of cash or property by the Corporation to EDS or of cash or property of the Corporation to, or for the benefit of, employees of EDS in connection with employee benefit plans or arrangements of the Corporation or any of its subsidiaries, (iii) to reflect the number of shares of capital stock of the Corporation contributed to, or for the benefit of, employees of EDS in connection with benefit plans or arrangements of the Corporation or any of its subsidiaries, (iv) to reflect payments by EDS to the Corporation of amounts applied to the repurchase by the Corporation of shares of Class E Common Stock, and (v) to reflect the number of shares of Class E Common Stock repurchased by EDS and no longer outstanding; provided, that in the case of adjustments pursuant to clause (iv) or clause (v) above, adjustments shall be made only to the extent that the Board of Directors of the Corporation, in its sole discretion, shall have approved such repurchase of shares by the Corporation or EDS and, in the case of clause (iv) above, shall declare such payments by EDS to be applied to such repurchase. Any changes in the numerator or denominator of the foregoing fraction occurring after the end of a quarterly accounting period shall not result in an adjustment to the Available Separate Consolidated Net Income of EDS for such quarterly accounting period or any prior period. For all purposes, determination of the Available Separate Consolidated Net Income of EDS shall be in the sole discretion of the Board of Directors of the Corporation and shall be final and binding on all stockholders of the Corporation.

(5)> Available Separate Consolidated Net Income of Hughes.

The "Available Separate Consolidated Net Income of Hughes" shall mean the separate net income of Hughes ELECTRONICS CORPORATION, ITS SUBSIDIARIES AND SUCCESSORS AFTER THE HUGHES TRANSACTIONS DATE ("HUGHES") on a consolidated basis, determined in accordance with generally accepted accounting principles, without giving effect to any adjustment which would result from accounting for the acquisition of Hughes AIRCRAFT COMPANY by the Corporation using the purchase method, calculated for each quarterly accounting

period and multiplied by a fraction, the numerator of which shall be the weighted average number of shares of Class H Common Stock outstanding during such accounting period and the denominator of which shall initially be <200,000,000> /2/; provided, that such fraction shall in no event be greater than one. The denominator of the foregoing fraction shall be adjusted from time to time as deemed appropriate by the Board of Directors of the Corporation (i) to reflect subdivisions (by stock split or otherwise) and combinations (by reverse stock split or otherwise) of the Class H Common Stock and stock dividends payable in shares of Class H Common Stock to holders of Class H Common Stock, (ii) to reflect the fair market value of contributions of cash or property by the Corporation to Hughes or of cash or property of the Corporation to, or for the benefit of, employees of Hughes in connection with employee benefit plans or arrangements of the Corporation or any of its subsidiaries, (iii) to reflect the number of shares of capital stock of the Corporation contributed to, or for the benefit of, employees of Hughes in connection with benefit plans or arrangements of the Corporation or any of its subsidiaries, (iv) to reflect payments by Hughes to the Corporation of amounts applied to the repurchase by the Corporation of shares of Class H Common Stock, and (v) to reflect the number of shares of Class H Common Stock repurchased by Hughes and no longer outstanding; provided, that in the case of adjustments pursuant to clause (iv) or clause (v) above, adjustments shall be made only to the extent that the Board of Directors of the Corporation, in its sole discretion, shall have approved such repurchase of shares by the Corporation or Hughes and, in the case of clause (iv) above, shall declare such payments by Hughes to be applied to such repurchase. Any changes in the numerator or denominator of the foregoing fraction occurring after the end of a quarterly accounting period shall not result in an adjustment to the Available Separate Consolidated Net Income of Hughes for such quarterly accounting period or any prior period. For all purposes, determination of the Available Separate Consolidated Net Income of Hughes shall be in the sole discretion of the Board of Directors of the Corporation and shall be final and binding on all stockholders of the Corporation.

(b) Voting Rights.

The holders of Common Stock and Class H Common Stock shall vote together as a single class on all matters; provided, however, that (i) the holders of Common Stock voting separately as a class shall be entitled to approve by the vote of a majority of the shares of Common Stock then outstanding any amendment, alteration or repeal of any of the provisions of this Certificate of Incorporation which adversely affects the rights, powers or privileges of the Common Stock; (ii) the holders of Class H Common Stock voting separately as a class shall be entitled to approve by the vote of a majority of the shares of Class H Common Stock then outstanding any amendment, alteration or repeal of any of the provisions of this Certificate of Incorporation which adversely affects the rights, powers or privileges of the Class H Common Stock; and (iii) any increase in the number of authorized shares of Class H Common Stock shall be subject to approval by both (A) the holders of a majority of the shares of Common Stock and Class H Common Stock then outstanding, voting together as a single class based upon their respective voting rights, and (B) the holders of a majority of the shares of Class H Common Stock then outstanding, voting separately as a class. Subject to adjustment pursuant to paragraph (e) hereof, each holder of Common Stock shall be entitled to one vote, in person or by proxy, for each share of Common Stock standing in his name on the stock transfer books of the Corporation; and each holder of Class H Common Stock shall be entitled to THE CLASS H PORTION (AS DEFINED BELOW) of a vote, in person or by proxy, for each share of Class H Common Stock standing in his name on the stock transfer books of the Corporation. FOR PURPOSES OF THIS PARAGRAPH (B) AND PARAGRAPH (D) OF DIVISION I OF THIS ARTICLE FOURTH, "CLASS H PORTION" SHALL MEAN THE GREATER OF (X) 0.50 AND (Y) AN AMOUNT, ROUNDED TO THE NEAREST ONE-TENTH, EQUAL TO (I) THE AVERAGE OF THE CLOSING PRICES (AS DEFINED IN SUBPARAGRAPH (C)(5)) OF A SHARE OF CLASS H COMMON STOCK DURING THE PERIOD OF TWENTY (20) CONSECUTIVE TRADING DAYS BEGINNING ON /3/ DIVIDED BY (II) THE AVERAGE OF THE CLOSING PRICES OF A SHARE OF COMMON STOCK DURING SUCH PERIOD.

- - - - -
- 2 Insert the number equal to the denominator of the Class H Dividend Base (as defined in the Agreement and Plan of Merger to which this Exhibit is attached).
 - 3 Insert the date of the 11th trading day on the New York Stock Exchange after the Hughes Transactions Date.

(c) Exchangeability.

(1) After December 31, <1995> 2002, the Board of Directors of the Corporation, in its sole discretion and by a majority vote of the directors then in office, may at any time effect a recapitalization of the Corporation by declaring that all of the outstanding shares of Class H Common Stock shall be exchanged for fully paid and nonassessable shares of Common Stock in accordance with the Exchange Rate (as defined in subparagraph (c)(4))<; provided, that the Board of Directors may effect such recapitalization only if, during each of the five full fiscal years preceding such recapitalization, the Board of Directors has declared and paid cash dividends on the Class H Common Stock equal to or greater than the Class H Payout Ratio for such year (as defined in subparagraph (c)(2)) multiplied by the Available Separate Consolidated Net Income of Hughes for the prior fiscal year.>.

<(2) For purposes of this paragraph (c) of Division I of this Article FOURTH, the term "Class H Payout Ratio" shall mean, for any fiscal year, the lesser of (A) 0.25 or (B) the quotient of (x) the total cash dividends paid on the Common Stock in respect of such fiscal year, divided by (y) (i) the consolidated net income of the Corporation and its subsidiaries for such fiscal year minus (ii) the Available Separate Consolidated Net Income of EDS for any portion of such fiscal year during which EDS was a direct or indirect wholly owned subsidiary of the Corporation, minus (iii) the Available Separate Consolidated Net Income of Hughes for such fiscal year; provided, that nothing in this paragraph (c) shall be deemed to limit or restrict the authority of the Board of Directors of the Corporation to declare and pay dividends on Class H Common Stock and Common Stock at such times and in such amounts as the Board of Directors in its sole discretion (subject to paragraph (a)) may determine.

(3)>(2) In the event of the sale, transfer, assignment or other disposition by the Corporation of SUBSTANTIALLY ALL OF THE BUSINESS OF HUGHES (AS DEFINED IN SUBPARAGRAPH (C)(3)) to a person, entity or group of which the Corporation is not a majority owner (whether by merger, consolidation, sale of assets or stock, liquidation, dissolution, winding up or otherwise), effective upon the consummation of such sale, transfer, assignment or other disposition and automatically without any action on the part of the Corporation or its Board of Directors or on the part of the holders of shares of Class H Common Stock, the Corporation shall be recapitalized and all outstanding shares of Class H Common Stock shall be exchanged for fully paid and nonassessable shares of Common Stock at the Exchange Rate<(as defined in subparagraph (c)(4)).>.

(3) FOR PURPOSES OF SUBPARAGRAPH (C)(2) OF THIS SUBPARAGRAPH (C) OF DIVISION I OF THIS ARTICLE FOURTH, THE TERM "SUBSTANTIALLY ALL OF THE BUSINESS OF HUGHES" SHALL MEAN 80% OR MORE OF THE BUSINESS OF HUGHES, BASED ON THE FAIR MARKET VALUE OF THE ASSETS, BOTH TANGIBLE AND INTANGIBLE, OF HUGHES AS OF THE TIME THAT THE PROPOSED TRANSACTION IS APPROVED BY THE BOARD OF DIRECTORS OF THE CORPORATION.

(4) For purposes of this paragraph (c) of Division I of this Article FOURTH, the term "Exchange Rate" applicable to the Class H Common Stock shall mean the number of shares of Common Stock for which each share of Class H Common Stock shall be exchangeable pursuant to subparagraphs (c)(1) and <(c)(3)>(C)(2), as the case may be, of this paragraph (c) determined as follows: Each share of Class H Common Stock shall be exchangeable for such number of shares of Common Stock (calculated to the nearest five decimal places) as is determined by dividing (A) the product resulting from multiplying (i) the Average Market Price Per Share (as defined in subparagraph (c)(5)) of such Class H Common Stock by (ii) 1.2, by (B) the Average Market Price Per Share of Common Stock.

(5) For purposes of this paragraph (c) of Division I of this Article FOURTH, the "Average Market Price Per Share" of Common Stock or Class H Common Stock, as the case may be, shall mean the average of the CLOSING PRICES OF A share OF such Common Stock or Class H Common Stock for the fifteen (15) consecutive trading days ending one (1) trading day prior to either (A) in the case of an exchange pursuant to subparagraph (c)(1), the date the Exchange Notice (as defined in subparagraph (c)(8)) is mailed or (B) in the

case of an exchange pursuant to subparagraph <(c)(3)>(C)(2), the date of the public announcement by the Corporation or one of its subsidiaries of the first to occur of the following: that the Corporation or one of its subsidiaries (1) has entered into an agreement in principle with respect to such transaction or (2) has entered into a definitive agreement with respect thereto. FOR PURPOSES OF THIS PARAGRAPH (C) OF DIVISION I OF THIS ARTICLE FOURTH, THE "CLOSING PRICE" OF A SHARE OF COMMON STOCK OR CLASS H COMMON STOCK FOR EACH DAY SHALL MEAN the closing sales price THEREFOR as reported in The Wall Street Journal or, if not reported therein, as reported in another newspaper of national circulation chosen by the Board of Directors of the Corporation or, in case no such sale takes place on such day, the average of the closing bid and asked prices regular way on the New York Stock Exchange, or if the Common Stock or Class H Common Stock is not then listed or admitted to trading on the New York Stock Exchange, on the largest principal national securities exchange on which such stock is then listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, then the last reported sale prices for such shares in the over-the-counter market, as reported on the National Association of Securities Dealers Automated Quotation System, or, if such sale prices shall not be reported thereon, the average of the closing bid and asked prices so reported, or, if such bid and asked prices shall not be reported thereon, as the same shall be reported by the National Quotation Bureau Incorporated, or, in all other cases, an appraised market value furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors or the Finance Committee of the Corporation for that purpose.

(6) No fraction of a share of Common Stock shall be issued in connection with the exchange of shares of Class H Common Stock into Common Stock, but in lieu thereof, each holder of Class H Common Stock who would otherwise be entitled to a fractional interest of a share of Common Stock shall, upon surrender of such holder's certificate or certificates (IF ANY) representing shares of Class H Common Stock, BE ENTITLED TO receive a cash payment (without interest) (the "Fractional Payment") equal to the product resulting from multiplying (A) the fraction of a share of Common Stock to which such holder would otherwise have been entitled by (B) the Average Market Price Per Share of the Common Stock .

(7) No adjustments in respect of dividends shall be made upon the exchange of any shares of Class H Common Stock; provided, however, that if the Exchange Date (AS DEFINED IN SUBPARAGRAPH (C)(8)) with respect to Class H Common Stock shall be subsequent to the record date for the payment of a dividend or other distribution thereon or with respect thereto but prior to the payment or distribution thereof, the registered holders of such shares at the close of business on such record date shall be entitled to receive the dividend or other distribution payable on such shares on the date set for payment of such dividend or other distribution notwithstanding the exchange of such shares or the Corporation's default in payment of the dividend or distribution due on such date.

(8) At such time or times as the Corporation exercises ITS right to cause all of the shares of Class H Common Stock to be exchanged for Common Stock in accordance with subparagraph (c)(1) of this paragraph (c) of Division I of this Article FOURTH and at such time as the Corporation causes the exchange of such Class H Common Stock for Common Stock as a result of a sale, transfer, assignment or other disposition of the type referred to in subparagraph <(c)(3)>(C)(2) of this paragraph (c), the Corporation shall give notice of such exchange to the holders of Class H Common Stock whose shares are to be exchanged, by mailing by first-class mail a notice of such exchange (the "Exchange Notice"), in the case of an exchange in accordance with subparagraph (c)(1) not less than thirty (30) nor more than sixty (60) days prior to the date fixed for such exchange (the "Exchange Date"), and in the case of an exchange in accordance with subparagraph <(c)(3)>(C)(2) as soon as practicable before or after the Exchange Date, in either case to their last addresses as they shall appear upon the Corporation's books. Each such Exchange Notice shall specify the Exchange Date and the Exchange Rate applicable to such exchange, and shall state that issuance of certificates representing, OR OTHER EVIDENCE OF OWNERSHIP OF, Common Stock to be received upon exchange of shares of Class H Common Stock shall be, IF SUCH SHARES OF CLASS H COMMON STOCK ARE HELD IN CERTIFICATED FORM, upon surrender of certificates representing such shares of Class H Common Stock.

(9) Before any holder of shares of Class H Common Stock WHO HOLDS SUCH SHARES IN CERTIFICATED FORM shall be entitled to receive certificates representing , OR OTHER EVIDENCE OF OWNERSHIP OF, shares of Common Stock<, he> FOR WHICH SUCH SHARES OF CLASS H COMMON STOCK WERE EXCHANGED, SUCH HOLDER shall surrender at such office as the Corporation shall specify certificates for such shares of Class H Common Stock duly endorsed to the Corporation or in blank or accompanied by proper instruments of transfer to the Corporation or in blank, unless the Corporation shall waive such requirement. The Corporation will, as soon as practicable after such surrender of ANY SUCH certificates representing shares of Class H Common Stock, issue and deliver at the office of the transfer agent representing the Common Stock to the person for whose account such shares of Class H Common Stock were so surrendered, or to his nominee or nominees, certificates representing, OR OTHER EVIDENCE OF OWNERSHIP OF, the number of whole shares of Common Stock to which SUCH HOLDER shall be entitled as aforesaid, together with the Fractional Payment, if any.

(10) From and after the Exchange Date, all rights of a holder of shares of Class H Common Stock which were exchanged for shares of Common Stock shall cease except for the right<, upon surrender of the certificates representing such shares of Class H Common Stock,> to receive certificates representing, OR OTHER EVIDENCE OF OWNERSHIP OF, shares of Common Stock together with a Fractional Payment, if any, as contemplated by subparagraphs (c)(6) and (c)(9) of this paragraph (c) and rights to dividends as provided in subparagraph (c)(7)<. No>; PROVIDED, HOWEVER, THAT NO holder of a certificate which immediately prior to the Exchange Date represented shares of Class H Common Stock shall be entitled to receive any OF THE FOREGOING until surrender of such CERTIFICATE. Upon such surrender, there shall be paid to the holder the amount of any dividends or other distributions (without interest) which theretofore became payable with respect to a record date after the Exchange Date, but which were not paid by reason of the foregoing, with respect to the number of whole shares of Common Stock represented by the certificate or certificates issued upon such surrender. From and after the Exchange Date applicable to the Class H Common Stock, the Corporation shall, however, be entitled to treat the certificates for Class H Common Stock which have not yet been surrendered for exchange as evidencing the ownership of the number of whole shares of Common Stock for which the shares of Class H Common Stock represented by such certificates shall have been exchanged, notwithstanding the failure to surrender such certificates.

(11) If any shares of Common Stock ARE to be issued in a name other than that in which the shares of Class H Common Stock EXCHANGED therefor ARE registered, it shall be a condition of such issuance that the person requesting such issuance shall pay any transfer or other taxes required by reason of the issuance of such shares of Common Stock in a name other than that of the record holder of the SHARES OF CLASS H COMMON STOCK EXCHANGED THEREFOR, or shall establish to the satisfaction of the Corporation or its agent that such tax has been paid or is not applicable. Notwithstanding anything to the contrary in this paragraph (c), the Corporation shall not be liable to a holder of shares of Class H Common Stock for any shares of Common Stock or dividends or distributions thereon delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(12) At such time as any Exchange Notice is delivered with respect to any shares of Class H Common Stock, or at the time of the Exchange Date, if earlier, the Corporation shall have reserved and kept available, solely for the purpose of issuance upon exchange of the outstanding shares of Class H Common Stock, such number of shares of Common Stock as shall be issuable upon the exchange of the number of shares of Class H Common Stock specified or to be specified in the Exchange Notice, provided, that nothing contained herein shall be construed to preclude the Corporation from satisfying its obligations in respect of the exchange of the outstanding shares of Class H Common Stock by delivery of purchased shares of Common Stock which are held in the treasury of the Corporation.

(d) Liquidation Rights.

In the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after there shall have been paid or set apart for the holders of Preferred Stock and Preference Stock the full preferential amounts to which they are entitled, the holders of Common Stock and Class H Common Stock shall be entitled to receive the assets of the Corporation remaining for distribution to its stockholders, on a per share basis in proportion to the respective per share liquidation units of such classes. Subject to adjustment pursuant to paragraph (e) hereof, each share of Common Stock and Class H Common Stock shall be entitled to liquidation units of one (1.0) and THE CLASS H PORTION, respectively.

(e) Subdivision or Combination.

(1) If after THE HUGHES TRANSACTIONS DATE, the Corporation shall in any manner subdivide (by stock split or otherwise) or combine (by reverse stock split or otherwise) the outstanding shares of the Common Stock or Class H Common Stock, or pay a stock dividend in shares of any class to holders of that class, the per share voting rights specified in paragraph (b) and the per share liquidation units specified in paragraph (d) of Class H Common Stock relative to Common Stock shall be appropriately adjusted so as to avoid any dilution in the aggregate voting or liquidation rights of any class. Distribution by the Corporation of shares of any class of its common stock as a dividend on any other class of its common stock shall not require an adjustment pursuant to this paragraph (e)(1).

(2) If after THE HUGHES TRANSACTIONS DATE, the Corporation shall distribute shares of Class H Common Stock <(such class being hereinafter referred to as the "Distributed Class")> as a dividend (the "Dividend") on Common Stock<(such class being hereinafter referred to as the "Recipient Class")>, then the per share liquidation rights of the classes of common stock set forth in paragraph (d) above, as they may have been previously adjusted, shall be adjusted so that:

(A) each holder of shares of CLASS H COMMON STOCK shall be entitled to, with respect to such holder's interest in SUCH CLASS H COMMON STOCK, the same percentage of the aggregate liquidation units of all shares of the Corporation's common stock immediately after the Dividend as such holder was entitled to<,> with respect to such holder's interest in such CLASS H COMMON STOCK immediately prior to the Dividend; and

(B) each holder of shares of COMMON STOCK shall be entitled to, with respect to such holder's interest in COMMON STOCK and all shares of CLASS H COMMON STOCK issued with respect to such holder's shares of COMMON STOCK, the same percentage of the aggregate liquidation units of all shares of the Corporation's common stock immediately after the Dividend as such holder was entitled to with respect to such holder's interest in COMMON STOCK immediately prior to the Dividend; provided, that any adjustment pursuant to this subparagraph (e)(2)(B) shall be made to the liquidation units of COMMON STOCK.

In no event will any adjustments be made pursuant to this subparagraph (e)(2) if the adjustment called for herein would reduce the liquidation units of any class of common stock to less than zero.

(3) The determination of any adjustment required under this paragraph (e) shall be made by the Corporation's Board of Directors; any such determination shall be binding and conclusive upon all holders of shares of all classes of the Corporation's common stock. Following any such determination, the Secretary of the Corporation shall maintain a record of any such adjustment.

DIVISION II:
PREFERRED STOCK.

A statement of the relative rights of the holders of Preferred Stock and a statement of the limits of variation between each series of Preferred Stock as to rate of dividends and price of redemption and a statement of the voting powers and the designations, powers, privileges and rights, and the qualifications, limits or restrictions thereof of the various series thereof, except so far as the Board of Directors is expressly authorized to fix the same by resolution or resolutions for the various series of the Preferred Stock, are as follows:

Preferred Stock of the Corporation may be issued in various series as may be determined from time to time by the Board of Directors, each such series to be distinctly designated. All shares of any one series of Preferred Stock shall be alike in every particular, and all series shall rank equally and be identical in all respects except as to the dividend rate and the amount payable upon the exercise of the right to redeem.

The dividend on the Preferred Stock of each series shall be such rate as may be fixed by the Board of Directors in the resolution or resolutions providing for the issuance of the Preferred Stock of such series, and as shall be stated on the face or back of the certificates of stock therefor.

The amount payable on the exercise of the right to redeem Preferred Stock of each series shall be an amount as may be fixed by the Board of Directors in the resolution or resolutions providing for the issuance of the Preferred Stock of such series, and as shall be stated on the face or back of the certificates of stock therefor.

All other provisions herein set forth in respect of the Preferred Stock of the Corporation shall apply to all the Preferred Stock of the Corporation, irrespective of any variations between the Preferred Stock of the different series.

The holders of the Preferred Stock shall be entitled to receive cumulative dividends, when and as declared by the Board of Directors, at the rates fixed for the respective series in the Certificate of Incorporation or in the resolution or resolutions of the Board of Directors providing for the issuance of the respective series, and no more, payable quarterly on the dates to be fixed by the By-Laws. The periods between such dates commencing on such dates are herein designated as "dividend periods." Dividends on all shares of any one series shall commence to accrue and be cumulative from the first day of the current dividend period within which shares of such series are first issued, but in the event of the issue of additional shares of such series subsequent to the date of the first issue of said shares of such series, all dividends paid on the shares of such series prior to the issue of such additional shares and all dividends declared payable to holders of record of shares of such series of a date prior to such issue shall be deemed to have been paid in respect of the additional shares so issued. Such dividends on the Preferred Stock shall be in preference and priority to any payment on any other class of stock of the Corporation.

The dividends on the Preferred Stock shall be cumulative and shall be payable before any dividend on the Common Stock or Class H Common Stock or any series of the Preference Stock shall be paid or set apart so that if in any year dividends at the rates determined for the respective series of the Preferred Stock shall not be paid thereon, the deficiency shall be payable before any dividend shall be paid upon or set apart for the Common Stock or Class H Common Stock or any series of the Preference Stock. Dividends shall not be declared and paid on the shares of Preferred Stock of any one series for any dividend period unless dividends have been or are contemporaneously paid or declared and set apart for payment thereof on the shares of Preferred Stock of all series, for all the dividend periods terminating on the same or an earlier date.

Whenever all cumulative dividends on the Preferred Stock outstanding shall have been paid and a sum sufficient for the payment of the next ensuing quarterly dividend on the Preferred Stock outstanding shall have been set aside from the surplus or net profits, the Board of Directors may declare dividends on the Common Stock or Class H Common Stock or any series of the Preference Stock, payable then or thereafter, out of any

remaining surplus or net profits, and no holders of any shares of any series of Preferred Stock, as such, shall be entitled to share therein.

At the option of the Board of Directors, the Preferred Stock shall be subject to redemption at the amounts fixed for the respective series in the Certificate of Incorporation or in the resolution or resolutions of the Board of Directors providing for the issuance of the respective series, together, in the case of each class or series, with accrued dividends on the shares to be redeemed, on any dividend paying date in such manner as the Board of Directors may determine.

The holders of the Preferred Stock shall not have any voting power whatsoever, except upon the question of selling, conveying, transferring or otherwise disposing of the property and assets of the Corporation as an entirety and except as otherwise required by law.

**DIVISION III:
PREFERENCE STOCK.**

The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article FOURTH, to provide for the issuance of Preference Stock from time to time in one or more series of any number of shares, with a distinctive serial designation for each series, provided that the aggregate number of shares issued and not cancelled of any and all such series shall not exceed the total number of shares of Preference Stock authorized by this Article FOURTH, all as shall hereafter be stated and expressed in the resolution or resolutions providing for the issue of such Preference Stock from time to time adopted by the Board of Directors. Subject to said limitations, and provided that each series of Preference Stock shall rank junior to the Preferred Stock with respect to the payment of dividends and distributions in liquidation, each series of Preference Stock (a) may have such voting powers, full or limited, or may be without voting powers; (b) may be subject to redemption at such time or times and at such prices; (c) may be entitled to receive dividends (which may be cumulative or noncumulative) at such rate or rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or series of stock; (d) may have such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; (e) may be made convertible into, or exchangeable for, shares of any other class or classes of or any other series of the same or any other class or classes of stock of the Corporation or any other issuer, at such price or prices or at such rates of exchange, and with such adjustments; (f) may be entitled to the benefit of a sinking fund to be applied to the purchase or redemption of shares of such series in such amount or amounts; (g) may be entitled to the benefit of conditions and restrictions upon the creation of indebtedness of the Corporation or any subsidiary, upon the issue of any additional stock (including additional shares of such series or of any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Corporation or any subsidiary of any outstanding stock of the Corporation; and (h) may have such other relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof; all as shall be stated in said resolution or resolutions providing for the issue of such series of Preference Stock.

Shares of any series of Preference Stock which have been redeemed (whether through the operation of a sinking fund or otherwise) or which, if convertible or exchangeable, have been converted into or exchanged for shares of stock of any other class or classes shall have the status of authorized and unissued shares of Preference Stock of the same series and may be reissued as a part of the series of which they were originally a part or may be reclassified and reissued as part of a new series of Preference Stock to be created by resolution or resolutions of the Board of Directors or as part of any other series of Preference Stock, all subject to the conditions or restrictions on issuance set forth in the resolution or resolutions adopted by the Board of Directors providing for the issue of any series of Preference Stock.

DIVISION IV:
MISCELLANEOUS.

From time to time, the Preferred Stock, the Preference Stock, the Common Stock and the Class H Common Stock may be increased or decreased according to law, and may be issued in such amounts and proportions as shall be determined by the Board of Directors, and as may be permitted by law.

In the event of any liquidation or dissolution or winding up, whether voluntary or otherwise, of the Corporation, the holders of the Preferred Stock shall be entitled to be paid the redemption price of each series in full, as aforesaid, out of the assets whether capital or surplus, and, in every case, the unpaid dividends accrued on such shares, whether or not earned or declared, before any distribution of the assets to be distributed shall be made to the holders of Common Stock or Class H Common Stock or any series of the Preference Stock; but the holders of such shares shall be entitled to no further participation in such distribution. If the assets distributable on such liquidation, dissolution or winding up shall be insufficient to permit the payment to the holders of the Preferred Stock of the full amount of the redemption price of each series in full as aforesaid and accrued dividends as aforesaid, the said assets shall be distributed pro rata among the holders of the respective series of the Preferred Stock. After all payments are made as aforesaid, any required payments shall be made with respect to the Preference Stock, if any, outstanding, and the remaining assets and funds shall be divided among and paid to the holders of Common Stock and Class H Common Stock pro rata in proportion to the respective per share liquidation units of such classes. The merger or consolidation of the Corporation into or with any other corporation shall not be or be deemed to be a distribution of assets or a dissolution, liquidation or winding up for the purposes of this paragraph.

Any Preferred Stock, Preference Stock, Common Stock or Class H Common Stock, authorized hereunder or under any amendment hereof, in the discretion of the Board of Directors, may be issued, except as herein otherwise provided, in payment for property or services, or as bonuses to employees of the Corporation or employees of subsidiary companies, or for other assets or securities including cash, necessary or desirable, in the judgment of the Board of Directors, to be purchased or acquired from time to time for the Corporation, or for any other lawful purpose of the Corporation.

If it seems desirable so to do, the Board of Directors may from time to time issue scrip for fractional shares of stock. Such scrip shall not confer upon the holder any right to dividends or any voting or other rights of a stockholder of the Corporation, but the Corporation shall from time to time, within such time as the Board of Directors may determine or without limit of time if the Board of Directors so determines, issue one or more whole shares of stock upon the surrender of scrip for fractional shares aggregating the number of whole shares issuable in respect of the scrip so surrendered, provided that the scrip so surrendered shall be properly endorsed for transfer if in registered form.

APPENDIX B
FAIRNESS OPINIONS

Corporate and
Institutional
Client Group

World Financial
Center
North Tower
New York, New York
10281-1328
212 449 1000

LOGO

October 6, 1997

Board of Directors
General Motors Corporation
General Motors Building
3044 West Grand Boulevard
Detroit, Michigan 48202-3091

Members of the Board:

General Motors Corporation ("GM") proposes to engage in a series of transactions involving its wholly owned subsidiary Hughes Electronics Corporation ("Hughes Electronics"). GM proposes that (1) certain assets and liabilities will be transferred among HE Holdings Inc., a wholly owned subsidiary of Hughes Electronics ("Hughes Defense"), Delco Electronics Corporation, a wholly owned subsidiary of Hughes Electronics ("Delco"), and the subsidiaries of Hughes Defense engaged in the telecommunications and space business (collectively, "Hughes Telecom") and their respective subsidiaries; (2) Hughes Defense will incur up to \$4.9 billion of debt, with the exact amount to be determined pursuant to the Raytheon Merger Agreement (as defined below), with Hughes Telecom receiving as equity at least \$3.9 billion (less the amount of other outstanding Hughes Defense indebtedness) from the proceeds of the new debt (the "Hughes Telecom Funding"); (3) Hughes Electronics will be merged with and into GM, as a result of which Hughes Defense and Delco will become direct wholly owned subsidiaries of GM; (4) Hughes Aircraft Company, the subsidiary of Hughes Defense that is the principal operator of the defense electronics business of Hughes Defense, will be merged with and into Hughes Defense; and (5) Hughes Defense will distribute 100% of the stock of Hughes Telecom to GM (the "Hughes Telecom Spin-Off") (collectively, the "Hughes Reorganization"). The Hughes Reorganization will be effected largely pursuant to a master separation agreement to be entered into among GM, Hughes Telecom, Delco and Hughes Defense (the "Master Separation Agreement").

Immediately following the consummation of the Hughes Reorganization, GM proposes to spin off Hughes Defense (the "Hughes Defense Spin-Off" and, together with the Hughes Reorganization, the "Hughes Transactions"). The Hughes Defense Spin-Off will be accomplished through a merger (the "GM Spin-Off Merger") of GM Mergeco Corporation, a newly formed wholly owned subsidiary of GM ("Merger Sub"), with and into GM pursuant to an agreement and plan of merger to be entered into between GM and Merger Sub (the "GM Spin-Off Merger Agreement"). Pursuant to the GM Spin-Off Merger, (1) each share of GM's Class H Common Stock, par value \$0.10 per share (the "GM Class H Common Stock"), will be recapitalized and converted into one share of a new class of GM common stock also to be called Class H Common Stock, par value \$0.10 per share (the "New GM Class H Common Stock"), and the right to receive a pro rata interest in the Class H Defense Distribution (as defined below) of Class A Common Stock, par value \$0.01 per share, of Hughes Defense (the "Class A Common Stock") and (2) each share of GM's Common Stock, par value \$1 2/3 per share (the "GM \$1 2/3 Common Stock"), will remain outstanding and will, among other things, represent the right to receive a pro rata interest in the \$1 2/3 Defense Distribution (as defined below) of Class A Common Stock. You have advised us that the number of shares of Class A Common Stock to be distributed to the holders of New GM Class H Common Stock (the "Class H Defense Distribution") in the Hughes Defense

B-1

Spin-Off will equal the sum of (i) the product of (A) 102,630,503 (the total number of shares of Class A Common Stock to be distributed in the Hughes Defense Spin-Off) and (B) the Class H Fraction (as defined below), plus (ii) the amount obtained by dividing (C) the Net Transaction Effect (as defined below) by (D) the Average Closing Price of Raytheon Common Stock (as defined below). The remainder of the 102,630,503 shares of Class A Common Stock to be distributed in the Hughes Defense Spin-Off will be distributed to the holders of the GM \$1 2/3 Common Stock (the "\$1 2/3 Defense Distribution"). The "Class H Fraction" is the fraction equivalent to the tracking stock interest of the GM Class H Common Stock in the earnings of Hughes Defense (as contemplated by the Restated Certificate of Incorporation of GM, as amended (the "GM Certificate of Incorporation")) as of the time immediately prior to the Hughes Defense Spin-Off. The "Net Transaction Effect", as determined by the Board of Directors of GM, is (i) an amount equal to the product of (x) \$6.5 billion and (y) the Class H Fraction plus (ii) an amount equal to the product of (x) the amount by which the Hughes Defense indebtedness outstanding immediately prior to the Hughes Defense Spin-Off exceeds \$4.0 billion and (y) the Class H Fraction. The "Average Closing Price of Raytheon Common Stock" will be the average closing market price of common stock, par value \$1.00 per share, of Raytheon ("Raytheon Common Stock") during the 30-day period ending on the fifth day prior to the consummation of the Raytheon Merger (as defined below).

Immediately after consummation of the Hughes Defense Spin-Off, and in accordance with the terms of the Agreement and Plan of Merger dated as of January 16, 1997 (the "Raytheon Merger Agreement") between Hughes Defense and Raytheon Company ("Raytheon"), Raytheon will be merged with and into Hughes Defense (the "Raytheon Merger" and, together with the Hughes Transactions, the "Transactions"). Pursuant to the Raytheon Merger, each outstanding share of Raytheon Common Stock will be converted into the right to receive one share of Class B common stock, par value \$0.01 per share, of Hughes Defense (the "Class B Common Stock"). Immediately following consummation of the Raytheon Merger, the Class A Common Stock will represent approximately 30.3% of the outstanding common stock (and 80.1% of the voting power in the election and removal of directors) of Hughes Defense, and the Class B Common Stock will represent approximately 69.7% of the outstanding common stock (and 19.9% of the voting power in the election and removal of directors) of Hughes Defense. You have advised us that GM has received a private letter ruling (the "IRS Ruling") from the Internal Revenue Service to the effect, and we have assumed, that the Hughes Defense Spin-Off and the Hughes Telecom Spin-Off will each be treated as a tax-free distribution under Section 355 of the Internal Revenue Code of 1986, as amended.

The management of GM has advised us that, subsequent to the consummation of the Hughes Transactions, GM's management expects to combine the operations of Delco and Delphi Automotive Systems, the automotive components sector of GM ("Delphi") (the "Delco/Delphi Combination").

As a result of the Hughes Transactions, (1) the existing holders of GM Class H Common Stock will relinquish their approximately 25% tracking stock interest in Hughes Defense and Delco, will receive the Class H Defense Distribution and will maintain approximately a 25% tracking stock interest in Hughes Telecom through their ownership of New GM Class H Common Stock and (2) the existing holders of GM \$1 2/3 Common Stock will relinquish their approximately 75% tracking stock interest in Hughes Defense, will receive the \$1 2/3 Defense Distribution, will maintain approximately a 75% tracking stock interest in Hughes Telecom through their continued ownership of GM \$1 2/3 Common Stock and, also through their ownership of GM \$1 2/3 Common Stock, will have 100% of the tracking stock interest in the Delco/Delphi Combination.

You have asked us whether, in our opinion, taking into account all relevant aspects of the Transactions, the consideration to be provided to GM and its subsidiaries and to the holders of GM \$1 2/3 Common Stock and the holders of GM Class H Common Stock in the Hughes Transactions is fair from a financial point of view to the holders of the GM \$1 2/3 Common Stock and the holders of the GM Class H Common Stock.

In arriving at the opinion set forth below, we have, among other things:

- (1) reviewed GM's Annual Reports, Forms 10-K and related financial information for the three fiscal years ended December 31, 1996, and GM's Forms 10-Q and the related unaudited financial information for the quarterly periods ended March 31, 1997 and June 30, 1997;
- (2) reviewed Raytheon's Annual Reports, Forms 10-K and related financial information for the three fiscal years ended December 31, 1996, and Raytheon's Forms 10-Q and the related unaudited financial information for the quarterly periods ended March 31, 1997 and June 30, 1997;
- (3) reviewed Hughes Electronics' Annual Reports and related financial information for the three fiscal years ended December 31, 1996.
- (4) reviewed certain information, including historical financial data and financial projections, relating to the business, earnings, cash flow, assets, liabilities and prospects of Hughes Electronics, Hughes Defense, Delco, Hughes Telecom and Raytheon furnished to us by GM, Hughes Electronics and Raytheon, as the case may be;
- (5) conducted discussions with members of senior management of GM, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon concerning their respective businesses and prospects and their views regarding the strategic rationale for, and the financial effects on GM, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon of the Hughes Transactions, the Delco/Delphi Combination and the Raytheon Merger;
- (6) 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 Raytheon Merger (the "Raytheon Merger Expected Synergies"), furnished to us by GM, Hughes Electronics, Hughes Defense and Raytheon;
- (7) conducted discussions with members of senior management of GM, Hughes Electronics, Hughes Defense and Raytheon concerning the Raytheon Merger Expected Synergies;
- (8) 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 Delco/Delphi Combination (the "Delco/Delphi Expected Synergies"), furnished to us by GM, Delco and Delphi;
- (9) conducted discussions with members of senior management of GM, Delco and Delphi concerning the Delco/Delphi Expected Synergies;
- (10) conducted discussions with members of senior management of GM, Hughes Electronics and Hughes Telecom concerning recent and pending regulatory changes in the telecommunications industry, the competitive environment of the telecommunications and space industry and the need for Hughes Telecom to maintain the financial flexibility to enable Hughes Telecom to respond to competitive challenges and to avail itself of potential opportunities in such environment;
- (11) compared the results of operations of Hughes Defense, Delco and Raytheon with those of certain companies that we deemed to be reasonably similar to Hughes Defense, Delco and Raytheon, respectively;
- (12) considered the pro forma effects, including accounting, profit sharing and other pro forma effects, on each of GM, Hughes Defense and Hughes Telecom of the Hughes Transactions and the Raytheon Merger;
- (13) reviewed the Raytheon Merger Agreement and exhibits thereto;
- (14) reviewed the Implementation Agreement, dated as of January 16, 1997, between GM and Raytheon and exhibits thereto (the "Implementation Agreement");

- (15) reviewed the form of the Master Separation Agreement and exhibits thereto attached to the Implementation Agreement as Exhibit B;
- (16) reviewed the form of the GM Spin-Off Merger Agreement attached to the Implementation Agreement as Exhibit A;
- (17) reviewed the GM Certificate of Incorporation and the GM By-Laws, as amended;
- (18) reviewed a draft dated October 2, 1997 of the Solicitation Statement/Prospectus (the "GM Solicitation Statement/Prospectus") to be furnished to the holders of the GM Class H Common Stock and the GM \$1 2/3 Common Stock, including the text of Article Fourth of the GM Certificate of Incorporation, as proposed to be amended in connection with the GM Spin-Off Merger, and the new GM Board policy statement regarding GM's dual-class common stock capital structure set forth therein;
- (19) reviewed the IRS Ruling and the request to the Internal Revenue Service for such ruling; and
- (20) reviewed such other financial studies and analyses and performed such other investigations and took into account such other matters as we deemed necessary, including our assessment of general economic, market and monetary conditions.

In preparing our opinion, we have relied on the accuracy and completeness of all information supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available, and we have not assumed any responsibility for independently verifying such information or undertaken an independent evaluation or appraisal of the assets or liabilities of GM, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon, or been furnished with any such evaluation or appraisal. In addition, we have not assumed any obligation to conduct, nor have we conducted, any physical inspection of the properties or facilities of GM, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom or Raytheon. With respect to the financial projections and the analyses of the Raytheon Merger Expected Synergies and the Delco/Delphi Expected Synergies furnished to or discussed with us by GM, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon, as the case may be, we have assumed that they have been reasonably prepared and reflect the best currently available estimates and judgments of the managements of GM, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom or Raytheon as to the expected future financial performance of Hughes Electronics, Hughes Defense, Delco, Hughes Telecom or Raytheon, and as to the Raytheon Merger Expected Synergies and the Delco/Delphi Expected Synergies, as the case may be. We have assumed that each of the Hughes Transactions and the Raytheon Merger will be consummated in accordance with its terms. We have also assumed that the Hughes Transactions will have the accounting treatment set forth in the GM Solicitation Statement/Prospectus.

Our opinion is necessarily based upon market, economic, financial and other conditions as they exist and can be evaluated as of the date hereof.

In connection with the preparation of this opinion, we have not been authorized by GM or the Board of Directors to solicit, nor have we solicited, third-party indications of interest with respect to a business combination or other extraordinary transaction involving Hughes Electronics or any of its subsidiaries or assets.

We have received fees for our services as financial advisor to GM in connection with the Hughes Transactions and will receive additional fees for our services that are contingent upon the approval by the Board of Directors of, and the consummation of, certain of the Hughes Transactions. In addition, GM has agreed to indemnify us for certain liabilities arising out of our engagement. We have also, in the past, provided financial advisory and financing services to GM and its affiliates and Raytheon and may continue to do so and have received, and may receive, fees for the rendering of such services. In addition, in the ordinary course of our business, we may actively trade shares of the GM \$1 2/3 Common Stock, the GM Class H Common Stock, the Raytheon Common Stock and other securities of GM and Raytheon for our own account and for the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities.

This opinion is for the use and benefit of the Board of Directors. We express no opinion as to the prices at which either the New GM Class H Common Stock or the GM \$1 2/3 Common Stock will trade subsequent to the consummation of the Hughes Transactions.

On the basis of and subject to the foregoing, we are of the opinion that, taking into account all relevant aspects of the Transactions, the consideration to be provided to GM and its subsidiaries and to the holders of GM \$1 2/3 Common Stock and the holders of GM Class H Common Stock in the Hughes Transactions is fair from a financial point of view to the holders of the GM \$1 2/3 Common Stock and the holders of the GM Class H Common Stock.

Very truly yours,

Merrill Lynch, Pierce, Fenner &
Smith Incorporated

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SALOMON BROTHERS INC
Seven World Trade Center
New York, New York 10048

212-783-7000

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SALOMON BROTHERS INC & WORLDWIDE AFFILIATES

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Singapore . Sidney . Taipei . Tokyo . Toronto . Zug . Zurich

October 6, 1997

Board of Directors
General Motors Corporation
General Motors Building
3044 West Grand Boulevard
Detroit, Michigan 48202-3091

Members of the Board:

We understand that General Motors Corporation ("General Motors") and its wholly owned subsidiary Hughes Electronics Corporation ("Hughes Electronics") propose to engage in a series of related transactions consisting of the following: (i) certain assets and liabilities of Hughes Electronics and its subsidiaries will be transferred among HE Holdings Inc., a wholly owned subsidiary of Hughes Electronics comprising the defense electronics business of Hughes Electronics ("Hughes Defense"), Delco Electronics Corporation, a wholly owned subsidiary of Hughes Electronics ("Delco"), and the telecommunications and space business of Hughes Electronics ("Hughes Telecom"); (ii) Hughes Defense will incur indebtedness in an amount (up to \$4.9 billion) determined pursuant to the Agreement and Plan of Merger dated as of January 16, 1997 between Raytheon Company ("Raytheon") and Hughes Defense (the "Raytheon Merger Agreement"); (iii) at least \$3.9 billion of the proceeds of the indebtedness to be incurred by Hughes Defense will be used to pay other borrowings of Hughes Electronics with the remainder received by Hughes Telecom as equity in the form of a cash infusion; (iv) the common stock of Delco and Hughes Telecom will be distributed to General Motors; (v) the Class A Common Stock of Hughes Defense will be distributed (the "Hughes Defense Spin-Off") to the holders of Common Stock, \$1 2/3 par value per share, of General Motors ("GM \$1 2/3 Common Stock"), and the holders of Class H Common Stock, \$0.10 par value per share, of General Motors ("GM Class H Common Stock"), in accordance with the Distribution Ratio (as defined below), with holders of GM \$1 2/3 Common Stock and GM Class H Common Stock receiving an aggregate of 102,630,503 shares of Class A Common Stock, par value \$.01 per share, of Hughes Defense; (vi) immediately following the Hughes Defense Spin-Off, Hughes Defense will merge with Raytheon (the "Raytheon Merger;" the merged company being referred to as "New Raytheon"), with the Class A Common Stock of Hughes Defense remaining outstanding as Class A Common Stock of New Raytheon, representing 30.3% of the outstanding common stock (and 80.1% of the voting power in the election and removal of directors) of New Raytheon, and each outstanding share of Raytheon Common Stock being converted into one share of Class B Common Stock of New Raytheon; and (vii) each outstanding share of GM Class H Common Stock will be recapitalized and converted automatically into one share of a new class of GM Common Stock ("New GM Class H Common Stock"), which will be a tracking stock relating to Hughes Telecom, as a result of which holders of GM Class H Common Stock will relinquish their tracking stock interest in Delco and holders of GM \$1 2/3 Common Stock will increase their interest in Delco. The transactions described in clauses (i) through (iv) of the immediately preceding sentence are referred to collectively as the "Hughes Reorganization," all of the transactions described in the immediately preceding sentence are referred to collectively as the "Transactions," and the Transactions other than the Raytheon Merger are referred to as the "Hughes Transactions." The Hughes Reorganization will be effected largely pursuant to a master separation agreement and related agreements to be entered into among General Motors, Hughes Telecom, Delco and Hughes Defense (collectively, the "Master

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Separation Agreement"). The consummation of the Hughes Transactions is subject to the satisfaction or waiver of the conditions to the Raytheon Merger.

You have advised us that the number of shares of Class A Common Stock to be distributed to the holders of GM Class H Common Stock (the "Class H Defense Distribution") in the Hughes Defense Spin-Off will equal the sum of (i) the product of (A) 102,630,503 (the total number of shares of Class A Common Stock to be distributed in the Hughes Defense Spin-Off) and (B) the Class H Fraction (as defined below), plus (ii) the amount obtained by dividing (C) the Net Transaction Effect (as defined below) by (D) the Average Closing Price of Raytheon Common Stock (as defined below). The remainder of the 102,630,503 shares of Class A Common Stock to be distributed in the Hughes Defense Spin-Off will be issued to the holders of the GM \$1 2/3 Common Stock (the "\$1 2/3 Defense Distribution"). The ratio of the Class H Defense Distribution to the \$1 2/3 Defense Distribution is referred to as the "Distribution Ratio." The "Class H Fraction" is the fractional equivalent to the tracking stock interest of the GM Class H Common Stock in the earnings of Hughes Defense (as contemplated by the Restated Certificate of Incorporation of General Motors, as amended) as of the time immediately prior to the Hughes Defense Spin-Off. The "Net Transaction Effect," as determined by the Board of Directors of General Motors (which is intended to compensate the holders of the GM Class H Common Stock fairly for the net effect of all other aspects of the Hughes Transactions on their investment in General Motors (principally the relinquishment of their tracking stock interest in the earnings of Delco)), is an amount equal to the product of (i) \$6.5 billion plus the amount by which the Hughes Defense indebtedness outstanding immediately prior to the Hughes Defense Spin-Off exceeds \$4.0 billion and (ii) the Class H Fraction. The "Average Closing Price of Raytheon Common Stock" will be the average closing market price of Raytheon Common Stock during the 30-day period ending on the fifth day prior to the consummation of the Raytheon Merger.

The terms of the Hughes Transactions will be more fully described in the General Motors Solicitation Statement/Prospectus (the "Solicitation Statement"). You have advised us that General Motors has received a private letter ruling from the Internal Revenue Service (the "Private Letter Ruling") to the effect, and we have assumed, that for U.S. federal income tax purposes the Hughes Defense Spin-Off and certain other aspects of the Hughes Transactions will be treated as tax-free distributions under Section 355 of the Internal Revenue Code of 1986, as amended. We have also assumed that the Hughes Transactions will have the U.S. federal income tax consequences and the accounting treatment set forth in the Solicitation Statement.

The management of General Motors has advised us that, subsequent to the consummation of the Hughes Transactions, General Motors' management expects to combine the operations of Delco and Delphi Automotive Systems ("Delphi"), the automotive components sector of General Motors (the "Delco/Delphi Combination").

You have requested our opinion as investment bankers as to the fairness, from a financial point of view, taking into account all relevant aspects of the Transactions, to the holders of the GM \$1 2/3 Common Stock and to the holders of the GM Class H Stock, of the consideration to be provided to General Motors and its subsidiaries and to such common stockholders of General Motors in the Hughes Transactions.

As you are aware, Salomon Brothers Inc has acted as financial advisor to General Motors in connection with the Hughes Transactions and will receive a fee for its services, a substantial portion of which is contingent upon consummation of the Hughes Transactions. We have also previously rendered certain other investment banking and financial advisory services to General Motors and its subsidiaries, including Hughes Electronics, and to Raytheon, including advice with respect to various acquisitions and capital market transactions, for which we received substantial compensation. In addition, in the ordinary course of our business, we actively trade the debt and equity

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securities of both General Motors (including its subsidiaries) and Raytheon for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

In connection with rendering our opinion, we have reviewed and analyzed, among other things, the following: (i) a draft, dated October 2, 1997, of the Solicitation Statement; (ii) the Raytheon Merger Agreement; (iii) the merger agreement pursuant to which the Hughes Defense Spin-Off will be effected; (iv) a draft version of the Master Separation Agreement; (v) certain publicly available information concerning General Motors and Hughes Electronics; (vi) certain publicly available information concerning Raytheon; (vii) certain other internal information, primarily financial in nature, including forecasts concerning the business and operations of General Motors, Hughes Defense, Delco, Delphi, and Hughes Telecom furnished to us by General Motors, Hughes Defense, Delco, Delphi and Hughes Telecom for purposes of our analysis; (viii) certain other internal information, primarily financial in nature, including forecasts concerning the business and operations of Raytheon furnished to us by Raytheon for purposes of our analysis; (ix) certain publicly available information concerning the trading of, and the trading market for, the GM \$1 2/3 Common Stock, the GM Class H Common Stock and the Raytheon Common Stock; (x) the Restated Certificate of Incorporation of General Motors and the amendments thereto contemplated as part of the Hughes Transactions; (xi) the Policy Statement to be adopted by the General Motors Board of Directors with respect to General Motors' two classes of common stock upon issuance of the New GM Class H Common Stock; (xii) certain publicly available information with respect to certain other companies that we believe to be comparable to each of Hughes Defense, Delco, Hughes Telecom and Raytheon and the trading markets for certain of such other companies' securities; (xiii) the Private Letter Ruling and the request for such ruling; and (xiv) certain publicly available information concerning the nature and terms of certain other transactions that we consider relevant to our inquiry. We have also considered such other information, financial studies, analyses, investigations and financial, economic and market criteria that we deemed relevant. We have also met with certain officers and employees of General Motors, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon to discuss the foregoing as well as other matters we believe relevant to our inquiry.

In our review and analysis and in arriving at our opinion, we have assumed and relied upon the accuracy and completeness of all of the financial and other information provided us or publicly available and have neither attempted independently to verify nor assumed any responsibility for verifying any of such information. We have not conducted or assumed any responsibility for conducting a physical inspection of any of the properties or facilities of Hughes Defense, Delco, Delphi, Hughes Telecom or Raytheon, nor have we made or obtained or assumed any responsibility for making or obtaining any independent evaluations or appraisals of any of such properties or facilities. We have assumed that all documents which we have reviewed in draft form will not, when finalized or executed, differ in any material respect from the drafts we have reviewed. With respect to projections (including estimates of projected revenue and cost synergies resulting from the Raytheon Merger and from the Delco/Delphi Combination), we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of the respective companies as to the respective future financial performances of such companies, and we express no view with respect to the accuracy or completeness of such projections or the assumptions on which they were based. You have advised us that in the absence of the other Hughes Transactions (or another transaction or series of transactions resulting in the transfer of Delco from Hughes Electronics to General Motors such that the tracking stock interest in the earnings of Delco held by holders of GM Class H Common Stock is reallocated to holders of GM \$1 2/3 Common Stock), General Motors would be unable to realize fully the anticipated benefits of the Delco/Delphi Consolidation. We have further assumed that the Hughes Transactions will be consummated on the terms described, and in accordance with the timing contemplated, in the Solicitation Statement and in accordance with all applicable laws and provisions of General Motors' constituent instruments.

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In conducting our analysis and arriving at our opinion as expressed herein, we have considered such financial and other factors as we have deemed appropriate under the circumstances including, among others, the following: (i) the historical and current financial position and results of operations of each of Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon; (ii) the business prospects of each of Hughes Defense, Delco, Delphi, Hughes Telecom, Raytheon and New Raytheon; (iii) the historical and current market for the GM \$1 2/3 Common Stock, the GM Class H Common Stock, the Raytheon Common Stock, and for the equity securities of certain other companies that we believe to be comparable to Hughes Defense, Delco, Delphi, Hughes Telecom, Raytheon and New Raytheon; (iv) the prospective market for each of the New GM Class H Common Stock and the common stock of New Raytheon following the Hughes Transactions; (v) the expected cost savings and other financial synergies to be realized by General Motors as a result of the Delco/Delphi Consolidation; (vi) the expected impact of the Hughes Transactions on profit sharing payments from General Motors required under an agreement with the United Auto Workers; and (vii) the nature and terms of certain other transactions that we believe to be relevant. We have also taken into account our assessment of general economic, market and financial conditions and our knowledge of the defense, telecommunications and automotive component industries as well as our experience in connection with similar transactions and securities valuation generally. As you are aware, we have not been requested to solicit, and we accordingly have not solicited, alternative proposals with respect to the disposition of, or any other extraordinary transaction involving, any of Hughes Defense, Delco or Hughes Telecom.

Our opinion necessarily is based upon conditions as they exist and can be evaluated on the date hereof and by rendering this opinion we assume no responsibility to update or revise our opinion based upon circumstances or events occurring after the date hereof. Our opinion as expressed below does not address the fairness of the Raytheon Merger (as to which you have been advised by another financial advisor). Our opinion as expressed below does not constitute an opinion or imply any conclusions as to the prices at which New Raytheon Common Stock, GM \$1 2/3 Common Stock or New GM Class H Common Stock may trade following consummation of the Hughes Transactions. Our opinion is, in any event, limited to the fairness, from a financial point of view, to the holders of the GM \$1 2/3 Common Stock and to the holders of the GM Class H Common Stock of the consideration to be provided to General Motors and its subsidiaries and to such common stockholders of General Motors in the Hughes Transactions taken as a whole, and does not address General Motors' underlying business decision to effect the Hughes Transactions or constitute a recommendation to any holder of the GM \$1 2/3 Common Stock or any holder of GM Class H Common Stock as to how such holder should vote with respect to the Hughes Transactions.

Based upon and subject to the foregoing, we are of the opinion as investment bankers that, taking into account all relevant aspects of the Transactions, the consideration to be provided to General Motors and its subsidiaries and to the common stockholders of General Motors in the Hughes Transactions is fair, from a financial point of view, to the holders of the GM \$1 2/3 Common Stock and to the holders of the GM Class H Common Stock.

Very truly yours,

SALOMON BROTHERS INC

B-9

January 16, 1997

Board of Directors
General Motors Corporation
767 Fifth Avenue
New York, NY 10053

Board of Directors
Hughes Electronics Corporation
P.O. Box 80028
7200 Hughes Terrace
Los Angeles, CA 90045

Board of Directors
HE Holdings, Inc.
7200 Hughes Terrace
Los Angeles, CA 90045

Ladies and Gentlemen:

You have requested our opinion as to the fairness to (i) HE Holdings, Inc., a Delaware corporation ("Hughes"), (ii) Hughes Electronics Corporation, a Delaware corporation ("HEC") and the holder of the outstanding shares of Common Stock, par value \$0.01 per share (the "Shares"), of Hughes, (iii) General Motors Corporation, a Delaware corporation and the parent of HEC ("GM"), (iv) the holders of GM's Common Stock, par value \$1 2/3 per share (the "1 2/3 Common Stock"), and (v) the holders of GM's Class H Common Stock, par value \$0.10 per share (the "GM Class H Common Stock" and together with the 1 2/3 Common Stock, the "Common Shares") (Hughes, HEC, GM and the holders of the Common Shares collectively referred to herein as the "GM Group"), of the Aggregate Consideration (as defined below) as contemplated by the Agreement and Plan of Merger dated as of January 16, 1997 by and between Raytheon Company, a Delaware corporation ("Raytheon"), and Hughes (the "Agreement"). Pursuant to the Agreement, Raytheon will merge (the "Merger") with and into Hughes, which at such time and after giving effect to the GM Transactions (as defined below), will be comprised primarily of the defense-related businesses of Hughes.

Pursuant to the Merger, (i) each issued and outstanding whole share of Class A Common Stock (as defined below) will remain outstanding and will be unchanged; (ii) each issued and outstanding fractional share of

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Tel: 212-902-1000

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Class A Common Stock will be converted into and represent an equivalent fractional share of Class B Common Stock (as defined below), which will be sold by the Exchange Agent as provided in the Agreement; and (iii) each issued and outstanding share of Common Stock, par value \$0.01 per share ("Raytheon Common Stock"), of Raytheon will be converted into and represent one share of Class B Common Stock. Immediately following the Merger, as contemplated by the Agreement, the holders of the Class A Common Stock will own, in the aggregate, approximately 30% of the outstanding common stock of Hughes (the "Equity Interest"). Prior to the Hughes Spin-off (as defined below) and Merger, Hughes is to have indebtedness for borrowed money in an amount not to exceed \$9.5 billion minus the Class A Common Stock Amount (as defined below) ((the "Permitted Indebtedness") and together with the Equity Interest, the "Aggregate Consideration"). The "Class A Common Stock Amount" is equal to (x) 102,630,503 shares multiplied by (y) the average closing price of Raytheon Common Stock on the New York Stock Exchange during the 30-day period ending 5 days prior to the Effective Time (as defined in the Agreement); provided, that in the event that such average closing price is greater than \$54.29, the Permitted Indebtedness will be an amount determined as if such average closing price was deemed to be \$54.29, and in the event such average closing price is less than \$44.42, the Permitted Indebtedness will be an amount determined as if such average closing price was deemed to be \$44.42.

You have informed us that prior to the Merger, among other things, (i) Hughes will effectuate the Telecom Spin-off (as defined in the Hughes Distribution Agreement (as defined below)); (ii) HEC will be liquidated into GM, as a result of which Delco Electronics Corporation, a Delaware corporation and a wholly owned subsidiary of HEC, will become a direct, wholly-owned subsidiary of GM; (iii) Hughes Aircraft Company, a Delaware corporation, will merge with and into Hughes with Hughes as the surviving entity; (iv) Hughes will recapitalize its outstanding capital stock into Class A Common Stock, par value \$0.01 per share ("Class A Common Stock"), and provide for a Class B Common Stock, par value \$0.01 per share ("Class B Common Stock"); (v) a wholly-owned subsidiary of GM ("Mergeco") will merge with and into GM, pursuant to which, among other things, the Class A Common Stock will be distributed to and allocated among the holders of the Common Shares with the result that Hughes will be a publicly held company prior to the consummation of the Merger (the "Hughes Spin-Off"); and (vi) GM will recapitalize its GM Class H Common Stock into a new class of GM common stock (the transactions set forth in clauses (i) through (vi) above being referred to herein as the "GM Transactions").

It is understood that we are not opining as to the fairness of the GM Transactions or as to the fairness of the distribution to and allocation among the holders of the Common Shares of the Class A Common Stock in the Hughes Spin-Off. In fact, you have advised us that GM expects to receive, from other financial advisors opinions as to the fairness to the holders of the Common Shares, from a financial point of view, of the consideration to be received by GM and its subsidiaries and common stockholders in the GM Transactions. Our opinion is directed only to the fairness of the Aggregate Consideration to be received by the GM Group as a whole and does not (i) address GM's underlying business decision to effect the GM Transactions, (ii) address the fairness of the allocation of the Aggregate Consideration among the members of the GM Group or (iii) constitute a recommendation concerning how holders of the Common Shares should vote with respect to the GM Transactions.

Goldman, Sachs & Co., as part of its investment banking business, is continually engaged in the valuation of businesses and their 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. We are familiar with Hughes having provided certain investment banking services to Hughes and HEC from time to time and having acted as financial advisor to Hughes, HEC and GM in connection with, and having participated in certain of the negotiations leading to, the Agreement. We are also familiar with Raytheon having provided certain investment banking services to Raytheon from time to time, including having acted as its financial advisor in connection with the acquisition of Chrysler Technologies Airborne Systems in June 1996 and acting as a dealer in connection with its issuance of commercial paper.

In connection with this opinion, we have reviewed, among other things, the Agreement; the Implementation Agreement dated as of January 16, 1997 by and between GM and Raytheon (the "Implementation Agreement"); the form of Agreement and Plan of Merger by and between GM and Mergeco, attached as an exhibit to the Implementation Agreement (the "Hughes Distribution Agreement"); the form of Master Separation Agreement among GM, Hughes and the other parties identified therein, attached as an exhibit to the Implementation Agreement, including the form of the Hughes Spin-Off Separation Agreement attached thereto; Annual Reports of HEC for the five years ended December 31, 1995; Annual Reports to Stockholders of Raytheon on Form 10-K for the five years ended December 31, 1995; certain interim reports to stockholders and Quarterly Reports on Form 10-Q for Raytheon; certain other communications from GM and Raytheon to their respective stockholders; and certain internal financial analyses and forecasts for Hughes and Raytheon prepared by their respective managements. We also have held discussions with members of the senior management of Hughes and Raytheon regarding their past and current business operations, financial condition and future prospects of their respective companies, including forecasts of revenue and cost synergies that are expected to result from the Merger. In addition, we have reviewed the reported price and trading activity for the shares of Raytheon Common Stock; compared certain financial and stock market information for Raytheon with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the aerospace and defense industry specifically and in other industries generally and performed such other studies and analyses as we considered appropriate.

We have relied upon the accuracy and completeness of all of the financial and other information reviewed by us and have assumed the accuracy and completeness thereof in all material respects for purposes of this opinion. In that regard, we have assumed, with your consent, that the financial forecasts prepared by Hughes and Raytheon, including without limitation, projected revenue and cost synergies resulting from the Merger, have been reasonably prepared on a basis reflecting the best currently available judgments and estimates of Hughes and Raytheon and that such forecasts will be realized in all material respects in the amounts and at the times contemplated thereby. In addition, we have not made an independent evaluation or appraisal of the assets and liabilities of Hughes or Raytheon or any of their subsidiaries and we have not been furnished with any such evaluation or appraisal. Our advisory services and the opinion expressed herein are provided for the information and assistance of the Boards of Directors of GM, HEC and Hughes in connection with their consideration of the Merger. You have informed us that the Boards of Directors of GM, HEC and Hughes are considering the Merger in the context of the GM Transactions. As stated above, we are not opining as to the fairness of the GM Transactions. We are not expressing any opinion herein as to the prices at which the Class A Common Stock, the Class B Common stock or the GM Class H Common Stock may trade if and when they are issued.

Based upon and subject to the foregoing and based upon such other matters as we consider relevant, it is our opinion that as of the date hereof the Aggregate Consideration is fair to the GM Group as a whole.

Very truly yours,

GOLDMAN, SACHS & CO.
B-12

APPENDIX C

HUGHES DEFENSE

COMBINED FINANCIAL STATEMENTS

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HUGHES DEFENSE
 COMBINED STATEMENT OF INCOME AND
 PARENT COMPANY'S NET INVESTMENT
 (UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	1997	1996
(DOLLARS IN MILLIONS)		
REVENUES		
Net sales.....	\$3,413.3	\$3,053.1
Other income, net.....	13.3	4.5
	-----	-----
Total Revenues.....	3,426.6	3,057.6
	-----	-----
COSTS AND EXPENSES		
Cost of sales and other operating charges, exclusive of items listed below.....	2,804.2	2,495.4
Selling, general, and administrative expenses.....	188.4	159.6
Depreciation and amortization.....	76.1	66.2
Amortization of GM purchase accounting adjustments related to Hughes Aircraft Company.....	50.6	50.6
Interest expense.....	49.6	44.3
	-----	-----
Total Costs and Expenses.....	3,168.9	2,816.1
	-----	-----
INCOME BEFORE INCOME TAXES.....	257.7	241.5
Income taxes.....	118.5	111.1
	-----	-----
NET INCOME.....	139.2	130.4
	-----	-----
Parent Company's Net Investment, beginning of period.....	4,823.0	4,680.2
Net contributions from Parent Company.....	412.2	137.9
Change in foreign currency translation adjustment.....	(1.9)	(8.9)
	-----	-----
PARENT COMPANY'S NET INVESTMENT, END OF PERIOD.....	\$5,372.5	\$4,939.6
	=====	=====

Reference should be made to the Notes to Combined Financial Statements.

HUGHES DEFENSE
COMBINED BALANCE SHEET
(UNAUDITED)

	JUNE 30, 1997	DECEMBER 31, 1996
	-----	-----
	(DOLLARS IN MILLIONS)	
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 81.6	\$ 59.7
Accounts and notes receivable (less allowances).....	683.5	612.7
Contracts in process, less advances and progress payments of \$894.1 and \$956.2.....	1,672.1	1,581.2
Inventories.....	427.0	337.7
Deferred income taxes.....	260.2	285.3
Prepaid expenses.....	42.8	31.1
	-----	-----
Total Current Assets.....	3,167.2	2,907.7
	-----	-----
Property, net.....	1,145.6	1,085.1
	-----	-----
Intangible Assets, net of amortization of \$1,329.5 and \$1,268.5.....	2,930.0	2,907.4
	-----	-----
Investments and Other Assets, principally at cost (less allowances).....	139.5	128.2
	-----	-----
Total Assets.....	\$7,382.3	\$7,028.4
	=====	=====
LIABILITIES AND PARENT COMPANY'S NET INVESTMENT		
Current Liabilities		
Accounts payable.....	\$ 271.3	\$ 278.3
Advances on contracts.....	387.6	396.8
Notes and loans payable.....	100.9	94.5
Accrued liabilities.....	905.4	1,119.4
	-----	-----
Total Current Liabilities.....	1,665.2	1,889.0
	-----	-----
Long-Term Debt and Capitalized Leases.....	33.3	34.4
	-----	-----
Other Liabilities and Deferred Credits.....	181.0	174.4
	-----	-----
Deferred Income Taxes.....	130.3	107.6
	-----	-----
Contingent Liabilities		
Parent Company's Net Investment.....	5,372.5	4,823.0
	-----	-----
Total Liabilities and Parent Company's Net Investment.....	\$7,382.3	\$7,028.4
	=====	=====

Reference should be made to the Notes to Combined Financial Statements.

HUGHES DEFENSE
 COMBINED STATEMENT OF CASH FLOWS
 (UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	1997	1996
	(DOLLARS IN MILLIONS)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income.....	\$139.2	\$130.4
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization.....	76.1	66.2
Amortization of GM purchase accounting adjustments related to Hughes Aircraft Company.....	50.6	50.6
Deferred income taxes and other.....	47.8	(1.1)
Change in other operating assets and liabilities		
Accounts receivable.....	(54.6)	30.7
Contracts in process.....	(81.9)	(170.8)
Inventories.....	(88.8)	(30.7)
Accounts payable.....	(11.7)	(31.7)
Advances on contracts.....	(39.2)	(27.6)
Accrued liabilities.....	(215.9)	(97.3)
Other.....	(11.4)	(14.9)
Net Cash Used in Operating Activities.....	(189.8)	(96.2)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in companies, net of cash acquired.....	(143.3)	(28.7)
Expenditures for property.....	(68.8)	(55.4)
Proceeds from disposal of property.....	6.7	26.8
(Increase) Decrease in notes receivable.....	(0.4)	13.8
Net Cash Used in Investing Activities.....	(205.8)	(43.5)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in notes and loans payable.....	6.4	16.3
Increase in long-term debt.....	7.4	17.8
Decrease in long-term debt.....	(8.5)	(18.8)
Net contributions from Parent Company.....	412.2	137.9
Net Cash Provided By Financing Activities.....	417.5	153.2
Net increase in cash and cash equivalents.....	21.9	13.5
Cash and cash equivalents at beginning of the period.....	59.7	15.7
Cash and cash equivalents at the end of the period.....	\$ 81.6	\$ 29.2
	=====	=====

Reference should be made to the Notes to Combined Financial Statements.

HUGHES DEFENSE

NOTES TO COMBINED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1: BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

The accompanying unaudited combined financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting of only normal recurring items) which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the full year.

On January 16, 1997, Hughes Electronics Corporation ("Hughes Electronics"), General Motors Corporation ("GM"), the parent of Hughes Electronics, and Raytheon Company ("Raytheon") announced a series of planned transactions that would include:

- . The tax-free spin-off of 100% of the defense business of Hughes Electronics ("Hughes Defense") to holders of GM's \$1 2/3 par value and Class H Common Stocks followed immediately by the tax-free merger of that business with Raytheon, after which there would be outstanding two classes of Raytheon/Hughes Defense common stock;
- . The transfer of Delco Electronics Corporation and related entities ("Delco"), from Hughes Electronics to GM and a reallocation of the derivative interest in the earnings of Delco currently held by GM Class H common stockholders to holders of GM \$1 2/3 par value Common Stock; and
- . The recapitalization of GM Class H Common Stock into a GM tracking stock linked to the telecommunications and space business of Hughes Electronics ("Hughes Telecom"). GM would continue to own 100% of Hughes Telecom.

On July 14, 1997, GM received a ruling from the Internal Revenue Service that its contemplated spin-off of Hughes Defense would be tax-free to GM and its stockholders. The planned transactions must be approved by holders of GM \$1 2/3 par value and Class H Common Stocks, among a number of other conditions. In addition, the merger of Hughes Defense and Raytheon is subject to antitrust clearance and approval by Raytheon stockholders. No assurance can be given that the above transactions will be completed. GM expects to solicit stockholders' approval of the planned transactions during the fourth quarter of 1997, after certain conditions are satisfied.

Hughes Defense is not a legal entity. The combined financial statements present the financial position, results of operations and cash flows of Hughes Defense, which consists primarily of operations included in the Aerospace and Defense Systems segment of Hughes Electronics, certain other businesses identified in the Merger Agreements and certain Hughes Electronics Corporate assets, liabilities, income and expenses attributable to Hughes Defense. The combined financial statements do not include certain other defense operations of Hughes Electronics which will not be merged with Raytheon, consisting principally of the defense business of Hughes Electronics currently reported in the Hughes Electronics Telecommunications and Space segment. All transactions and balances between the entities included in the combined financial statements have been eliminated. All Hughes Defense amounts due from or payable to other Hughes Electronics businesses, except for certain loans payable to affiliates which are included in notes and loans payable, have been reported in Parent Company's Net Investment.

The combined financial statements include allocations of corporate expenses from Hughes Electronics including research and development, general management, human resources, financial, legal, tax, quality, communications, marketing, international, employee benefits and other miscellaneous services. These costs and expenses have been charged to Hughes Defense based either on usage or using allocation methodologies which

HUGHES DEFENSE

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONCLUDED)
(UNAUDITED)

comply with U.S. Government cost accounting standards, primarily based upon total revenues, certain tangible assets and payroll expenses. Management believes the allocations were made on a reasonable basis.

NOTE 2: INVENTORIES

Inventories are stated at the lower of cost or market, principally using the average cost method.

Major Classes of Inventories

	JUNE 30, 1997	DECEMBER 31, 1996
	-----	-----
	(DOLLARS IN MILLIONS)	
Productive material and supplies.....	\$ 67.9	\$ 63.5
Work in process and finished goods.....	359.1	274.2
	-----	-----
Total.....	\$427.0	\$337.7
	=====	=====

NOTE 3: CONTINGENT LIABILITIES

In conjunction with its performance on long-term contracts, Hughes Defense is contingently liable under standby letters of credit and bonds in the amount of \$281.1 million at June 30, 1997. In Hughes Defense's past experience, no material claims have been made against these financial instruments.

Hughes Defense is subject to potential liability under government regulations and various claims and legal actions which are pending or may be asserted against it. The aggregate ultimate liability of Hughes Defense under these government regulations and under these claims and actions, was not determinable at June 30, 1997. In the opinion of Hughes Electronics and Hughes Defense management, such liability is not expected to have a material adverse effect on Hughes Defense's combined operations or financial position.

NOTE 4: NEW ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board issued SFAS Nos. 130 and 131. SFAS 130, "Reporting Comprehensive Income," establishes accounting standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. This statement requires that all items required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," establishes accounting standards for the way public enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. Hughes Defense will adopt SFAS Nos. 130 and 131 on January 1, 1998, as required.

INDEPENDENT AUDITORS' REPORT

Hughes Electronics Corporation:

We have audited the Combined Balance Sheet of the Defense Business of Hughes Electronics Corporation and subsidiaries ("Hughes Defense") as of December 31, 1996 and 1995 and the related Combined Statements of Income and Parent Company's Net Investment and of Cash Flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of Hughes Defense's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Hughes Defense at December 31, 1996 and 1995 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the combined financial statements, effective January 1, 1994 Hughes Defense changed its method of accounting for postemployment benefits.

/s/ Deloitte & Touche LLP

Los Angeles, California
March 21, 1997

HUGHES DEFENSE

COMBINED STATEMENT OF INCOME
AND PARENT COMPANY'S NET INVESTMENT

	YEARS ENDED DECEMBER 31,		
	1996	1995	1994
	(DOLLARS IN MILLIONS)		
REVENUES			
Net Sales.....	\$6,382.7	\$5,921.8	\$5,896.0
Other income, net.....	9.1	43.0	22.5
Total Revenues.....	6,391.8	5,964.8	5,918.5
COSTS AND EXPENSES			
Cost of sales and other operating charges, exclusive of items listed below.....	5,211.1	4,783.4	4,762.2
Selling, general and administrative expenses...	321.6	311.0	323.2
Depreciation and amortization.....	145.3	139.2	164.2
Amortization of GM purchase accounting adjustments related to Hughes Aircraft Company.....	101.3	101.3	101.3
Interest expense.....	92.3	75.9	64.9
Total Costs and Expenses.....	5,871.6	5,410.8	5,415.8
INCOME BEFORE INCOME TAXES.....	520.2	554.0	502.7
Income taxes.....	239.3	235.4	226.2
Income before cumulative effect of accounting change.....	280.9	318.6	276.5
Cumulative effect of accounting change.....	--	--	7.1
NET INCOME.....	280.9	318.6	269.4
Parent Company's Net Investment, beginning of period.....	4,680.2	4,198.2	4,283.3
Net (distributions to) contributions from Parent Company.....	(136.1)	173.2	(354.8)
Change in minimum pension liability.....	0.4	(5.0)	--
Foreign currency translation adjustment.....	(2.4)	(4.8)	0.3
PARENT COMPANY'S NET INVESTMENT, END OF PERIOD...	\$4,823.0	\$4,680.2	\$4,198.2

Reference should be made to the Notes to Combined Financial Statements.

HUGHES DEFENSE
COMBINED BALANCE SHEET

	DECEMBER 31,	
	1996	1995
	(DOLLARS IN MILLIONS)	
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 59.7	\$ 15.7
Accounts and notes receivables (less allowances).....	612.7	754.6
Contracts in process, less advances and progress payments of \$956.2 and \$1,259.2.....	1,581.2	1,460.2
Inventories.....	337.7	291.3
Deferred income taxes.....	285.3	325.6
Prepaid expenses.....	31.1	32.6
	-----	-----
Total Current Assets.....	2,907.7	2,880.0
	-----	-----
Property, net.....	1,085.1	1,061.9
	-----	-----
Intangible Assets, net of amortization of \$1,268.5 and \$1,149.3.....	2,907.4	2,993.0
	-----	-----
Investments and Other Assets, principally at cost (less allowances).....	128.2	91.0
	-----	-----
Total Assets.....	\$7,028.4	\$7,025.9
	=====	=====
LIABILITIES AND PARENT COMPANY'S NET INVESTMENT		
Current Liabilities		
Accounts payable.....	\$ 278.3	\$ 267.6
Advances on contracts.....	396.8	441.1
Notes and loans payable.....	94.5	84.0
Accrued liabilities.....	1,119.4	1,167.2
	-----	-----
Total Current Liabilities.....	1,889.0	1,959.9
	-----	-----
Long-term Debt and Capitalized Leases.....	34.4	49.7
	-----	-----
Other Liabilities and Deferred Credits.....	174.4	200.9
	-----	-----
Deferred Income Taxes.....	107.6	135.2
	-----	-----
Commitments and Contingent Liabilities		
Parent Company's Net Investment.....	4,823.0	4,680.2
	-----	-----
Total Liabilities and Parent Company's Net Investment....	\$7,028.4	\$7,025.9
	=====	=====

Reference should be made to the Notes to Combined Financial Statements.

HUGHES DEFENSE

COMBINED STATEMENT OF CASH FLOWS

	YEARS ENDED DECEMBER		
	31,		
	1996	1995	1994
(DOLLARS IN MILLIONS)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income.....	\$ 280.9	\$ 318.6	\$ 269.4
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization.....	145.3	139.2	164.2
Amortization of GM purchase accounting adjustments related to Hughes Aircraft Company.	101.3	101.3	101.3
Deferred income taxes and other.....	19.6	(25.8)	16.4
Change in other operating assets and liabilities			
Accounts receivable.....	148.0	46.8	(254.6)
Contracts in process.....	(117.2)	(153.9)	337.5
Inventories.....	(46.2)	(84.7)	28.5
Accounts payable.....	9.7	(146.6)	(143.9)
Advances on contracts.....	(44.3)	38.5	45.9
Accrued liabilities.....	(62.8)	253.8	(164.3)
Other.....	(81.3)	(154.0)	63.3
Net Cash Provided by Operating Activities.....	353.0	333.2	463.7
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in companies, net of cash acquired....	(28.7)	(549.2)	--
Expenditures for property.....	(178.3)	(99.4)	(174.1)
Proceeds from disposal of property.....	45.2	58.6	87.6
Proceeds from sale of businesses.....	--	23.6	--
(Increase) decrease in notes receivable.....	(6.3)	6.7	3.8
Net Cash Used in Investing Activities.....	(168.1)	(559.7)	(82.7)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in notes and loans payable.....	10.5	18.2	57.2
Payment on long-term debt.....	(15.3)	(7.9)	(26.3)
Net (distributions to) contributions from Parent Company.....	(136.1)	173.2	(354.8)
Net Cash (Used in) Provided by Financing Activities.....	(140.9)	183.5	(323.9)
Net increase (decrease) in cash and cash equivalents.....	44.0	(43.0)	57.1
Cash and cash equivalents at beginning of the year..	15.7	58.7	1.6
Cash and cash equivalents at end of the year.....	\$ 59.7	\$ 15.7	\$ 58.7
	=====	=====	=====

Reference should be made to the Notes to Combined Financial Statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

On January 16, 1997, Hughes Electronics Corporation ("Hughes Electronics"), General Motors Corporation ("GM"), the parent of Hughes Electronics and Raytheon Company ("Raytheon") announced a series of planned transactions that would include:

- . The tax-free spin-off of 100% of the defense business of Hughes Electronics ("Hughes Defense") to holders of GM's \$1 2/3 par value and Class H Common Stocks followed immediately by the tax-free merger of that business with Raytheon, after which there would be outstanding two classes of Raytheon/Hughes Defense common stock;
- . The transfer of Delco Electronics Corporation and Related Entities ("Delco"), from Hughes Electronics to GM and a reallocation of the derivative interest in the earnings of Delco currently held by GM Class H common stockholders to holders of GM \$1 2/3 par value Common Stock; and
- . The recapitalization of GM Class H Common Stock into a GM tracking stock linked to the telecommunications and space business of Hughes Electronics ("Hughes Telecom"). GM would continue to own 100% of Hughes Telecom.

The planned transactions are subject to approval by holders of GM \$1 2/3 par value and Class H Common Stocks. In addition, the merger of the Hughes Defense with Raytheon, which is contingent upon the spin-off of Hughes Defense, is subject to approval by the stockholders of Raytheon. The planned transactions also are subject to a variety of regulatory approvals.

Hughes Defense is not a legal entity. The combined financial statements present the financial position, results of operations and cash flows of Hughes Defense, which consists primarily of operations included in the Aerospace and Defense Systems segment of Hughes, certain other businesses identified in the Merger Agreements and certain Hughes Electronics Corporate assets, liabilities, income and expenses attributable to Hughes Defense. The combined financial statements do not include certain other defense operations of Hughes Electronics which will not be merged with Raytheon, consisting principally of the defense business of Hughes Electronics currently reported in the Hughes Electronics Telecommunications and Space segment. All transactions and balances between the entities included in the combined financial statements have been eliminated. All Hughes Defense amounts due from or payable to other Hughes Electronics businesses, except for certain loans payable to affiliates, which are included in notes and loans payable, have been reported in Parent Company's Net Investment.

The combined financial statements include allocations of corporate expenses from Hughes Electronics including research and development, general management, human resources, financial, legal, tax, quality, communications, marketing, international, employee benefits and other miscellaneous services. These costs and expenses have been charged to Hughes Defense based either on usage or using allocation methodologies which comply with U.S. Government cost accounting standards, primarily based upon total revenues, certain tangible assets and payroll expenses. Management believes the allocations were made on a reasonable basis.

Hughes Defense participates in a centralized cash management system wherein cash receipts are transferred to and cash disbursements are funded by Hughes daily. Accordingly, the Combined Balance Sheet includes only cash and cash equivalents held by Hughes Defense, consisting principally of cash held by foreign operations. Interest expense in the Combined Statement of Income and Parent Company's Net Investment includes interest expense associated with the debt included in the Combined Balance Sheet plus an allocated share of total HE Holdings, Inc. interest expense.

Hughes Defense operates in one segment: the development, production and support of advanced defense electronics systems including missile, airborne radar and communications, information, training and simulation, command and control, torpedoes and sonar, electro-optical, air traffic control and guidance and control.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates.

HUGHES DEFENSE

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Revenue Recognition

Sales under long-term contracts are recognized primarily using the percentage-of-completion (cost-to-cost) method of accounting. Under this method, sales are recorded equivalent to costs incurred plus a portion of the profit expected to be realized, determined based on the ratio of costs incurred to estimated total costs at completion. Sales under certain commercial long-term contracts and to outside customers not pursuant to long-term contracts generally are recognized as products are shipped or services are rendered.

Profits expected to be realized on long-term contracts are based on estimates of total sales value and costs at completion. These estimates are reviewed and revised periodically throughout the lives of the contracts and adjustments to profits resulting from such revisions are recorded in the accounting period in which the revisions are made. Estimated losses on contracts are recorded in the period in which they are identified.

Certain contracts contain cost or performance incentives which provide for increases in profits for surpassing stated objectives and decreases in profits for failure to achieve such objectives. Amounts associated with incentives are included in estimates of total sales values when there is sufficient information to relate actual performance to the objectives.

Cash Flows

Cash equivalents consist of highly liquid investments purchased with original maturities of 90 days or less.

Net cash provided by operating activities reflects cash payments for interest made by Hughes Defense and by Hughes Electronics on behalf of Hughes Defense of \$92.3 million, \$75.9 million and \$64.9 million in 1996, 1995 and 1994, respectively. Cash payments for income taxes made by Hughes Electronics on behalf of Hughes Defense amounted to \$226.6 million, \$299.0 million and \$209.1 million in 1996, 1995 and 1994, respectively.

Accounts Receivable and Contracts in Process

Accounts receivable principally are related to long-term contracts and programs. Amounts billed under retainage provisions of contracts are not significant and substantially all amounts are collectible within one year.

Contracts in process are stated at costs incurred plus estimated profit, less amounts billed to customers and advances and progress payments applied. Engineering, tooling, manufacturing and applicable overhead costs, including administrative, research and development and selling expenses, are charged to costs and expenses when incurred. Contracts in process include amounts relating to contracts with long production cycles and \$87.3 million of the 1996 amount is expected to be billed after one year. Contracts in process in 1996 also includes approximately \$43.8 million relating to claims and requests for equitable adjustments. Under certain contracts with the U.S. Government, progress payments are received based on costs incurred on the respective contracts. Title to the inventories related to such contracts (included in contracts in process) vests with the U.S. Government.

Inventories

Inventories are stated at the lower of cost or market, principally using the average cost method.

	1996	1995

	(DOLLARS IN MILLIONS)	
Major Classes of Inventories		
Productive material and supplies.....	\$ 63.5	\$ 75.6
Work in process and finished goods.....	274.2	215.7

Total.....	\$ 337.7	\$ 291.3
	=====	

Property and Depreciation

Property is carried at cost. Depreciation of property is provided for based on estimated useful lives generally using accelerated methods. Recoverability of property is periodically evaluated by assessing whether the net book value can be recovered over its remaining life through undiscounted cash flows generated by the asset.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Intangible Assets

Effective December 31, 1985, GM acquired Hughes Aircraft Company ("HAC"), now a wholly owned subsidiary of Hughes Electronics. The acquisition of HAC was accounted for as a purchase. The excess of the purchase price over the net tangible assets acquired, \$4,244.7 million, was assigned to intangible assets, primarily goodwill. The portion of such intangible assets and related amortization attributable to Hughes Defense has been reflected in the accompanying combined financial statements.

Intangible assets are amortized using the straight-line method over periods not exceeding 40 years. Recoverability is periodically evaluated by assessing whether the unamortized carrying amount can be recovered over its remaining life through undiscounted cash flows generated by underlying tangible assets.

Income Taxes

Hughes Defense, along with other Hughes Electronics businesses and subsidiaries, joins with GM in filing a consolidated U.S. federal income tax return. Current and deferred income taxes are computed by Hughes Electronics and allocated to Hughes Defense according to principles established by Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Deferred income tax assets and liabilities reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes, as measured by applying currently enacted tax laws. Hughes Electronics has paid Hughes Defense's share of the consolidated income tax liability. The income taxes that would have been paid by Hughes Defense if it were a separate taxpayer but were not paid under Hughes Electronics' policy results in an increase in the Parent Company's Net Investment.

Research and Development

Expenditures for research and development are charged to costs and expenses as incurred and amounted to \$84.2 million in 1996, \$100.0 million in 1995 and \$126.8 million in 1994.

Financial Instruments

Hughes Electronics enters into foreign exchange-forward contracts on behalf of Hughes Defense to reduce Hughes Defense's exposure to fluctuations in foreign exchange rates. Such foreign exchange-forward contracts are accounted for in the accompanying combined financial statements as hedges to the extent they are designated as, and are effective as, hedges of firm foreign currency commitments.

Foreign Currency

Substantially all of Hughes Defense's foreign operations have determined the local currency to be their functional currency. Accordingly, most foreign entities translate assets and liabilities from their local currencies to U.S. dollars using year-end exchange rates. Income and expense accounts are translated at the average rates in effect during the year. The related translation adjustments are included in the foreign currency translation adjustment in the Combined Statement of Income and Parent Company's Net Investment. Foreign currency transaction net gains and losses included in the combined operating results were not material in all years presented.

Market Concentrations

Sales under U.S. Government contracts were approximately 70%, 71% and 74% of net sales in 1996, 1995 and 1994, respectively. No single U.S. Government program accounted for more than 10% of revenues.

New Accounting Standards

Effective January 1, 1996, Hughes Defense adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. The adoption of this new accounting standard did not have a material effect on Hughes Defense's combined operating results or financial position.

HUGHES DEFENSE

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Effective January 1, 1994, Hughes Defense adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." This Statement requires accrual of the costs of benefits provided to former or inactive employees after employment, but before retirement. The unfavorable cumulative effect on Hughes Defense of adopting this Statement was \$7.1 million, net of income taxes of \$4.4 million. The charge primarily related to extended disability benefits which are accrued on a service-driven basis.

NOTE 3: RELATED-PARTY TRANSACTIONS

The following table summarizes the significant related party transactions between Hughes Defense and other GM and Hughes Electronics entities:

	1996	1995	1994
	(DOLLARS IN MILLIONS)		
Revenues.....	\$400.0	\$273.6	\$219.1
Costs and expenses:			
Purchases.....	41.8	38.6	50.5
Cost of sales.....	352.5	249.2	203.7
Allocation of corporate expenses.....	150.4	157.3	192.6
Imputed interest.....	82.1	65.3	60.6

Imputed interest was charged at a rate of 3.6% to Hughes Defense based on its average adjusted net operating assets for the years ended 1996, 1995 and 1994.

NOTE 4: PROPERTY, NET

	ESTIMATED USEFUL LIVES (YEARS)	1996	1995
		(DOLLARS IN MILLIONS)	
Land and improvements.....	20 - 40	\$ 102.8	\$ 108.2
Buildings and unamortized leasehold improvements.....	3 - 45	842.7	828.0
Machinery and equipment.....	3 - 23	1,306.4	1,323.0
Furniture, fixtures and office machines...	7 - 10	65.7	60.7
Construction in progress.....		105.9	77.1
Total.....		2,423.5	2,397.0
Less accumulated depreciation.....		1,338.4	1,335.1
Property, net.....		<u>\$1,085.1</u>	<u>\$1,061.9</u>

HUGHES DEFENSE

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 5: NOTES AND LOANS PAYABLE AND LONG-TERM DEBT AND CAPITALIZED LEASES

	1996	1995

	(DOLLARS IN MILLIONS)	
Loans payable to banks.....	\$ 10.2	\$ 13.0
Loans payable to affiliate.....	82.9	65.1
Current portion of long-term debt.....	1.4	5.9

Total notes and loans payable.....	\$ 94.5	\$ 84.0
	=====	
Foreign bank debt.....	\$ 27.1	\$ 53.8
Other.....	--	1.6

Subtotal.....	27.1	55.4
Less current portion.....	1.4	5.9

Long-term debt.....	25.7	49.5
Capitalized leases.....	8.7	0.2

Total long-term debt and capitalized leases.....	\$ 34.4	\$ 49.7
	=====	

At December 31, 1996, loans payable to affiliate, a subsidiary of GM, consists of \$82.9 million with a maturity date of July 15, 1997, of which \$34.9 million bears interest at a rate which approximates the London Interbank Offered Rate ("LIBOR") plus 0.10% and the remaining \$48.0 million bears interest at a rate which approximates LIBOR plus 0.625%. At December 31, 1996, all foreign bank debt was denominated in British pounds sterling, bearing interest at rates ranging from 5.9% to 7.1%, with maturity dates from 1997 to 2003.

Annual maturities of long-term debt and capitalized leases are \$1.4 million in 1997, \$2.4 million in 1998, \$2.5 million in 1999, \$2.8 million in 2000, \$3.1 million in 2001 and \$23.6 million thereafter.

Property with a net book value of \$14.8 million at December 31, 1996 was pledged as collateral under such debt.

NOTE 6: ACCRUED LIABILITIES

	1996	1995

	(DOLLARS IN MILLIONS)	
Payrolls and other compensation.....	\$ 344.5	\$ 349.7
Contract related provisions.....	587.0	620.6
Accrual for restructuring.....	11.6	88.0
Other.....	176.3	108.9

Total.....	\$1,119.4	\$1,167.2
	=====	

NOTE 7: INCOME TAXES

The income tax provision consisted of the following:

	1996	1995	1994

	(DOLLARS IN MILLIONS)		
U.S. federal, state and foreign taxes currently payable.....	\$226.6	\$299.0	\$209.1
U.S. federal, state and foreign deferred tax liabilities (assets)--net.....	12.7	(63.6)	17.1

Total income tax provision.....	\$239.3	\$235.4	\$226.2*
	=====		

* Excluding effect of accounting change.

HUGHES DEFENSE

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Income before income taxes included the following components:

	1996	1995	1994
	-----	-----	-----
	(DOLLARS IN MILLIONS)		
U.S. income.....	\$525.5	\$546.2	\$487.9
Foreign (loss) income.....	(5.3)	7.8	14.8
	-----	-----	-----
Total.....	\$520.2	\$554.0	\$502.7
	=====	=====	=====

The combined income tax provision was different than the amount computed using the U.S. statutory income tax rate for the reasons set forth in the following table:

	1996	1995	1994
	-----	-----	-----
	(DOLLARS IN MILLIONS)		
Expected tax at U.S. statutory income tax rate...	\$182.0	\$193.9	\$175.9
U.S. state and local income taxes.....	20.3	21.6	19.6
Investment tax credits.....	--	(15.0)	--
Purchase accounting adjustments.....	35.5	35.5	35.5
Non-deductible goodwill amortization.....	5.2	2.8	1.4
Other.....	(3.7)	(3.4)	(6.2)
	-----	-----	-----
Combined income tax provision.....	\$239.3	\$235.4	\$226.2*
	=====	=====	=====

* Excluding effect of accounting change.

Temporary differences and carryforwards which gave rise to deferred tax assets and liabilities at December 31, 1996 and 1995 were as follows:

	1996		1995	
	-----	-----	-----	-----
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
	-----	-----	-----	-----
	(DOLLARS IN MILLIONS)			
Profits on long-term contracts.....	\$185.6	\$ --	\$205.2	\$ --
Employee benefit programs.....	60.4	--	56.8	--
Depreciation.....	--	128.6	--	156.8
Accrued expenses.....	18.0	--	6.5	--
Other.....	75.5	11.8	100.8	11.8
	-----	-----	-----	-----
Subtotal.....	339.5	140.4	369.3	168.6
Valuation allowance.....	(21.4)	--	(10.3)	--
	-----	-----	-----	-----
Total deferred taxes.....	\$318.1	\$140.4	\$359.0	\$168.6
	=====	=====	=====	=====

No provision has been made for U.S. Federal income taxes to be paid on the portion of the undistributed earnings of foreign subsidiaries deemed permanently reinvested. At December 31, 1996 and 1995, undistributed earnings of foreign subsidiaries amounted to approximately \$49.8 million and \$46.0 million, respectively. Repatriation of all accumulated foreign earnings would have resulted in tax liabilities of \$13.8 million and \$12.6 million, respectively.

At December 31, 1996, Hughes Defense had \$61.0 million of foreign operating loss carryforwards which expire in varying amounts between 1997 and 2001. The valuation allowance consists of a provision for all of the foreign operating loss carryforwards.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 8: RETIREMENT AND INCENTIVE PLANS

Certain employees of Hughes Defense and other Hughes Electronics businesses participate in contributory and non-contributory defined benefit retirement plans (the "Plans") maintained by Hughes Electronics. The Plans are available to substantially all full-time employees of Hughes Defense. Benefits are based on years of service and compensation earned during a specified period of time before retirement. The accumulated plan benefit obligations and plan net assets for the employees of Hughes Defense have not been separately determined and are not included in the Combined Balance Sheet. However, the fair value of plan assets exceeds the accumulated plan benefit obligations related to the Plans. In addition, employees of Hughes Defense and other Hughes Electronics businesses participate in certain other postretirement and postemployment benefit plans, principally health and life insurance plans, which are unfunded. The accumulated postretirement and postemployment benefit obligations related to employees of Hughes Defense have not been separately determined and are not included in the Combined Balance Sheet. Hughes Defense recorded expenses related to the pension, postretirement and postemployment benefits plans of approximately \$60.7 million, \$31.9 million and \$21.4 million in 1996, 1995 and 1994, respectively.

Certain other Hughes Defense employees (principally foreign employees and those employed by the businesses acquired in the CAE-Link and Magnavox Electronic Systems Company acquisitions (see Note 10)) are covered by contributory and non-contributory defined benefit retirement plans, where benefits are based on years of service and compensation earned during a specified period of time before retirement. The net pension cost, assets and liabilities related to these plans are not significant.

Certain eligible employees of Hughes Defense participate in the Hughes Electronics Corporation Incentive Plan pursuant to which shares, rights, or options to acquire GM Class H Common Stock may be granted through May 31, 1997. The option price is equal to 100% of the fair market value of GM Class H Common Stock on the date the options are granted. These non-qualified options generally expire 10 years from the dates of grant and are subject to earlier termination under certain conditions.

Employees of Hughes Defense also participate in other Hughes Electronics health and welfare plans. Charges related to these plans were \$132.6 million, \$147.0 million and \$195.6 million in 1996, 1995 and 1994, respectively.

NOTE 9: SPECIAL PROVISION FOR RESTRUCTURING

In 1992, Hughes Electronics recorded a special restructuring charge of \$1,237.0 million primarily attributable to redundant facilities and related employment costs. Approximately \$833.1 million was attributable to Hughes Defense and comprehended a reduction of Hughes Defense worldwide employment, a major facilities consolidation and a reevaluation of certain business lines that no longer met Hughes Defense strategic objectives. Restructuring costs of \$75.4 million, \$140.8 million and \$184.4 million attributable to Hughes Defense were charged against the reserve during 1996, 1995 and 1994, respectively. The remaining liability attributable to Hughes Defense of \$16.1 million relates primarily to reserves for excess facilities and other site consolidation costs. It is expected that these costs will be expended predominantly during 1997.

NOTE 10: ACQUISITIONS AND DIVESTITURES

In December 1996, Hughes Defense announced that it had reached an agreement to acquire the Marine Systems Division of Alliant Techsystems, Inc. for \$141.0 million. The Marine Systems Division is a leader in lightweight torpedo manufacturing and the design and manufacturing of underwater surveillance, sonar and mine warfare systems. The acquisition was completed in the first quarter of 1997. Also in 1996, Hughes Defense acquired an enterprise with operations that complement existing technological capabilities for \$28.7 million.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

In February 1995, Hughes Defense acquired substantially all of the assets of CAE-Link Corporation for \$176.0 million. CAE-Link is an established supplier of simulation, training and technical services, primarily to the U.S. military and NASA. In December 1995, Hughes Defense acquired all of the stock of Magnavox Electronic Systems Company ("Magnavox") for \$382.4 million. Magnavox is a leading supplier of military tactical communications, electronic warfare and command and control systems.

All acquisitions were accounted for using the purchase method of accounting. The operating results of the entities acquired were combined with those of Hughes Defense from their respective acquisition dates. These acquisitions did not have a material impact on the operating results of Hughes Defense. The purchase price of each acquisition was allocated to the net assets acquired, including intangible assets, based upon their estimated fair values at the dates of acquisition.

During 1995, Hughes Defense divested several non-strategic enterprises generating aggregate proceeds of approximately \$23.6 million with no significant net income impact.

NOTE 11: DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, Hughes Electronics enters into transactions utilizing financial instruments with off-balance sheet risk on behalf of Hughes Defense to reduce Hughes Defense exposure to fluctuations in foreign exchange rates. The primary class of derivatives used is foreign exchange-forward contracts. These instruments involve, to varying degrees, elements of credit risk in the event a counterparty should default and market risk as the instruments are subject to rate and price fluctuations. Credit risk is managed through the periodic monitoring and approval of financially sound counterparties. Market risk is mitigated because the derivatives are used to hedge underlying transactions. Cash receipts or payments on these contracts normally occur at maturity. Hughes Electronics holds derivatives on behalf of Hughes Defense only for purposes other than trading.

Foreign exchange-forward contracts are legal agreements between two parties to purchase and sell a foreign currency, for a price specified at the contract date, with delivery and settlement in the future. Hughes Electronics uses these agreements on behalf of Hughes Defense to hedge risk of changes in foreign currency exchange rates associated with certain firm commitments denominated in foreign currency.

The total notional amount of foreign exchange-forward contracts entered into by Hughes Defense at December 31, 1996 and 1995, was approximately \$23.0 million and \$31.0 million, respectively. The total notional amount of foreign exchange-forward contracts entered into by Hughes Electronics on behalf of Hughes Defense at December 31, 1996 and 1995, was approximately \$136.0 million and \$148.0 million, respectively.

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS

For notes and loans payable and long-term debt, the estimated fair value was \$120.2 million and \$134.2 million at December 31, 1996 and 1995, respectively. Such fair value is based on quoted market prices for similar issues or on current rates offered to Hughes Defense for debt of similar remaining maturities. The carrying value of debt with an original term of less than 90 days is assumed to approximate fair value.

The fair values of derivative financial instruments reflect the estimated amounts Hughes Defense would receive or pay to terminate the contracts at the reporting date, which takes into account the current unrealized gains or losses on open contracts that are deferred and recognized when the offsetting gains and losses are recognized on the related hedged items. The fair value of foreign exchange-forward contracts is estimated based on foreign exchange rate quotes at the reporting date. At December 31, 1996 and 1995, the total estimated fair

HUGHES DEFENSE

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

value of open contracts, which were in a net gain (loss) position, was \$0.4 million and (\$0.5) million, respectively. No amounts were recorded on the Combined Balance Sheet for these contracts in 1996 and 1995. For all financial instruments not described above, fair value approximates book value.

NOTE 13: COMMITMENTS AND CONTINGENT LIABILITIES

In December 1994, Hughes Electronics entered into an agreement with Computer Sciences Corporation ("CSC") whereby CSC provides a significant amount of data processing services required by the non-automotive businesses of Hughes Electronics. Baseline service payments to CSC are expected to aggregate approximately \$1.5 billion over the term of the eight-year agreement. Based on historical usage, approximately 85% of the costs incurred under the agreement are attributable to Hughes Defense. The contract is cancelable by Hughes Electronics with substantial early termination penalties.

Minimum future commitments under operating leases having noncancelable lease terms in excess of one year, primarily for real property, aggregating \$1,048.6 million, are payable as follows: \$98.6 million in 1997, \$86.0 million in 1998, \$88.8 million in 1999, \$84.2 million in 2000, \$74.4 million in 2001 and \$616.6 million thereafter. Certain of these leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were \$96.2 million in 1996, \$114.1 million in 1995 and \$133.7 million in 1994.

In conjunction with its performance on long-term contracts, Hughes Defense is contingently liable under standby letters of credit and bonds in the amount of \$227.0 million at December 31, 1996. In Hughes Defense's past experience, no material claims have been made against these financial instruments.

Hughes Defense is subject to potential liability under government regulations and various claims and legal actions which are pending or may be asserted against it. The aggregate ultimate liability of Hughes Defense under these government regulations and under these claims and actions, was not determinable at December 31, 1996. In the opinion of Hughes Electronics and Hughes Defense management, such liability is not expected to have a material adverse effect on Hughes Defense combined operations or financial position.

NOTE 14: EXPORT SALES

Export sales from the U.S. were as follows:

	1996	1995	1994
	-----	-----	-----
	(DOLLARS IN MILLIONS)		
Europe.....	\$321.5	\$319.7	\$ 363.5
Asia.....	335.8	269.6	204.0
Middle East.....	244.9	302.9	347.0
Canada.....	54.3	25.6	70.7
Other.....	12.4	10.4	18.6
	-----	-----	-----
Total.....	\$968.9	\$928.2	\$1,003.8
	=====	=====	=====

APPENDIX D

DELCO

COMBINED FINANCIAL STATEMENTS

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DELCO

COMBINED STATEMENT OF INCOME AND
PARENT COMPANY'S NET INVESTMENT
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	1997	1996
	(DOLLARS IN MILLIONS)	
REVENUES		
Net Sales		
General Motors and affiliates.....	\$2,659.5	\$2,657.5
Outside.....	244.7	258.5
Other income, net		
Interest income--General Motors and affiliates.....	93.8	86.7
Other.....	10.0	3.0
	-----	-----
Total Revenues.....	3,008.0	3,005.7
	-----	-----
COSTS AND EXPENSES		
Cost of sales and other operating charges, exclusive of items listed below.....	2,384.9	2,300.9
Selling, general, and administrative expenses.....	129.5	121.9
Depreciation and amortization.....	113.6	101.2
	-----	-----
Total Costs and Expenses.....	2,628.0	2,524.0
	-----	-----
INCOME BEFORE INCOME TAXES.....	380.0	481.7
Income taxes.....	141.0	183.3
	-----	-----
NET INCOME.....	239.0	298.4
	-----	-----
Parent Company's Net Investment, beginning of period.....	3,662.1	3,402.1
Net distributions to Parent Company.....	(121.4)	(120.3)
	-----	-----
PARENT COMPANY'S NET INVESTMENT, END OF PERIOD.....	\$3,779.7	\$3,580.2
	=====	=====

Reference should be made to the Notes to Combined Financial Statements.

DELCO
COMBINED BALANCE SHEET
(UNAUDITED)

JUNE 30, DECEMBER 31,
1997 1996

(DOLLARS IN MILLIONS)

ASSETS

Current Assets

Cash and cash equivalents.....	\$ 221.8	\$ 741.0
Accounts receivable (less allowances)		
General Motors and affiliates.....	110.2	82.3
Trade receivables.....	160.6	170.9
Notes receivable--Hughes Electronics.....	2,753.0	1,976.2
Contracts in process.....	43.8	112.5
Inventories.....	657.7	688.3
Deferred income taxes.....	59.0	76.4
Prepaid expenses.....	25.2	10.4

Total Current Assets..... 4,031.3 3,858.0

Notes receivable--Hughes..... 200.0 200.0

Property, net..... 1,004.8 1,066.1

Investments and Other Assets, principally at cost (less allowances)..... 145.4 139.0

Deferred Income Taxes..... 210.5 201.0

Total Assets..... \$5,592.0 \$5,464.1
=====

LIABILITIES AND PARENT COMPANY'S NET INVESTMENT

Current liabilities

Accounts payable		
General Motors and affiliates.....	\$ 17.9	\$ 35.2
Other trade payables.....	346.7	322.2
Advances on contracts.....	--	40.9
Loans payable to General Motors.....	27.8	27.8
Income taxes payable.....	67.6	59.7
Accrued liabilities		
General Motors and affiliates.....	34.4	44.1
Other liabilities.....	220.1	204.3

Total Current Liabilities..... 714.5 734.2

Other Liabilities and Deferred Credits..... 49.1 48.8

Postretirement Benefits Other Than Pensions..... 1,048.7 1,019.0

Contingent Liabilities

Parent Company's Net Investment..... 3,779.7 3,662.1

Total Liabilities and Parent Company's Net Investment..... \$5,592.0 \$5,464.1
=====

Reference should be made to the Notes to Combined Financial Statements.

DELCO

COMBINED STATEMENT OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	----- 1997	1996 -----
	(DOLLARS IN MILLIONS)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income.....	\$ 239.0	\$ 298.4
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization.....	113.6	101.2
Provision for postretirement benefits other than pensions, net of cash payments.....	29.7	33.5
Net loss on sale of property.....	6.9	7.7
Deferred income taxes.....	7.9	13.8
Change in other operating assets and liabilities		
Accounts receivable.....	(17.6)	(35.3)
Contracts in process.....	68.7	25.3
Inventories.....	30.6	(128.3)
Accounts payable.....	7.2	85.0
Advances on contracts.....	(40.9)	(26.2)
Income taxes payable.....	7.9	51.7
Accrued liabilities.....	6.1	7.6
Other.....	(24.6)	(28.4)
Net Cash Provided by Operating Activities.....	434.5	406.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property and special tools.....	(71.9)	(103.0)
Proceeds from disposal of property.....	16.4	3.6
Increase in notes receivable--Hughes Electronics.....	(776.8)	(364.0)
Net Cash Used in Investing Activities.....	(832.3)	(463.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in loans payable to General Motors.....	--	8.5
Net Distributions to Parent Company.....	(121.4)	(120.3)
Net Cash Used in Financing Activities.....	(121.4)	(111.8)
Net decrease in cash and cash equivalents.....	(519.2)	(169.2)
Cash and cash equivalents at beginning of the period.....	741.0	926.1
Cash and cash equivalents at the end of the period.....	\$ 221.8	\$ 756.9
	=====	=====

Reference should be made to the Notes to Combined Financial Statements.

DELCO

NOTES TO COMBINED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1: BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

The accompanying unaudited combined financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting of only normal recurring items) which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the full year.

On January 16, 1997, Hughes Electronics Corporation ("Hughes Electronics"), General Motors Corporation ("GM"), the parent of Hughes Electronics, and Raytheon Company ("Raytheon") announced a series of planned transactions that would include:

- . The tax-free spin-off of 100% of the defense business of Hughes Electronics ("Hughes Defense") to holders of GM's \$1 2/3 par value and Class H Common Stocks followed immediately by the tax-free merger of that business with Raytheon, after which there would be outstanding two classes of Raytheon/Hughes Defense common stock;
- . The transfer of Delco Electronics Corporation and Related Entities ("Delco"), from Hughes Electronics to GM and a reallocation of the derivative interest in the earnings of Delco currently held by GM Class H common stockholders to holders of GM \$1 2/3 par value Common Stock; and
- . The recapitalization of GM Class H Common Stock into a GM tracking stock linked to the telecommunications and space business of Hughes Electronics ("Hughes Telecom"). GM would continue to own 100% of Hughes Telecom.

On July 14, 1997, GM received a ruling from the Internal Revenue Service that its contemplated spin-off of Hughes Defense would be tax-free to GM and its stockholders. The planned transactions must be approved by holders of GM \$1 2/3 par value and Class H Common Stocks, among a number of other conditions. In addition, the merger of Hughes Defense and Raytheon is subject to antitrust clearance and approval by Raytheon stockholders. No assurance can be given that the above transactions will be completed. GM expects to solicit stockholders' approval of the planned transactions during the fourth quarter of 1997, after certain conditions are satisfied.

Delco is not a legal entity. The combined financial statements present the financial position, results of operations and cash flows of Delco, which consists primarily of operations included in the Automotive Electronics segment of Hughes Electronics, certain other Hughes Electronics businesses and certain Hughes Electronics Corporate assets, liabilities, income and expenses attributable to Delco. Delco includes the accounts of Delco Electronics Corporation, its domestic and foreign subsidiaries which are more than 50% owned and related entities, which are under common ownership and common management. Delco's share of earnings or losses of associated companies in which at least 20%, but not more than 50%, of the voting securities are owned is included in combined operating results under the equity method of accounting.

The combined financial statements include allocations of corporate expenses from Hughes Electronics including financial, legal, tax, corporate communications, and human resources. In addition, GM provides certain services to and administers certain programs for Delco, including payroll administration, employee medical insurance and property and casualty insurance, financial, legal, tax and human resources. These costs have been charged to Delco based either on usage or using allocation methodologies primarily based upon total revenues, certain tangible assets and payroll expenses. Management believes the allocations were made on a reasonable basis.

NOTE 2: INVENTORIES

Inventories are stated at the lower of cost or market, principally using the average cost method.

Major Classes of Inventories:

	JUNE 30, 1997	DECEMBER 31, 1996

	(DOLLARS IN MILLIONS)	
Productive materials, work in process, vehicles and supplies.....	\$469.3	\$492.2
Finished product and service parts.....	188.4	196.1
	-----	-----
Total.....	\$657.7	\$688.3
	=====	=====

DELCO

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONCLUDED)
(UNAUDITED)

NOTE 3: CONTINGENT LIABILITIES

In the normal course of business, Delco is subject to potential liability under product recall announced by vehicle original equipment manufacturers, such as GM, as they relate to products manufactured and sold by Delco. Delco is also subject to potential liability under government regulations and various claims and legal actions which are pending or may be asserted against them. Some of the pending actions purport to be class actions. The aggregate ultimate liability of Delco under these potential recalls, government regulations, claims and actions was not determinable at June 30, 1997. In the opinion of management, such liability is not expected to have a material adverse effect on Delco's combined operations or financial position.

INDEPENDENT AUDITORS' REPORT

Hughes Electronics Corporation:

We have audited the Combined Balance Sheet of Delco Electronics Corporation and Related Entities ("Delco") as of December 31, 1996 and 1995 and the related Combined Statements of Income and Parent Company's Net Investment and of Cash Flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of Delco's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Delco at December 31, 1996 and 1995 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the combined financial statements, effective January 1, 1994 Delco changed its method of accounting for postemployment benefits.

/s/ Deloitte & Touche LLP

Indianapolis, Indiana
October 3, 1997

DELCO

COMBINED STATEMENT OF INCOME AND
PARENT COMPANY'S NET INVESTMENT

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	YEARS ENDED DECEMBER 31,		
	1996	1995	1994
	(DOLLARS IN MILLIONS)		
REVENUES			
Net sales			
General Motors and affiliates.....	\$4,990.2	\$5,176.9	\$4,916.0
Outside customers.....	569.9	580.3	644.7
Other Income, net			
Interest Income--General Motors and Hughes			
Electronics.....	180.2	183.0	139.0
Other.....	22.2	12.6	11.6
Total Revenues.....	5,762.5	5,952.8	5,711.3
COSTS AND EXPENSES			
Cost of sales and other operating charges, exclusive of items listed below.....	4,421.0	4,452.8	4,414.3
Selling, general, and administrative expenses..	276.5	260.6	192.3
Depreciation and amortization.....	204.4	155.6	145.0
Total Costs and Expenses.....	4,901.9	4,869.0	4,751.6
INCOME BEFORE INCOME TAXES.....	860.6	1,083.8	959.7
Income taxes.....	325.8	411.3	364.7
Income before cumulative effect of accounting change.....	534.8	672.5	595.0
Cumulative effect of accounting change.....	--	--	35.2
NET INCOME.....	534.8	672.5	559.8
Parent Company's Net Investment, beginning of period.....	3,402.1	2,949.5	2,566.7
Net distributions to Parent Company.....	(274.8)	(219.9)	(177.0)
PARENT COMPANY'S NET INVESTMENT, END OF PERIOD...	\$3,662.1	\$3,402.1	\$2,949.5

Reference should be made to the Notes to Combined Financial Statements.

DELCO
 COMBINED BALANCE SHEET
 DECEMBER 31, 1996 AND 1995

	DECEMBER 31,	
	1996	1995
	(DOLLARS IN MILLIONS)	
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 741.0	\$ 926.1
Accounts receivable (less allowances)		
General Motors and affiliates.....	82.3	135.1
Trade receivables.....	170.9	169.4
Notes receivable--Hughes Electronics.....	1,976.2	1,239.1
Contracts in process.....	112.5	178.8
Inventories.....	688.3	555.6
Deferred income taxes.....	76.4	56.1
Prepaid expenses.....	10.4	16.0

Total Current Assets.....	3,858.0	3,276.2

Notes receivable--Hughes Electronics.....	200.0	500.0

Property, net.....	1,066.1	1,083.4

Investments and Other Assets--principally at cost (less allowances).....	139.0	122.8

Deferred Income Taxes.....	201.0	204.0

Total Assets.....	\$5,464.1	\$5,186.4
	=====	
LIABILITIES AND PARENT COMPANY'S NET INVESTMENT		
Current Liabilities		
Accounts payable		
General Motors and affiliates.....	\$ 35.2	\$ 56.2
Other trade payables.....	322.2	257.4
Advances on Contracts.....	40.9	108.1
Loan payable to General Motors.....	27.8	19.3
Income taxes payable.....	59.7	58.0
Accrued liabilities		
General Motors and affiliates.....	44.1	59.8
Other liabilities.....	204.3	209.1

Total Current Liabilities.....	734.2	767.9

Other Liabilities and Deferred Credits.....	48.8	58.9

Postretirement Benefits Other Than Pensions.....	1,019.0	957.5

Commitments and Contingent Liabilities		
Parent Company's Net Investment.....	3,662.1	3,402.1

Total Liabilities and Parent Company's Net Investment..	\$5,464.1	\$5,186.4
	=====	

Reference should be made to the Notes to Combined Financial Statements.

DELCO

COMBINED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	YEARS ENDED DECEMBER 31,		
	1996	1995	1994
	(DOLLARS IN MILLIONS)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before cumulative effect of accounting change.....	\$ 534.8	\$ 672.5	\$ 595.0
Adjustments to reconcile income before cumulative effect of accounting change to net cash provided by operating activities			
Depreciation and amortization.....	204.4	155.6	145.0
Provision for postretirement benefits other than pensions, net of cash payments.....	61.5	42.9	102.6
Net loss on sale of property.....	19.5	11.8	5.2
Deferred income taxes*.....	(17.3)	(26.8)	(81.7)
Change in other operating assets and liabilities			
Accounts receivable.....	51.3	(76.7)	217.6
Contracts in process.....	66.3	(9.7)	(90.9)
Inventories.....	(132.7)	3.8	(51.2)
Accounts payable.....	43.8	(45.2)	15.6
Advances on contracts.....	(67.2)	52.5	1.4
Income taxes payable.....	1.7	8.4	(23.9)
Accrued liabilities.....	(20.5)	(141.9)	156.9
Other*.....	(40.3)	(2.9)	(39.7)
Net Cash Provided by Operating Activities.....	705.3	644.3	951.9
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in companies, net of cash acquired....	--	(63.2)	--
Expenditures for property and special tools.....	(196.5)	(264.1)	(165.7)
Proceeds from disposal of property.....	9.5	10.4	7.7
Increase in notes receivable--Hughes Electronics.....	(437.1)	(390.8)	(138.3)
Net Cash Used in Investing Activities.....	(624.1)	(707.7)	(296.3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in loans payable to General Motors.....	8.5	(33.8)	(8.6)
Net distributions to Parent Company.....	(274.8)	(219.9)	(177.0)
Net Cash Used in Financing Activities.....	(266.3)	(253.7)	(185.6)
Net (decrease) increase in cash and cash equivalents.....	(185.1)	(317.1)	470.0
Cash and cash equivalents at beginning of the year.....	926.1	1,243.2	773.2
Cash and cash equivalents at end of the year.....	\$ 741.0	\$ 926.1	\$1,243.2

*1994 amounts exclude the effect of accounting change.

Reference should be made to the Notes to Combined Financial Statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Organization and Combination

On January 16, 1997, Hughes Electronics Corporation ("Hughes Electronics"), General Motors Corporation ("GM"), the parent of Hughes Electronics, and Raytheon Company ("Raytheon") announced a series of planned transactions that would include:

- . The tax-free spin-off of 100% of the defense business of Hughes Electronics ("Hughes Defense") to holders of GM's \$1 2/3 par value and Class H Common Stocks followed immediately by the tax-free merger of that business with Raytheon, after which there would be outstanding two classes of Raytheon/Hughes Defense common stock;
- . The transfer of Delco Electronics Corporation and Related Entities ("Delco"), from Hughes Electronics to GM and a reallocation of the derivative interest in the earnings of Delco currently held by GM Class H common stockholders to holders of GM \$1 2/3 par value Common Stock; and
- . The recapitalization of GM Class H Common Stock into a GM tracking stock linked to the telecommunications and space business of Hughes Electronics ("Hughes Telecom"). GM would continue to own 100% of Hughes Telecom.

The planned transactions are subject to approval by holders of GM \$1 2/3 par value and Class H Common Stocks. In addition, the merger of Hughes Defense with Raytheon, which is contingent upon the spin-off of the Hughes Defense, is subject to approval by the stockholders of Raytheon. The planned transactions also are subject to a variety of regulatory approvals.

Delco is not a legal entity. The combined financial statements present the financial position, results of operations and cash flows of Delco, which consists primarily of operations included in the Automotive Electronics segment of Hughes Electronics, certain other Hughes Electronics businesses and certain Hughes Electronics Corporate assets, liabilities, income and expenses attributable to Delco. Delco includes the accounts of Delco Electronics Corporation, its domestic and foreign subsidiaries which are more than 50% owned and related entities, which are under common ownership and common management. Delco's share of earnings or losses of associated companies in which at least 20%, but not more than 50%, of the voting securities are owned is included in combined operating results under the equity method of accounting.

The combined financial statements include allocations of corporate expenses from Hughes Electronics including financial, legal, tax, corporate communications, and human resources. In addition, GM provides certain services to and administers certain programs for Delco, including payroll administration, employee medical insurance and property and casualty insurance, financial, legal, tax and human resources. These costs have been charged to Delco based either on usage or using allocation methodologies primarily based upon total revenues, certain tangible assets and payroll expenses. Management believes the allocations were made on a reasonable basis.

Delco participates in a centralized cash management system wherein cash receipts are transferred to and cash disbursements are funded by Hughes Electronics daily. Hughes Electronics maintains records of net amounts of cash transferred to Hughes Electronics from Delco and allocates interest income to Delco at rates which approximate the average rate of return on Hughes Electronics' cash portfolio. Such interest income aggregated \$32.8 million in 1996, \$49.5 million in 1995 and \$32.7 million in 1994. GM also allocates interest income to Delco based on amounts owed to Delco by GM during any given month as a result of sales of products manufactured by Delco and sold to GM and affiliates. Such interest income is based on rates which approximate the average rate of return on GM's cash portfolio and aggregated \$10.2 million in 1996, \$8.5 million in 1995 and \$7.3 million in 1994.

Delco operates in one segment and designs and manufactures modern, high-technology electronics for use in automobiles and light trucks, including radios, controls for engines and transmissions, ignition modules, pressure sensors, navigation and communication systems, modules and sensors for airbags, controllers for anti-lock brakes, climate control, dashboard instrumentation, vehicle security electronics and other automotive electronic products. Delco also designs and manufactures certain components for military vehicles.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates.

Revenue Recognition

Sales to GM affiliates and to outside customers are generally recognized as products are shipped or services are rendered. Estimated losses on contracts are recorded when identified.

Sales under long-term contracts are recognized using the percentage-of-completion (cost-to-cost) method of accounting. Under this method, sales are recorded equivalent to costs incurred plus a portion of the profit expected to be realized, determined based on the ratio of costs incurred to estimated total costs at completion.

Profits expected to be realized on long-term contracts are based on estimates of total sales value and costs at completion. These estimates are reviewed and revised periodically throughout the lives of contracts, and adjustments to profits resulting from such revisions are recorded in the accounting period in which the revisions are made. Estimated losses on contracts are recorded in the period in which they are identified.

Product-Related Expenses

Advertising and sales promotion, research and development and other product-related costs are charged to expense as incurred; provisions for estimated expenses related to product warranty are made at the time the products are sold. Advertising expense amounted to \$12.5 million in 1996, \$16.1 million in 1995 and \$16.2 million in 1994. Research and development expense was \$502.4 million in 1996, \$526.8 million in 1995 and \$516.8 million in 1994.

Cash Flows

Cash equivalents consist of highly liquid investments purchased with original maturities of 90 days or less.

Net cash provided by operating activities reflects cash payments for income taxes of \$343.1 million, \$438.1 million and \$446.4 million in 1996, 1995 and 1994, respectively.

Inventories

Inventories are stated at the lower of cost or market primarily using the weighted average cost and the first-in, first-out (FIFO) methods.

Major Classes of Inventories:

	1996	1995

	(DOLLARS IN MILLIONS)	
Productive material, work in process, vehicles and supplies.....	\$492.2	\$397.6
Finished product and service parts.....	196.1	158.0

Total.....	\$688.3	\$555.6
	=====	

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Property and Depreciation

Property is carried at cost. Depreciation is provided based on estimated useful lives of groups of property generally using accelerated methods, which accumulate depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated useful lives.

Expenditures for special tools are amortized over their estimated useful lives, primarily using the units of production method. Amortization is applied directly to the asset account. Replacement of special tools for reasons other than changes in products is charged directly to cost of sales.

Income Taxes

Delco, along with other Hughes Electronics businesses and subsidiaries, joins with GM in filing a consolidated U.S. federal income tax return. Current and deferred income taxes are computed by Hughes Electronics and allocated to Delco according to principles established by Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Deferred income tax assets and liabilities reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes, as measured by applying currently enacted tax laws. Provision has also been made for U.S. federal income tax to be paid on that portion of the undistributed earnings of the foreign subsidiaries that has not been deemed permanently reinvested.

Foreign Currency

Most of Delco's foreign operations have determined the local currency to be their functional currency. Accordingly, most foreign entities translate assets and liabilities from their local currencies to U.S. dollars using year-end exchange rates. Income and expense accounts are translated at the average rates in effect during the year. Net foreign currency transaction gains (losses) included in the Combined Statement of Income amounted to \$1.8 million in 1996, (\$2.8) million in 1995 and (\$0.6) million in 1994.

Market Concentrations and Labor Force

Sales to GM and affiliates, consisting of various automotive electronic component parts, comprised approximately 89.7% of total sales in 1996, 89.9% in 1995 and 88.4% in 1994.

Delco, on a world-wide basis, has a concentration of labor supply in employees working under collective bargaining agreements, which represent approximately 88% of its hourly work force.

New Accounting Standards and Accounting Changes

In June 1997, the Financial Accounting Standards Board issued SFAS Nos. 130 and 131. SFAS 130, "Reporting Comprehensive Income," establishes accounting standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. This statement requires that all items required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," establishes accounting standards for the way that public enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. Delco will adopt SFAS Nos. 130 and 131 on January 1, 1998, as required.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Effective January 1, 1996, Delco adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used, and for long-lived assets and certain identifiable intangibles to be disposed of. The adoption of this new accounting standard did not have a material effect on Delco's combined operating results or financial position.

Effective January 1, 1994, Delco adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." The Statement requires accrual of the costs of benefits provided to former or inactive employees after employment, but before retirement. The unfavorable cumulative effect of adopting this Standard was \$35.2 million, net of income taxes. The charge primarily related to extended disability benefits which are accrued on a service-driven basis.

NOTE 3: RELATED-PARTY TRANSACTIONS

In the ordinary course of its operations Delco sells its products to and purchases certain products and services from GM and affiliates. In addition, Delco receives allocations of corporate expenses and enters into other transactions with Hughes Electronics and GM and affiliates. The following summarizes Delco's significant transactions with such related parties.

Sales and Purchases

The amounts due from and to GM and affiliates result from sales of products to and purchases of materials, vehicles and services from units controlled by GM. Vehicles purchased from GM amounted to approximately \$87.6 million in 1996, \$80.8 million in 1995 and \$64.0 million in 1994. Other purchases from GM and affiliates, including computer systems services provided by Electronic Data Systems Corporation prior to its split-off from GM in May, 1996, amounted to approximately \$75.0 million in 1996, \$176.1 million in 1995 and \$167.4 million in 1994.

Allocations of Expenses

Allocations of corporate expenses from Hughes Electronics amounted to \$19.4 million in 1996, \$18.8 million in 1995 and \$12.8 million in 1994, and are included in Selling, general and administrative expenses in the Combined Statement of Income. Costs charged to Delco by GM for services provided were not material.

Notes Receivable and Interest Income

Notes receivable from Hughes Electronics bear interest at rates ranging from the London Interbank Offered Rate ("LIBOR") plus 0.15% to a rate of 9.5%. Delco recorded interest income related to the notes receivable from Hughes Electronics of \$137.2 million in 1996, \$125.0 million in 1995 and \$99.0 million in 1994.

DELCO

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Loan Payable

The loan payable to GM bears interest at a rate which approximates LIBOR plus 0.15% (5.8% at December 31, 1996) and matures December 31, 1997. Interest expense paid to GM amounted to \$1.6 million in 1996, \$3.2 million in 1995 and \$2.9 million in 1994.

NOTE 4: PROPERTY, NET

	ESTIMATED USEFUL LIVES (YEARS)	1996	1995
(DOLLARS IN MILLIONS)			
Land and improvements.....	--	\$ 33.4	\$ 29.8
Buildings and leasehold improvements.....	40	318.8	311.1
Machinery and equipment.....	5-15	1,556.0	1,507.8
Furniture, fixtures, and office machines.....	5-15	23.4	25.2
Construction in progress.....	--	131.5	152.6
Total.....		2,063.1	2,026.5
Less accumulated depreciation.....		1,084.7	1,011.1
Net real estate, plants, and equipment.....		978.4	1,015.4
Special tools--less amortization.....	1-3	87.7	68.0
Property, net.....		<u>\$1,066.1</u>	<u>\$1,083.4</u>

NOTE 5: OTHER ACCRUED LIABILITIES

	1996	1995
(DOLLARS IN MILLIONS)		
Payrolls and other compensation.....	\$139.7	\$ 99.9
Contract-related provisions.....	6.8	39.0
Other.....	57.8	70.2
Total.....	<u>\$204.3</u>	<u>\$209.1</u>

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 6: INCOME TAXES

The income tax provision consisted of the following:

	1996	1995	1994
	-----	-----	-----
	(DOLLARS IN MILLIONS)		
U.S. federal, state and foreign taxes currently payable.....	\$343.1	\$438.1	\$446.4
U.S. federal, state and foreign deferred tax liabilities (assets)--net.....	(17.3)	(26.8)	(81.7)
Total income tax provision.....	\$325.8	\$411.3	\$364.7*
	=====	=====	=====

*Excluding effect of accounting change.

Income before income taxes included the following components:

	1996	1995	1994
	-----	-----	-----
	(DOLLARS IN MILLIONS)		
U.S. income.....	\$767.7	\$ 992.5	\$892.6
Foreign income.....	92.9	91.3	67.1
Total.....	\$860.6	\$1,083.8	\$959.7
	=====	=====	=====

The combined income tax provision was different than the amount computed using the U.S. statutory income tax rate for the reasons set forth in the following table:

	1996	1995	1994
	-----	-----	-----
	(DOLLARS IN MILLIONS)		
Expected tax at U.S. statutory income tax rate...	\$301.2	\$379.3	\$335.9
U.S. state and local income taxes.....	30.1	38.0	31.8
Foreign tax rate differential.....	(10.0)	(6.1)	(5.6)
Other.....	4.5	0.1	2.6
Combined income tax provision.....	\$325.8	\$411.3	\$364.7*
	=====	=====	=====

*Excluding effect of accounting change.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Temporary differences and carryforwards which gave rise to deferred tax assets and liabilities at December 31, 1996 and 1995 were as follows:

	1996		1995	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
	(DOLLARS IN MILLIONS)			
Postretirement benefits other than pensions.....	\$427.3	\$ --	\$376.2	\$ --
Accrued expenses.....	42.9	--	92.8	--
Employee benefits.....	9.0	13.4	9.0	6.9
Depreciation.....	--	99.5	--	94.5
Tax on unremitted earnings of foreign subsidiaries.....	--	93.4	--	82.8
Other.....	12.3	5.9	18.5	52.2
Subtotal.....	491.5	212.2	496.5	236.4
Valuation allowance.....	(1.9)	--	--	--
Total deferred taxes.....	\$489.6	\$212.2	\$496.5	\$236.4

Provision has been made for U.S. federal income taxes to be paid on that portion of the undistributed earnings of foreign subsidiaries that has not been deemed permanently reinvested. At December 31, 1996 and 1995, undistributed earnings of foreign subsidiaries amounted to approximately \$407.2 million and \$346.9 million, respectively. Repatriation of all accumulated foreign earnings would have resulted in tax liabilities of \$108.3 million and \$97.2 million, respectively, for which Delco has provided deferred tax liabilities of \$93.4 million and \$82.8 million, respectively.

At December 31, 1996, Delco had \$5.7 million of foreign operating loss carryforwards which expire in 2001. The valuation allowance includes a provision for all of the foreign operating loss carryforwards.

NOTE 7: RETIREMENT AND INCENTIVE PLANS

Substantially all the U.S. employees of Delco participate in the defined benefit and defined contribution pension plans of GM. Plans covering represented U.S. employees generally provide benefits of stated amounts for each year of service, as well as significant supplemental benefits for U.S. employees who retire with 30 years of service before normal retirement age. The benefits provided by the plans covering U.S. salaried employees are generally based on years of service and the employee's salary history. Certain nonqualified pension plans covering U.S. executives are based on targeted wage replacement percentages and are unfunded. The accumulated plan benefit obligation and plan net assets for the employees of Delco are not determined separately; however, GM charged Delco \$53.1 million in 1996, \$50.9 million in 1995 and \$93.3 million in 1994, for benefits earned by these U.S. employees in those years. Various foreign employees are covered under other pension plans, which are not material to Delco.

Certain eligible employees of Delco participate in the Hughes Electronics Corporation Incentive Plan pursuant to which shares, rights, or options to acquire GM Class H Common Stock may be granted through May 31, 1997. The option price is equal to 100% of the fair market value of GM Class H Common Stock on the date the options are granted. These non-qualified options generally expire 10 years from the dates of grant and are subject to earlier termination under certain conditions.

NOTE 8: OTHER POSTRETIREMENT BENEFITS

Substantially all of the U.S. employees of Delco participate in various postretirement medical, dental, vision and life insurance plans of GM. SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," requires that the cost of such benefits be recognized in the combined financial statements during the period U.S. employees provide service to Delco.

DELCO

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

The components of non-pension postretirement benefit cost are set forth below:

	1996	1995	1994
	(DOLLARS IN MILLIONS)		
Benefits earned during the year.....	\$ 24.2	\$22.2	\$ 34.8
Interest accrued on benefits earned in prior years..	83.2	82.9	88.5
Net amortization.....	(1.8)	(5.3)	10.3
Total non-pension postretirement benefit cost.....	\$105.6	\$99.8	\$133.6

The following table displays the components of Delco's net postretirement benefit obligation as recognized in the Combined Balance Sheet at December 31, 1996 and 1995:

	1996	1995
	(DOLLARS IN MILLIONS)	
Accumulated postretirement benefit obligation attributable to		
Current Retirees.....	\$ 549.0	\$ 528.1
Fully eligible active plan participants.....	194.9	162.7
Other active plan participants.....	388.5	383.2
Accumulated postretirement benefit obligation.....	1,132.4	1,074.0
Unrecognized net amount resulting from changes in plan experience and actuarial assumptions.....	(80.0)	(83.1)
Net postretirement benefit obligation.....	1,052.4	990.9
Less current portion.....	33.4	33.4
Net long-term postretirement benefit obligation....	\$1,019.0	\$ 957.5

The following table summarizes the principal assumptions used in determining the actuarial value of the accumulated postretirement benefit obligation:

	1996	1995	1994
Weighted average discount rate.....	7.8%	7.5%	8.8%
Weighted average discount rate of increase in future compensation levels related to pay-related life insurance.....	4.4%	4.3%	4.2%
Base weighted average health-care cost trend rate(1).....	6.5%	6.5%	8.7%
Ultimate sustained weighted average health-care cost trend rate in 2002(2).....	5.0%	5.0%	5.5%

- (1) Current year trend rate assumed at beginning of year is adjusted to actual in determining year-end obligations.
- (2) Rate remains at 6.5% through 1999, and then decreases on a linear basis through 2002, to the ultimate weighted average trend rate of 5.0%

A one percentage point increase in each future year of the weighted average health-care cost trend rate would increase the accumulated postretirement benefit obligation at December 31, 1996 by approximately \$114.0 million, and increase the service and interest cost components of the 1996 postretirement benefit expense by approximately \$12.8 million.

Delco has disclosed in the combined financial statements certain amounts associated with estimated future postretirement benefits other than pensions and characterized such amounts as "accumulated postretirement benefit obligations," "liabilities" or "obligations." Notwithstanding the recording of such amounts and the use of these terms, Delco does not admit or otherwise acknowledge that such amounts or existing postretirement benefit plans of Delco (other than pensions) represent legally enforceable liabilities of Delco.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 9: PROFIT SHARING PLANS

Most U.S. employees of Delco participate in profit sharing plans which provide a range of percentage payouts when Delco's U.S. income before income taxes exceeds certain minimum thresholds. Delco distributed profit sharing payouts of approximately \$14 million in 1996, \$19 million in 1995 and \$18 million in 1994.

NOTE 10: DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, Hughes Electronics enters into transactions utilizing financial instruments with off-balance sheet risk on behalf of Delco to reduce Delco's exposure to fluctuations in foreign exchange rates. The primary class of derivatives used by Delco is foreign exchange-forward contracts. These instruments involve, to varying degrees, elements of credit risk in the event a counterparty should default and market risk as the instruments are subject to rate and price fluctuations. Credit risk is managed through the periodic monitoring and approval of financially sound counterparties. Market risk is mitigated because the derivatives are used to hedge underlying transactions. Cash receipts or payments on these contracts normally occur at maturity. Hughes Electronics holds derivatives on behalf of Delco only for purposes other than trading.

Foreign exchange-forward contracts are legal agreements between two parties to purchase and sell a foreign currency, for a price specified at the contract date, with delivery and settlement in the future. Hughes Electronics uses these agreements on behalf of Delco to hedge risk of changes in foreign currency exchange rates associated with certain firm commitments denominated in foreign currency.

The total notional amount of foreign exchange-forward contracts entered into by Hughes on behalf of Delco at December 31, 1996 and 1995, was approximately \$28.9 million and \$8.6 million, respectively. Delco's open contracts extend for periods averaging six months.

NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments reflect the estimated amounts Delco would receive or pay to terminate the contracts at the reporting date, which takes into account the current unrealized gains or losses on open contracts that are deferred and recognized when the offsetting gains and losses are recognized on the relate hedged items. The fair value of foreign exchange-forward contracts is estimated based on foreign exchange rate quotes at the reporting date. At December 31, 1996 and 1995, the estimated fair value of open contracts held by Hughes Electronics on behalf of Delco which were in a net gain (loss) position, was \$1.9 million and \$(0.1) million, respectively. No amounts were recorded on the Combined Balance Sheet for these contracts in 1996 and 1995. The fair value of related party notes receivable from Hughes Electronics is not determinable due to the lack of a market for such instruments. For all financial instruments not described above, fair value approximates book value.

NOTE 12: COMMITMENTS AND CONTINGENT LIABILITIES

In July 1993, Delco entered into an agreement with Electronic Data Systems Corporation ("EDS") whereby EDS is the primary supplier of Delco's data processing services through December 31, 1998. Delco does not guarantee minimum service payments to EDS, however Delco must use EDS' services in accordance with GM's master service agreement with EDS.

In the normal course of business, Delco is subject to potential liability under product recalls announced by vehicle original equipment manufacturers, such as GM, as they relate to products manufactured and sold by Delco. Delco is also subject to potential liability under government regulations and various claims and legal actions which are pending or may be asserted against them. Some of the pending actions purport to be class actions. The aggregate ultimate liability of Delco under these potential recalls, government regulations, claims and actions was not determinable at December 31, 1996. In the opinion of management, such liability is not expected to have a material adverse effect on Delco's combined operations or financial position.

DELCO

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 13: SEGMENT REPORTING

Delco operates in one business segment: the design and manufacture of modern high-technology electronics for use in automobiles.

Geographic Segments

Delco has foreign operations in Europe, Asia Pacific, Mexico and South America, which are included in Other Geographic Areas below. Sales and revenues between geographic areas are made at negotiated selling prices.

	UNITED STATES	OTHER GEOGRAPHIC AREAS	ELIMINATIONS	COMBINED
1996				
(DOLLARS IN MILLIONS)				
Net Sales and Revenues				
Sales to GM and Affiliates.....	\$4,934.1	\$ 56.1	--	\$4,990.2
Sales to unaffiliated customers....	415.1	154.8	--	569.9
Other Income.....	184.8	17.6	--	202.4
Sales among geographic areas.....	81.9	654.1	\$(736.0)	--
Total.....	\$5,615.9	\$882.6	\$(736.0)	\$5,762.5
Income before cumulative effect of accounting change.....	\$ 438.8	\$ 96.0	--	\$ 534.8
Total Assets.....	\$5,046.8	\$549.4	\$(132.1)	\$5,464.1

	UNITED STATES	OTHER GEOGRAPHIC AREAS	ELIMINATIONS	COMBINED
1995				
(DOLLARS IN MILLIONS)				
Net Sales and Revenues				
Sales to GM and Affiliates.....	\$5,125.5	\$ 51.4	--	\$5,176.9
Sales to unaffiliated customers....	462.5	117.8	--	580.3
Other Income.....	182.5	13.1	--	195.6
Sales among geographic areas.....	88.5	651.5	\$(740.0)	--
Total.....	\$5,859.0	\$833.8	\$(740.0)	\$5,952.8
Income before cumulative effect of accounting change.....	\$ 576.4	\$ 96.1	--	\$ 672.5
Total Assets.....	\$4,717.7	\$567.7	\$(99.0)	\$5,186.4

	UNITED STATES	OTHER GEOGRAPHIC AREAS	ELIMINATIONS	COMBINED
1994				
(DOLLARS IN MILLIONS)				
Net Sales and Revenues				
Sales to GM and Affiliates.....	\$4,903.0	\$ 13.0	--	\$4,916.0
Sales to unaffiliated customers....	570.1	74.6	--	644.7
Other Income.....	140.9	9.7	--	150.6
Sales among geographic areas.....	90.9	623.2	\$(714.1)	--
Total.....	\$5,704.9	\$720.5	\$(714.1)	\$5,711.3
Income before cumulative effect of accounting change.....	\$ 536.9	\$ 58.1	--	\$ 595.0
Total Assets.....	\$4,533.2	\$445.0	\$(135.8)	\$4,842.4

DELCO

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONCLUDED)

Export sales from the U.S. were as follows:

	1996	1995	1994

	(DOLLARS IN MILLIONS)		
Asia Pacific.....	\$ 181.3	\$ 185.5	\$ 164.3
Europe.....	214.2	209.1	143.3
Other North America (Canada and Mexico).....	833.7	953.4	737.9
Other.....	42.3	40.8	27.9

Total.....	\$1,271.5	\$1,388.8	\$1,073.4
	=====	=====	=====

APPENDIX E
HUGHES TELECOM
COMBINED FINANCIAL STATEMENTS

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HUGHES TELECOM
 COMBINED STATEMENT OF INCOME AND
 PARENT COMPANY'S NET INVESTMENT
 (UNAUDITED)

	SIX MONTHS ENDED	
	JUNE 30,	
	1997	1996
	(DOLLARS IN MILLIONS)	
REVENUES		
Product sales.....	\$1,423.8	\$1,278.7
Direct broadcast, leasing and other services.....	811.4	552.7
Other income, net.....	477.8	104.5
Total Revenues.....	2,713.0	1,935.9
COSTS AND EXPENSES		
Cost of products sold.....	1,096.8	945.2
Broadcast programming and other costs.....	466.6	369.9
Selling, general, and administrative expenses.....	458.5	303.0
Depreciation and amortization.....	118.8	89.2
Amortization of GM purchase accounting adjustments related to Hughes Aircraft Company.....	10.6	10.6
Interest expense.....	43.5	21.6
Total Costs and Expenses.....	2,194.8	1,739.5
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS.....	518.2	196.4
Income taxes.....	213.3	84.7
Minority interests in losses of subsidiaries.....	21.9	15.4
NET INCOME.....	326.8	127.1
Parent Company's Net Investment, beginning of period.....	2,491.6	2,608.9
Net contributions from (distributions to) Parent Company..	792.5	(197.9)
PARENT COMPANY'S NET INVESTMENT, END OF PERIOD.....	\$3,610.9	\$2,538.1
	=====	=====

Reference should be made to the Notes to Combined Financial Statements.

HUGHES TELECOM
COMBINED BALANCE SHEET
(UNAUDITED)

	JUNE 30, 1997	DECEMBER 31, 1996
	-----	-----
	(DOLLARS IN MILLIONS)	
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 342.8	\$ 6.7
Accounts and notes receivable (less allowances).....	526.5	444.8
Contracts in process, less advances and progress payments of \$67.6 and \$54.2.....	450.4	402.5
Inventories.....	642.8	472.9
Deferred subscriber acquisition costs.....	99.7	97.5
Prepaid expenses and other, including deferred income taxes of \$39.6 and \$26.7.....	132.9	111.3
	-----	-----
Total Current Assets.....	2,195.1	1,535.7
	-----	-----
Satellites, net.....	2,220.4	1,056.6
	-----	-----
Property, net.....	776.5	701.1
	-----	-----
Net Investment in Sales-type Leases.....	310.3	320.6
	-----	-----
Intangible Assets, net of amortization of \$281.0 and \$262.5.....	2,824.9	478.6
	-----	-----
Investments and Other Assets--principally at cost (less allowances).....	849.9	386.6
	-----	-----
Total Assets.....	\$9,177.1	\$4,479.2
	=====	=====
LIABILITIES AND PARENT COMPANY'S NET INVESTMENT		
Current Liabilities		
Accounts payable.....	\$ 367.1	\$ 364.3
Advances on contracts.....	158.5	287.8
Deferred revenues.....	194.0	142.8
Accrued liabilities.....	581.7	486.8
	-----	-----
Total Current Liabilities.....	1,301.3	1,281.7
	-----	-----
Long-Term Debt.....	2,372.5	--
	-----	-----
Deferred Gains on Sales and Leasebacks.....	230.0	234.8
	-----	-----
Accrued Operating Leaseback Expense.....	87.3	107.8
	-----	-----
Other Liabilities and Deferred Credits.....	257.0	137.6
	-----	-----
Deferred Income Taxes.....	273.5	204.1
	-----	-----
Minority Interests.....	643.1	21.6
	-----	-----
Redeemable Preferred Stock of a Subsidiary.....	401.5	--
	-----	-----
Contingencies		
Parent Company's Net Investment.....	3,610.9	2,491.6
	-----	-----
Total Liabilities and Parent Company's Net Investment.....	\$9,177.1	\$4,479.2
	=====	=====

Reference should be made to the Notes to Combined Financial Statements.

HUGHES TELECOM

COMBINED STATEMENT OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	----- 1997	1996 -----
	(DOLLARS IN MILLIONS)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income.....	\$ 326.8	\$127.1
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization.....	118.8	89.2
Amortization of GM purchase accounting adjustments related to Hughes Aircraft Company.....	10.6	10.6
Net gain on sales of investments and businesses.....	(489.7)	(120.3)
Gross profit on sales-type leases.....	(33.6)	(47.9)
Deferred income taxes and other.....	20.9	14.2
Change in other operating assets and liabilities		
Accounts receivable.....	(70.8)	(52.0)
Contracts in process.....	(47.9)	(47.3)
Inventories.....	(169.9)	(77.0)
Deferred subscriber acquisition costs.....	(2.2)	--
Collections of principal on net investment in sales-type leases.....	11.5	18.5
Accounts payable.....	(131.7)	83.6
Advances on contracts.....	(139.9)	57.1
Deferred revenues.....	51.2	12.7
Accrued liabilities.....	103.7	15.4
Deferred gains on sales and leasebacks.....	(4.8)	(35.8)
Other.....	(82.3)	(29.4)
Net Cash (Used in) Provided by Operating Activities.....	(529.3)	18.7
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in companies, net of cash acquired.....	(1,466.2)	--
Expenditures for property.....	(90.6)	(133.2)
Increase in satellites.....	(130.4)	(92.9)
Proceeds from sale and leaseback of satellite transponders.....	--	252.0
Proceeds from disposal of property.....	1.0	13.8
Net Cash (Used in) Provided by Investing Activities.....	(1,686.2)	39.7
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in notes and loans payables.....	1,759.1	--
Proceeds from sale of minority interest in subsidiary.....	--	137.5
Contributions from (distributions to) Parent Company.....	792.5	(197.9)
Net Cash Provided by (Used in) Financing Activities.....	2,551.6	(60.4)
Net increase (decrease) in cash and cash equivalents.....	336.1	(2.0)
Cash and cash equivalents at beginning of the year.....	6.7	7.6
Cash and cash equivalents at end of the year.....	\$ 342.8	\$ 5.6
	=====	=====

Reference should be made to the Notes to Combined Financial Statements.

HUGHES TELECOM

NOTES TO COMBINED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1: BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

The accompanying unaudited combined financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting of only normal recurring items) which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the full year.

On January 16, 1997, Hughes Electronics Corporation ("Hughes Electronics"), General Motors Corporation ("GM"), the parent of Hughes Electronics, and Raytheon Company ("Raytheon") announced a series of planned transactions that would include:

- . The tax-free spin-off of 100% of the defense business of Hughes Electronics ("Hughes Defense") to holders of GM's \$1 2/3 par value and Class H Common Stocks followed immediately by the tax-free merger of that business with Raytheon, after which there would be outstanding two classes of Raytheon/Hughes Defense common stock;
- . The transfer of Delco Electronics Corporation and Related Entities ("Delco"), from Hughes Electronics to GM and a reallocation of the derivative interest in the earnings of Delco currently held by GM Class H common stockholders to holders of GM \$1 2/3 par value common stock; and
- . The recapitalization of GM Class H Common Stock into a GM tracking stock linked to the Telecommunications and Space business of Hughes ("Hughes Telecom"). GM would continue to own 100% of Hughes Telecom.

On July 14, 1997, GM received a ruling from the Internal Revenue Service that its contemplated spin-off of Hughes Defense would be tax-free to GM and its stockholders. The planned transactions must be approved by holders of GM \$1 2/3 par value and Class H common stocks, among a number of other conditions. In addition, the merger of Hughes Defense and Raytheon is subject to antitrust clearance and approval by Raytheon stockholders. No assurance can be given that the above transactions will be completed. GM expects to solicit stockholders' approval of the planned transactions during the fourth quarter of 1997, after certain conditions are satisfied.

Hughes Telecom is not a legal entity. The combined financial statements present the financial position, results of operations and cash flows of Hughes Telecom, which consists primarily of the operations included in the Telecommunications and Space segment of Hughes Electronics, certain other Hughes Electronics businesses and certain Hughes Electronics Corporate assets, liabilities, income and expenses attributable to Hughes Telecom. All transactions and balances between the entities included in the combined financial statements have been eliminated. All Hughes Telecom amounts due from or payable to other Hughes Electronics businesses have been reported in Parent Company's Net Investment.

The combined financial statements include allocations of corporate expenses from Hughes Electronics including research and development, general management, human resources, financial, legal, tax, quality, communications, marketing, international, employee benefits and other miscellaneous services. These costs and expenses have been charged to Hughes Telecom based either on usage or using allocation methodologies primarily based upon total revenues, certain tangible assets and payroll expenses. Management believes the allocations were made on a reasonable basis.

HUGHES TELECOM

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

(UNAUDITED)

NOTE 2: INVENTORIES

Inventories are stated at the lower of cost or market principally using the average cost method.

Major Classes of Inventories

	JUNE 30, 1997	DECEMBER 31, 1996

	(DOLLARS IN MILLIONS)	
Productive material and supplies.....	\$128.4	\$106.4
Work in process.....	387.4	271.6
Finished goods.....	127.0	94.9
	-----	-----
Total.....	<u>\$642.8</u>	<u>\$472.9</u>
	=====	=====

NOTE 3: OTHER INCOME, NET

Other income, net for the six months ended June 30, 1997 includes a \$489.7 million pre-tax gain recognized in connection with the PanAmSat Merger. The six month period ended June 30, 1996 amount includes a \$120.3 million pre-tax gain from the sale of a 2.5% equity interest in DIRECTV(R) to AT&T.

NOTE 4: CONTINGENCIES

Hughes Telecom has an agreement with a finance company under which the finance company agreed to provide an open-end revolving credit program for consumer purchases of DSS equipment, installations and ancillary items at selected retail establishments. Funding under this program was discontinued effective September 10, 1996. The aggregate outstanding balances under this agreement at June 30, 1997 totaled \$181.9 million. Hughes Telecom has certain rights regarding the administration of the program and the losses from qualifying accounts under this program accrue to Hughes Telecom, subject to certain indemnity obligations of the finance company. Hughes Telecom has established allowances to provide for expected losses under the program. The allowances are subject to periodic review as management collects additional information about the performance of the consumer loan portfolios.

In conjunction with its performance on long-term contracts, Hughes Telecom is contingently liable under standby letters of credit and bonds in the amount of \$135.0 million at June 30, 1997. In Hughes Telecom's past experience, no material claims have been made against these financial instruments. In addition, Hughes Telecom has guaranteed up to \$150.0 million of certain American Mobile Satellite Corporation ("AMSC") bank debt due June, 2001. Hughes Telecom owns approximately 27% of the common stock of AMSC. Hughes Telecom has also guaranteed up to \$172.1 million of a Surfin Ltd. revolving credit facility which expires July, 1999. Hughes Telecom owns approximately 39% of Surfin Ltd.

Hughes Telecom is subject to potential liability under government regulations and various claims and legal actions which are pending or may be asserted against it. The aggregate ultimate liability of Hughes Telecom under these government regulations, and under these claims and actions, was not determinable at December 31, 1996. In the opinion of Hughes Electronics and Hughes Telecom management, such liability is not expected to have a material adverse effect on the Hughes Telecom's combined operations or financial position.

Hughes Telecom has maintained a suit against the U.S. Government since September 1973, regarding the government's infringement and use of a Hughes Telecom patent (the "Williams Patent") covering "Velocity

HUGHES TELECOM

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONCLUDED)

(UNAUDITED)

Control and Orientation of a Spin Stabilized Body," principally satellites. On June 17, 1994, the U.S. Court of Claims awarded Hughes Telecom damages of \$114.0 million. Because Hughes Telecom believed that the record supported a higher royalty rate, it appealed that decision. The U.S. government, contending that the award was too high, also appealed. On June 19, 1996, the Court of Appeals for the Federal Circuit ("CAFC") affirmed the decision of the Court of Claims which awarded Hughes Telecom \$114.0 million in damages, together with interest. The U.S. government petitioned the CAFC for a rehearing. That petition was denied in October 1996. The U.S. government then filed a petition with the U.S. Supreme Court seeking certiorari. On April 21, 1997 the U.S. Supreme Court, citing a recent decision it had rendered in Warner-Jenkinson v. Hilton Davis, remanded Hughes Telecom's suit over the Williams Patent back to the CAFC in order to have the CAFC determine whether the ruling in the Williams Patent matter was consistent with the U.S. Supreme Court's decision in the Warner-Jenkinson case. The previous liability decision of the Court of Claims in the Williams Patent matter, and its \$114.0 million damage award to Hughes Telecom currently remain in effect pending reconsideration of the case by the CAFC. Hughes Telecom is unable to estimate the duration of this reconsideration process. While no amount has been recorded in the financial statements of Hughes Telecom to reflect the \$114.0 million award, a resolution of this matter could result in a gain that would be material to the earnings of GM attributable to Class H Common Stock.

INDEPENDENT AUDITORS' REPORT

Hughes Electronics Corporation:

We have audited the Combined Balance Sheet of the Telecommunications and Space Business of Hughes Electronics Corporation and subsidiaries ("Hughes Telecom") as of December 31, 1996 and 1995 and the related Combined Statements of Income and Parent Company's Net Investment and of Cash Flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of Hughes Telecom's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Hughes Telecom at December 31, 1996 and 1995 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the combined financial statements, effective January 1, 1994 Hughes Telecom changed its method of accounting for postemployment benefits.

/s/ Deloitte & Touche LLP

Los Angeles, California
October 3, 1997

HUGHES TELECOM

COMBINED STATEMENT OF INCOME AND
PARENT COMPANY'S NET INVESTMENT

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	YEARS ENDED DECEMBER 31,		
	1996	1995	1994
	(DOLLARS IN MILLIONS)		
REVENUES			
Product sales.....	\$3,070.6	\$2,650.4	\$2,386.1
Direct broadcast, leasing and other services...	1,029.0	592.6	387.4
Other income (expense), net.....	74.9	(32.4)	(10.0)
Total Revenues.....	4,174.5	3,210.6	2,763.5
COSTS AND EXPENSES			
Cost of products sold.....	2,241.3	2,084.5	1,939.0
Broadcast programming and other costs.....	653.8	350.0	167.4
Selling, general and administrative expenses...	805.1	510.6	374.1
Depreciation and amortization.....	197.5	182.0	141.8
Amortization and adjustment of GM purchase accounting adjustments related to Hughes Aircraft Company.....	21.0	27.2	21.2
Interest expense.....	45.9	65.1	55.9
Total Costs and Expenses.....	3,964.6	3,219.4	2,699.4
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS.....			
Income tax provision (benefit).....	100.0	(10.4)	20.6
Minority interests in net losses of subsidiaries.	52.6	4.6	--
Income before cumulative effect of accounting change.....	162.5	6.2	43.5
Cumulative effect of accounting change.....	--	--	2.3
NET INCOME.....	162.5	6.2	41.2
Parent Company's Net Investment, beginning of period.....			
Net (distributions to) contributions from Parent Company.....	(279.8)	301.7	286.5
PARENT COMPANY'S NET INVESTMENT, END OF PERIOD...	\$2,491.6	\$2,608.9	\$2,301.0

Reference should be made to the Notes to Combined Financial Statements.

HUGHES TELECOM
 COMBINED BALANCE SHEET
 DECEMBER 31, 1996 AND 1995

	DECEMBER 31,	
	1996	1995
	(DOLLARS IN MILLIONS)	
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 6.7	\$ 7.6
Accounts and notes receivable (less allowances).....	444.8	327.6
Contracts in process, less advances and progress payments of \$54.2 and \$68.0.....	402.5	456.9
Inventories.....	472.9	376.4
Deferred subscriber acquisition costs.....	97.5	--
Prepaid expenses and other, including deferred income taxes of \$26.7 and \$16.3.....	111.3	74.4
Total Current Assets.....	1,535.7	1,242.9
Satellites, net.....	1,056.6	1,096.0
Property, net.....	701.1	561.2
Net Investment in Sales-type Leases.....	320.6	264.7
Intangible Assets, net of amortization of \$262.5 and \$241.2..	478.6	499.9
Investments and Other Assets--principally at cost (less allowances).....	386.6	383.0
Total Assets.....	\$4,479.2	\$4,047.7
LIABILITIES AND PARENT COMPANY'S NET INVESTMENT		
Current Liabilities		
Accounts payable.....	\$ 364.3	\$ 249.7
Advances on contracts.....	287.8	190.2
Deferred revenues.....	142.8	29.1
Accrued liabilities.....	486.8	489.2
Total Current Liabilities.....	1,281.7	958.2
Deferred Gains on Sales and Leasebacks.....	234.8	183.2
Accrued Operating Leaseback Expense.....	107.8	69.1
Other Liabilities and Deferred Credits.....	137.6	62.7
Deferred Income Taxes.....	204.1	125.4
Minority Interests.....	21.6	40.2
Commitments and Contingencies		
Parent Company's Net Investment.....	2,491.6	2,608.9
Total Liabilities and Parent Company's Net Investment....	\$4,479.2	\$4,047.7

Reference should be made to the Notes to Combined Financial Statements.

HUGHES TELECOM

COMBINED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

	YEARS ENDED DECEMBER		
	31,		
	1996	1995	1994
	(DOLLARS IN MILLIONS)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income.....	\$ 162.5	\$ 6.2	\$ 41.2
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization.....	197.5	182.0	141.8
Amortization of GM purchase accounting adjustments related to Hughes Aircraft Company..	21.0	27.2	21.2
Net (gain) loss on investments and businesses sold and held for sale.....	(120.3)	49.0	35.0
Gross profit on sales-type leases.....	(51.8)	(62.9)	(56.1)
Deferred income taxes and other.....	91.9	(76.9)	(22.5)
Change in other operating assets and liabilities			
Accounts receivable.....	(117.2)	(114.8)	(26.4)
Contracts in process.....	54.4	175.6	(90.4)
Inventories.....	(96.5)	(113.2)	69.4
Deferred subscriber acquisition costs.....	(97.5)	--	--
Collections of principal on net investment in sales-type leases.....	31.2	19.6	10.6
Accounts payable.....	114.6	2.8	111.9
Advances on contracts.....	97.6	8.6	(58.3)
Accrued liabilities.....	(7.9)	132.4	95.0
Deferred revenues.....	113.7	22.5	6.6
Deferred gains on sales and leasebacks.....	(57.2)	(27.1)	(27.1)
Other.....	(5.7)	(154.7)	(50.5)
Net Cash Provided by Operating Activities.....	330.3	76.3	201.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property.....	(263.5)	(171.9)	(144.6)
Increase in satellites.....	(191.6)	(223.7)	(349.9)
Proceeds from sale and leaseback of satellite transponders.....	252.0	--	--
Proceeds from disposal of property.....	14.2	1.9	2.2
Proceeds from sales of investments and businesses..	--	17.5	--
Net Cash Used in Investing Activities.....	(188.9)	(376.2)	(492.3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of minority interest in subsidiary.....	137.5	--	--
(Distributions to) contributions from Parent Company.....	(279.8)	301.7	286.5
Net Cash (Used in) Provided by Financing Activities.....	(142.3)	301.7	286.5
Net (decrease) increase in cash and cash equivalents.	(0.9)	1.8	(4.4)
Cash and cash equivalents at beginning of the year...	7.6	5.8	10.2
Cash and cash equivalents at end of the year.....	\$ 6.7	\$ 7.6	\$ 5.8

Reference should be made to the Notes to Combined Financial Statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

On January 16, 1997, Hughes Electronics Corporation ("Hughes Electronics"), General Motors Corporation ("GM"), the parent of Hughes Electronics and Raytheon Company ("Raytheon"), announced a series of planned transactions that would include:

- . The tax-free spin-off of 100% of the defense business of Hughes Electronics ("Hughes Defense") to holders of GM's \$1 2/3 par value and Class H Common Stocks followed immediately by the tax-free merger of that business with Raytheon, after which there would be outstanding two classes of Raytheon/Hughes Defense common stock;
- . The transfer of Delco Electronics Corporation and Related Entities ("Delco"), from Hughes Electronics to GM and a reallocation of the derivative interest in the earnings of Delco currently held by GM Class H common stockholders to holders of GM \$1 2/3 par value Common Stock; and
- . The recapitalization of GM Class H Common Stock into a GM tracking stock linked to the telecommunications and space business of Hughes ("Hughes Telecom"). GM would continue to own 100% of Hughes Telecom.

The planned transactions are subject to approval by holders of GM \$1 2/3 par value and Class H Common Stocks. In addition, the merger of Hughes Defense and Raytheon, which is contingent upon the spin-off of Hughes Defense, is subject to approval by the stockholders of Raytheon. The planned transactions also are subject to a variety of regulatory approvals.

Hughes Telecom is not a legal entity. The combined financial statements present the financial position, results of operations and cash flows of Hughes Telecom, which consists primarily of the operations included in the Telecommunications and Space segment of Hughes Electronics, certain other Hughes Electronics businesses and certain Hughes Electronics Corporate assets, liabilities, income and expenses attributable to Hughes Telecom. All transactions and balances between the entities included in the combined financial statements have been eliminated. All Hughes Telecom amounts due from or payable to other Hughes Electronics businesses have been reported in Parent Company's Net Investment.

The combined financial statements include allocations of corporate expenses from Hughes Electronics including research and development, general management, human resources, financial, legal, tax, quality, communications, marketing, international, employee benefits and other miscellaneous services. These costs and expenses have been charged to Hughes Telecom based either on usage or using allocation methodologies primarily based upon total revenues, certain tangible assets and payroll expenses. Management believes the allocations were made on a reasonable basis.

Hughes Telecom participates in a centralized cash management system wherein cash receipts are transferred to and cash disbursements are funded by Hughes Electronics daily. Accordingly, the Combined Balance Sheet includes only cash and cash equivalents held by Hughes Telecom, consisting principally of cash held at operating subsidiaries. Interest expense in the Combined Statement of Income and Parent Company's Net Investment includes an allocated share of total Hughes Electronics interest expense.

Hughes Telecom is a leading manufacturer of communications satellites and provider of satellite-based services. It owns and operates one of the world's largest private fleets of geostationary communications satellites and is the world's leading supplier of satellite-based private business networks. Hughes Telecom also provides a broad range of satellite-related services and is a leader in the U.S. direct broadcast satellite market with its programming distribution service known as DIRECTV, which was introduced in the U.S. in 1994 and was the first high-powered, all digital, Direct-to-Home ("DTH") television distribution service in North America. It also provides communications equipment and services in the mobile communications and packet switching markets.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Its equipment and services are applied in, among other things, data, video and audio transmission, cable and network television distribution, private business networks, digital cellular communications and DTH satellite broadcast distribution of television programming.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates.

Revenue Recognition

Revenues are generated from sales of satellites and telecommunications equipment under long-term contracts, DTH broadcast subscriptions and outright sales, sales-type leases and operating lease contracts with customers to provide satellite transponders, transponder capacity and related services.

Sales under long-term contracts are recognized primarily using the percentage-of-completion (cost-to-cost) method of accounting. Under this method, sales are recorded equivalent to costs incurred plus a portion of the profit expected to be realized, determined based on the ratio of costs incurred to estimated total costs at completion. Profits expected to be realized on long-term contracts are based on estimates of total sales value and costs at completion. These estimates are reviewed and revised periodically throughout the lives of the contracts, and adjustments to profits resulting from such revisions are recorded in the accounting period in which the revisions are made. Estimated losses on contracts are recorded in the period in which they are identified.

Certain contracts contain cost or performance incentives which provide for increases in profits for surpassing stated objectives and decreases in profits for failure to achieve such objectives. Amounts associated with incentives are included in estimates of total sales values when there is sufficient information to relate actual performance to the objectives.

Sales which are not pursuant to long-term contracts are generally recognized as products are shipped or services are rendered. DTH subscription revenues are recognized when programming is viewed by subscribers. Programming billed in advance of viewing is recorded as deferred revenues in the Combined Balance Sheet.

Lease contracts qualifying for capital lease treatment (typically based on the term of the lease) are accounted for as sales-type leases. For sales-type lease transactions related to completed satellite transponders, at the time a customer enters into a sales-type lease, revenues are recognized at the net present value of the future minimum lease payments. The cost basis of the transponder is removed and charged to cost of sales. During the term of the lease, that portion of each periodic lease payment deemed to be attributable to interest income is recognized as income in each respective period. The balance of each periodic lease payment represents principal repayment and is recognized as a reduction of net investment in sales-type leases. Interest income from sales-type leases of \$41.0 million, \$26.9 million and \$14.3 million is included in product sales for the years ended December 31, 1996, 1995 and 1994. Contracts for sales of transponders typically include telemetry, tracking and control ("TT&C") service agreements. Revenues related to TT&C service agreements are recognized as the services are performed.

Transponder and other lease contracts that do not qualify as sales-type leases are accounted for as operating leases. Operating lease revenues are recognized on a straight-line basis over each respective lease term. Differences between operating lease payments received and revenues recognized are deferred and included in accounts receivable.

HUGHES TELECOM

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Hughes Telecom has entered into agreements for the sale and leaseback of certain of its satellite transponders. Gains resulting from such transactions are deferred and amortized over the leaseback period. The leaseback transactions have been classified as operating leases and, therefore, the cost and associated depreciation related to satellite transponders sold are not included in the accompanying combined financial statements. Leaseback expense is recorded using the straight-line method over the term of the lease, net of amortization of the deferred gains. Differences between operating leaseback payments made and expense recognized are deferred and included in accrued operating leaseback expense.

Cash Flows

Cash equivalents consist of highly liquid investments purchased with original maturities of 90 days or less.

Net cash provided by operating activities reflects cash payments for interest made by Hughes Telecom and by Hughes Electronics on behalf of Hughes Telecom of \$58.8 million, \$79.7 million and \$69.9 million in 1996, 1995 and 1994, respectively. Cash payments for income taxes made by Hughes Electronics on behalf of Hughes Telecom amounted to \$31.7 million, \$118.7 million and \$86.8 million in 1996, 1995 and 1994, respectively.

Contracts in Process

Contracts in process are stated at costs incurred plus estimated profit, less amounts billed to customers and advances and progress payments applied. Engineering, tooling, manufacturing, and applicable overhead costs, including administrative, research and development and selling expenses, are charged to costs and expenses when incurred. Contracts in process include amounts relating to contracts with long production cycles, and \$138.0 million of the 1996 amount is expected to be billed after one year. Amounts billed under retainage provisions of contracts are not significant, and substantially all amounts are collectible within one year. Under certain contracts with the U.S. government, progress payments are received based on costs incurred on the respective contracts. Title to the inventories related to such contracts (included in contracts in process) vests with the U.S. government.

Inventories

Inventories are stated at the lower of cost or market principally using the average cost method.

Major Classes of Inventories

	1996	1995

	(DOLLARS IN MILLIONS)	
Productive material and supplies.....	\$106.4	\$ 95.5
Work in process.....	271.6	178.6
Finished goods.....	94.9	102.3

Total.....	\$472.9	\$376.4
	=====	

Deferred Subscriber Acquisition Costs

During 1996, Hughes Telecom introduced certain rebate programs which reduced the net retail price of Digital Satellite System ("DSS(R)") equipment when consumers subscribed to and prepaid for DIRECTV programming services for a minimum of one year. The rebate costs, net of accumulated amortization, which totaled \$97.5 million at December 31, 1996, have been recorded as deferred subscriber acquisition costs and are being amortized over the one-year subscription commitment period.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Property, Satellites and Depreciation

Property and Satellites are carried at cost. Satellite costs include construction costs, launch costs, launch insurance, and capitalized interest. Depreciation is computed generally using the straight line method over the estimated useful lives of the assets. Recoverability of these assets is periodically evaluated by assessing whether the net book value can be recovered over its remaining life through undiscounted cash flows generated by the asset.

Intangible Assets

Effective December 31, 1985, GM acquired Hughes Aircraft Company ("HAC"), now a wholly owned subsidiary of Hughes Electronics including certain of the operations of Hughes Telecom. The acquisition of HAC was accounted for as a purchase. The excess of the purchase price over the net tangible assets acquired, \$4,244.7 million, was assigned to intangible assets, primarily goodwill. The portion of such intangible assets and related amortization attributable to Hughes Telecom has been reflected in the accompanying combined financial statements.

Intangible assets are amortized using the straight-line method over periods not exceeding 40 years. Recoverability is periodically evaluated by assessing whether the unamortized carrying amount can be recovered over its remaining life through undiscounted cash flows generated by underlying tangible assets.

Software Development Costs

Other assets includes certain software development costs capitalized in accordance with Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed." Capitalized software development costs were \$87.0 million and \$68.3 million at December 31, 1996 and 1995, respectively, net of accumulated amortization of \$86.1 million and \$74.6 million, respectively.

Income Taxes

Hughes Telecom, along with other Hughes Electronics businesses and subsidiaries, joins with GM in filing a consolidated U.S. federal income tax return. Current and deferred income taxes are computed by Hughes and allocated to Hughes Telecom according to principles established by SFAS No. 109, "Accounting for Income Taxes." Deferred income tax assets and liabilities reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes, as measured by applying currently enacted tax laws. Hughes Electronics has paid Hughes Telecom's share of the consolidated income tax liability. The income taxes that would have been paid by Hughes Telecom if it were a separate taxpayer but which were not paid under Hughes Electronics' policy results in an increase in the Parent Company's Net Investment.

Research and Development

Expenditures for research and development are charged to costs and expenses as incurred and amounted to \$99.3 million in 1996, \$83.2 million in 1995 and \$89.6 million in 1994.

Foreign Currency

Substantially all of Hughes Telecom's foreign operations have determined the local currency to be their functional currency. Accordingly, most foreign entities translate assets and liabilities from their local currencies to U.S. dollars using year-end exchange rates. Income and expense accounts are translated at the average rates in effect during the year. Foreign currency transaction net gains and losses included in the combined operating results were not material in all years presented.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Financial Instruments

Hughes Electronics enters into foreign exchange-forward contracts on behalf of Hughes Telecom to reduce Hughes Telecom's exposure to fluctuations in foreign currency exchange rates. Such foreign exchange-forward contracts are accounted for in the accompanying combined financial statements as hedges to the extent they are designated as, and are effective as, hedges of firm foreign currency commitments.

Market Concentrations

Sales under U.S. Government contracts were 22.0%, 28.7% and 30.3% of net sales in 1996, 1995 and 1994, respectively. Hughes Telecom sells services and extends credit to a large number of customers in the commercial satellite communications market and to a large number of residential consumers. Management monitors its exposure to credit losses and maintains allowances for anticipated losses.

New Accounting Standards and Accounting Changes

In June 1997, the Financial Accounting Standards Board issued SFAS Nos. 130 and 131. SFAS 130, "Reporting Comprehensive Income," establishes accounting standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. This statement requires that all items required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," establishes accounting standards for the way public enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. Hughes Telecom will adopt SFAS Nos. 130 and 131 on January 1, 1998, as required.

Effective January 1, 1996, Hughes Telecom adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used, and for long-lived assets and certain identifiable intangibles to be disposed of. The adoption of this new accounting standard did not have a material effect on Hughes Telecom's combined operating results or financial position.

Effective January 1, 1994, Hughes Telecom adopted SFAS 112, "Employers' Accounting for Postemployment Benefits." This Statement requires accrual of the costs of benefits provided to former or inactive employees after employment, but before retirement. The adoption of this new accounting standard reduced net income in 1994 by \$2.3 million.

NOTE 3: RELATED-PARTY TRANSACTIONS

In the ordinary course of its operations, Hughes Telecom provides telecommunications services and sells electronic components to, and purchases sub-components from, related parties. In addition, Hughes Telecom receives allocations of corporate expenses and interest costs from Hughes Electronics and GM.

HUGHES TELECOM

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

The following table summarizes the significant related party transactions between Hughes Telecom and other GM and Hughes Electronics entities:

	1996	1995	1994
	(DOLLARS IN MILLIONS)		
Revenues.....	\$ 57.3	\$ 59.2	\$ 52.9
Costs and expenses			
Purchases.....	241.5	144.0	113.5
Allocation of corporate expenses.....	77.4	62.3	72.6
Allocated interest.....	56.0	78.7	68.0

Interest was allocated to Hughes Telecom based on Hughes Telecom's average adjusted net operating assets for the years ended 1996, 1995 and 1994. Hughes Telecom capitalized interest of \$12.9 million, \$14.6 million and \$14.0 million for 1996, 1995 and 1994, respectively, as part of the cost of its satellites under construction.

NOTE 4: OTHER INCOME (EXPENSE)

In March 1996, Hughes Telecom sold a 2.5% equity interest in DIRECTV, a wholly owned operation of Hughes Telecom, to AT&T for \$137.5 million, with options to increase their ownership under certain conditions. The sale resulted in a \$120.3 million pre-tax gain which is included in other income.

During 1995, Hughes Telecom recorded a \$46.0 million pre-tax charge for the estimated loss on disposition of a business unit (including \$6.0 million related to the write-off of GM purchase accounting adjustments) and completed the divestiture of Hughes LAN Systems, for which a pre-tax charge of \$35.0 million was taken in 1994.

NOTE 5: PROPERTY AND SATELLITES, NET

	ESTIMATED USEFUL LIVES (YEARS)	1996	1995
		(DOLLARS IN MILLIONS)	
Land and improvements.....	10-20	\$ 47.5	\$ 48.4
Buildings and unamortized leasehold improvements.....	30-45	272.4	227.8
Machinery and equipment.....	3-10	879.0	655.3
Furniture, fixtures and office machines...	5-8	67.6	48.1
Construction in progress.....	--	107.2	203.0
Total.....		1,373.7	1,182.6
Less accumulated depreciation.....		672.6	621.4
Property, net.....		\$ 701.1	\$ 561.2
Satellites.....	9-15	\$1,400.1	\$1,353.0
Less accumulated depreciation.....	--	343.5	257.0
Total.....		\$1,056.6	\$1,096.0

NOTE 6: LEASING ACTIVITIES

Future minimum lease payments due from customers under noncancellable satellite transponder operating leases, exclusive of amounts due from sublessees reported below are \$159.1 million in 1997, \$124.4 million in 1998, \$91.8 million in 1999, \$83.0 million in 2000, \$68.9 million in 2001 and \$169.5 million thereafter.

HUGHES TELECOM

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

The components of the net investment in sales-type leases are as follows:

	1996	1995

	(DOLLARS IN MILLIONS)	
Total minimum lease payments.....	\$696.7	\$533.0
Allowance for doubtful accounts.....	(18.0)	(16.7)
Less unearned interest income.....	(337.5)	(232.8)

Total net investment in sales-type leases.....	341.2	283.5
Less current portion.....	(20.6)	(18.8)

Total.....	\$320.6	\$264.7
	=====	=====

Future minimum payments due from customers under sales-type leases as of December 31, 1996 are \$62.3 million in 1997, \$68.6 million in 1998, \$74.0 million in 1999, \$74.2 million in 2000, \$74.2 million in 2001 and \$343.4 million thereafter.

In February 1996, Hughes Telecom entered into a sale and leaseback of certain satellite transponders on Galaxy III-R with General Motors Acceptance Corporation ("GMAC"), a subsidiary of GM. Proceeds from the sale were \$252.0 million, and the sale resulted in a gain of \$108.8 million, which was deferred and is being amortized over the seven-year leaseback period. In 1991 and 1992, Hughes Telecom entered into agreements for the sale and leaseback of certain transponders on SBS-6 and Galaxy VII, respectively, resulting in deferred gains of \$96.1 million in 1991 and \$180.0 million in 1992, which are being amortized over their respective leaseback periods. The transponder leaseback terms include early buyout options of \$151.7 million in 1998 and \$366.2 million in 1999. As of December 31, 1996, the future minimum leaseback amounts payable to lessors under the operating leasebacks and the future minimum sublease amounts due from sublessees under noncancelable subleases are as follows:

	MINIMUM LEASEBACK PAYMENTS	SUBLEASE AMOUNTS DUE

	(DOLLARS IN MILLIONS)	
1997.....	\$110.4	\$ 68.9
1998.....	107.3	56.4
1999.....	133.3	40.4
2000.....	164.7	40.5
2001.....	90.9	40.2
Thereafter.....	366.6	149.4

Total.....	\$973.2	\$395.8
	=====	=====

NOTE 7: ACCRUED LIABILITIES

	1996	1995

	(DOLLARS IN MILLIONS)	
Payrolls and other compensation.....	\$117.9	\$105.6
Contract-related provisions.....	209.7	269.0
Reserve for consumer finance and rebate programs.....	120.5	--
Other.....	38.7	114.6

Total.....	\$486.8	\$489.2
	=====	=====

HUGHES TELECOM

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 8: INCOME TAXES

The income tax provision (benefit) consisted of the following:

	1996	1995	1994
	(DOLLARS IN MILLIONS)		
U.S. federal, state and foreign taxes currently payable.....	\$ 31.7	\$118.7	\$86.8
U.S. federal, state and foreign deferred tax liabilities (assets)--net.....	68.3	(129.1)	(66.2)
Total income tax provision (benefit).....	<u>\$100.0</u>	<u>\$(10.4)</u>	<u>\$20.6*</u>

*Excluding effect of accounting change.

Income (loss) before income taxes included the following components:

	1996	1995	1994
	(DOLLARS IN MILLIONS)		
U.S. income (loss).....	\$206.2	\$(10.4)	\$65.5
Foreign income (loss).....	3.7	1.6	(1.4)
Total.....	<u>\$209.9</u>	<u>\$(8.8)</u>	<u>\$64.1</u>

The combined income tax provision (benefit) was different than the amount computed using the U.S. statutory income tax rate for the reasons set forth in the following table:

	1996	1995	1994
	(DOLLARS IN MILLIONS)		
Expected tax at U.S. statutory income tax rate...	\$ 73.5	\$(3.1)	\$ 22.4
U.S. state and local income taxes.....	8.9	(0.4)	2.7
Purchase accounting adjustments.....	7.3	9.5	7.3
Foreign sales corporation tax benefit.....	(24.0)	(19.7)	(15.7)
Investment tax credits.....	--	(5.0)	--
Minority interests in partnerships' losses.....	17.7	2.0	--
Losses of equity method investee.....	14.8	4.2	1.9
Other.....	1.8	2.1	2.0
Combined income tax provision (benefit).....	<u>\$100.0</u>	<u>\$(10.4)</u>	<u>\$ 20.6*</u>

*Excluding effect of accounting change.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Temporary differences and carryforwards which gave rise to deferred tax assets and liabilities at December 31, 1996 and 1995 were as follows:

	1996		1995	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
	(DOLLARS IN MILLIONS)			
Profits on long-term contracts.	\$124.8	\$133.3	\$103.8	\$142.1
Sales and leasebacks.....	119.6		88.4	
Depreciation.....		255.2		209.0
Sale of equity interest in DIRECTV.....		48.7		
Other.....	49.6	23.9	70.6	8.3
Subtotal.....	294.0	461.1	262.8	359.4
Valuation allowance.....	(10.3)		(12.5)	
Total deferred taxes.....	\$283.7	\$461.1	\$250.3	\$359.4

No provision has been made for U.S. federal income taxes related to the portion of undistributed earnings of foreign subsidiaries deemed permanently reinvested. At December 31, 1996 and 1995, undistributed earnings of foreign subsidiaries amounted to approximately \$5.3 million and \$5.1 million, respectively. Repatriation of all accumulated earnings would have resulted in tax liabilities of \$0.5 million in both years.

At December 31, 1996, Hughes Telecom had \$6.9 million of foreign operating loss carryforwards which expire in varying amounts between 1997 and 2001. The valuation allowance includes a provision for all of the foreign operating loss carryforwards.

NOTE 9: RETIREMENT AND INCENTIVE PLANS

Certain employees of Hughes Telecom and other Hughes Electronics businesses participate in contributory and non-contributory defined benefit retirement plans (the "Plans") maintained by Hughes Electronics. These Plans are available to substantially all full-time employees of Hughes Telecom. Benefits are based on years of service and compensation earned during a specified period of time before retirement. The accumulated plan benefit obligations and plan net assets for the employees of Hughes Telecom have not been separately determined and are not included in the Combined Balance Sheet. However, the fair value of plan assets exceeds the accumulated plan benefit obligations related to these Plans. In addition, employees of Hughes Telecom and other Hughes Electronics businesses participate in certain other postretirement and postemployment benefit plans, principally health and life insurance plans, which are unfunded. The accumulated postretirement and postemployment benefit obligations related to employees of Hughes Telecom have not been separately determined and are not included in the Combined Balance Sheet. Hughes Telecom recorded expenses related to the pension, postretirement and postemployment benefits plans of approximately \$27.6 million, \$8.9 million and \$6.9 million in 1996, 1995 and 1994, respectively.

Certain eligible employees of Hughes Telecom participate in the Hughes Electronics Corporation Incentive Plan pursuant to which shares, rights, or options to acquire GM Class H Common Stock may be granted through May 31, 1997. The option price is equal to 100% of the fair market value of GM Class H Common Stock on the date the options are granted. These non-qualified options generally expire 10 years from the dates of grant and are subject to earlier termination under certain conditions.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Employees of Hughes Telecom also participate in other Hughes health and welfare plans. Charges related to these plans were \$63.9 million, \$53.8 million and \$53.7 million in 1996, 1995 and 1994, respectively.

NOTE 10: SPECIAL PROVISION FOR RESTRUCTURING

In 1992, Hughes Electronics recorded a special restructuring charge of \$1,237.0 million primarily attributable to redundant facilities and related employment costs. Approximately \$156.6 million was attributable to Hughes Telecom and comprehended a reduction of Hughes Telecom's employment, a major facilities consolidation, and a reevaluation of certain business lines that no longer met Hughes Telecom's strategic objectives. Restructuring costs of \$19.4 million, \$44.7 million and \$39.7 million attributable to Hughes Telecom were charged against the reserve during 1996, 1995 and 1994, respectively. The remaining liability attributable to Hughes Telecom of \$23.9 million relates primarily to reserves for excess facilities. It is expected that these costs will be expended predominantly during the next year.

NOTE 11: ACQUISITION OF PANAMSAT CORPORATION

In May 1997, Hughes Telecom and PanAmSat Corporation merged their respective satellite services operations into a new publicly-held company, which retained the name PanAmSat. Hughes Telecom contributed its Galaxy satellite services business in exchange for a 71.5% interest in the new company. PanAmSat stockholders received a 28.5% interest in the new company and \$1.5 billion in cash. Such cash consideration and other funds required to consummate the merger were funded by new debt financing totaling \$1,725.0 million provided by Hughes Electronics, which borrowed such funds from GM. PanAmSat is a leading provider of international satellite services.

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, Hughes Electronics enters into transactions utilizing financial instruments with off-balance sheet risk on behalf of Hughes Telecom to reduce Hughes Telecom's exposure to fluctuations in foreign currency exchange rates. The primary class of derivatives used is foreign exchange-forward contracts. These instruments involve, to varying degrees, elements of credit risk in the event a counterparty should default and market risk as the instruments are subject to rate and price fluctuations. Credit risk is managed through the periodic monitoring and approval of financially sound counterparties. Market risk is mitigated because the derivatives are used to hedge underlying transactions. Cash receipts or payments on these contracts normally occur at maturity. Hughes Electronics holds derivatives on behalf of Hughes Telecom only for purposes other than trading.

Foreign exchange-forward contracts are legal agreements between two parties to purchase and sell a foreign currency, for a price specified at the contract date, with delivery and settlement in the future. Hughes Electronics uses these agreements on behalf of Hughes Telecom to hedge risk of changes in foreign currency exchange rates associated with certain firm commitments denominated in foreign currency.

The total notional amount of foreign exchange-forward contracts entered into by Hughes Telecom at December 31, 1996 and 1995, was approximately \$1.0 million and \$4.0 million, respectively. The total notional amount of foreign exchange-forward contracts entered into by Hughes Electronics on behalf of Hughes Telecom at December 31, 1996 and 1995, was approximately \$34.0 million and \$97.0 million, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 13: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments reflect the estimated amounts Hughes Telecom would receive or pay to terminate the contracts at the reporting date, which takes into account the current unrealized gains or losses on open contracts that are deferred and recognized when the offsetting gains and losses are recognized on the related hedged items. The fair value of foreign exchange-forward contracts is estimated based on foreign exchange rate quotes at the reporting date. At December 31, 1996 and 1995, the total estimated fair value of open contracts, which were in a net gain position, was \$2.3 million and \$11.3 million, respectively. No amounts were recorded on the Combined Balance Sheet for these contracts in 1996 and 1995. For all financial instruments not described above, fair value approximates book value.

The carrying amount of the net investment in sales-type leases approximates its fair value because the interest rates implicit in the leases approximate current market rates.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Hughes Telecom signed agreements in 1995 and 1996 to procure commercial satellite launches, a significant number of which are expected to be used in connection with satellites ordered by outside customers. The agreements provide for launches beginning in 1998 and also contain options for additional launch vehicles. The total amount of the commitments, which is dependent upon the number of options exercised, market conditions, and other factors, could exceed \$2.0 billion.

Hughes Telecom has an agreement with a finance company under which the finance company agreed to provide an open-end revolving credit program for consumer purchases of DSS equipment, installations and ancillary items at selected retail establishments. Funding under this program was discontinued effective September 10, 1996. The aggregate outstanding balances under this agreement at December 31, 1996 totaled \$194.5 million. Hughes Telecom has certain rights regarding the administration of the program and the losses from qualifying accounts under this program accrue to Hughes Telecom, subject to certain indemnity obligations of the finance company. Hughes Telecom has established allowances to provide for expected losses under the program. The allowances are subject to periodic review as management collects additional information about the performance of the consumer loan portfolios.

In December 1994, Hughes Electronics entered into an agreement with Computer Sciences Corporation (CSC) whereby CSC provides a significant amount of data processing services required by the non-automotive businesses of Hughes Electronics. Baseline service payments to CSC are expected to aggregate approximately \$1.5 billion over the term of the eight-year agreement. Based on historical usage, approximately 10% of the costs incurred under the agreement are attributable to Hughes Telecom. The contract is cancelable by Hughes Electronics with substantial early termination penalties.

At December 31, 1996, minimum future commitments under noncancelable operating leases having lease terms in excess of one year, exclusive of satellite transponders leaseback payments disclosed in Note 6, are primarily for real property and aggregated \$223.3 million, payable as follows: \$42.5 million in 1997, \$29.7 million in 1998, \$23.0 million in 1999, \$21.4 million in 2000, \$19.8 million in 2001 and \$86.9 million thereafter. Certain of these leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were \$53.4 million in 1996, \$55.6 million in 1995 and \$64.9 million in 1994.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Hughes Telecom has commitments to purchase minimum quantities of certain electronic components totaling approximately \$129.0 million. In conjunction with its performance on long-term contracts, Hughes Telecom is contingently liable under standby letters of credit and bonds in the amount of \$152.5 million at December 31, 1996. In Hughes Telecom's past experience, no material claims have been made against these financial instruments. In addition, Hughes Telecom has guaranteed up to \$150.0 million of certain American Mobile Satellite Corporation ("AMSC") bank debt due June, 2001. Hughes Telecom owns approximately 27% of the common stock of AMSC. Hughes Telecom has also guaranteed up to \$150.0 million of a Surfin Ltd. revolving credit facility which expires July, 1999. Hughes Telecom owns approximately 39% of Surfin Ltd.

Hughes Telecom is subject to potential liability under government regulations and various claims and legal actions which are pending or may be asserted against it. The aggregate ultimate liability of Hughes Telecom under these government regulations, and under these claims and actions, was not determinable at December 31, 1996. In the opinion of Hughes Electronics and Hughes Telecom management, such liability is not expected to have a material adverse effect on the Hughes Telecom's combined operations or financial position.

Hughes Telecom has maintained a suit against the U.S. Government since September 1973, regarding the government's infringement and use of a Hughes Telecom patent (the "Williams Patent") covering "Velocity Control and Orientation of a Spin Stabilized Body," principally satellites. On June 17, 1994, the U.S. Court of Claims awarded Hughes Telecom damages of \$114.0 million. Because Hughes Telecom believed that the record supported a higher royalty rate, it appealed that decision. The U.S. government, contending that the award was too high, also appealed. On June 19, 1996, the Court of Appeals for the Federal Circuit ("CAFC") affirmed the decision of the Court of Claims which awarded Hughes Telecom \$114.0 million in damages, together with interest. The U.S. government petitioned the CAFC for a rehearing. That petition was denied in October 1996. The U.S. government then filed a petition with the U.S. Supreme Court seeking certiorari. On April 21, 1997, the U.S. Supreme Court, citing a recent decision it had rendered in Warner-Jenkinson v. Hilton Davis, remanded Hughes Telecom's suit over the Williams Patent back to the CAFC in order to have the CAFC determine whether the ruling in the Williams Patent matter was consistent with the U.S. Supreme Court's decision in the Warner-Jenkinson case. The previous liability decision of the Court of Claims in the Williams Patent matter, and its \$114.0 million damage award to Hughes Telecom currently remain in effect pending reconsideration of the case by the CAFC. Hughes Telecom is unable to estimate the duration of this reconsideration process. While no amount has been recorded in the financial statements of Hughes Telecom to reflect the \$114.0 million award, a resolution of this matter could result in a gain that would be material to the earnings of GM attributable to GM Class H Common Stock.

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 15: SEGMENT REPORTING

The Satellite Manufacturing segment is a world leader in the design and construction of satellites and related components. The Network Systems segment includes satellite-based business networks, wireless communications equipment and other communications services. The Direct-to-Home Broadcast segment provides digital programming services via satellite, primarily to residential consumers, both in the U.S. and in foreign countries. The Satellite Services segment is engaged in selling, leasing and operating satellite transponders and provides services for cable television systems, news companies and private business networks. The Avicom segment provides equipment for in-flight entertainment and communications for passengers of commercial airlines.

	SATELLITE MANUFACTURING	NETWORK SYSTEMS	DIRECT-TO- HOME BROADCAST	SATELLITE SERVICES	AVICOM	INTERCOMPANY ELIMINATIONS AND OTHER	TOTAL
(DOLLARS IN MILLIONS)							
1996							
Revenues.....	\$2,050.2	\$1,067.4	\$ 744.4	\$ 483.4	89.7	\$(260.6)	\$4,174.5
Operating Profit (Loss)							
(1).....	181.7	116.1	(310.9)	243.0	(8.1)	(40.9)	180.9
Identifiable Assets (2).	1,085.4	958.7	1,077.1	1,275.5	102.9	(20.4)	4,479.2
Depreciation and Amortization.....	52.1	28.3	67.3	58.5	2.9	9.4	218.5
Capital Expenditures (3).....	87.8	45.3	63.5	308.7	2.0	(55.9)	451.4
1995							
Revenues.....	\$1,716.8	\$ 909.2	\$ 241.0	\$ 394.0	49.5	\$(99.9)	\$3,210.6
Operating Profit (Loss)							
(1).....	116.8	64.6	(159.0)	166.3	(61.9)	(38.1)	88.7
Identifiable Assets (2).	1,014.0	778.3	842.9	1,138.0	135.3	139.2	4,047.7
Depreciation and Amortization.....	51.4	25.2	48.6	76.5	8.3	(0.8)	209.2
Capital Expenditures (3).....	53.2	50.5	107.5	280.5	4.2	(49.4)	446.5
1994							
Revenues.....	\$1,462.4	\$ 813.6	\$ 108.3	\$ 331.5	\$ 75.6	\$(27.9)	\$2,763.5
Operating Profit (Loss)							
(1).....	92.8	68.9	(44.0)	106.7	(79.7)	(14.7)	130.0
Identifiable Assets (2).	936.8	848.9	682.0	868.4	133.4	193.2	3,662.7
Depreciation and Amortization.....	47.4	23.5	23.5	54.1	2.1	12.4	163.0
Capital Expenditures (3).....	35.6	36.8	265.4	114.7	1.4	(53.5)	400.4

(1) Operating profit and depreciation and amortization include purchase accounting adjustments associated with GM's purchase of Hughes Aircraft Company related to Hughes Telecom of \$17.7 million in 1996, 1995 and 1994, respectively, attributable to Satellite Manufacturing; \$3.3 million in 1996, 1995 and 1994, respectively, attributable to Satellite Services; and \$6.2 million and \$0.2 million in 1995 and 1994, respectively, attributable to Avicom.

(2) Identifiable assets of the Satellite Manufacturing and Satellite Services segments include the unamortized purchase accounting adjustments associated with the purchase of Hughes Aircraft Company attributable to Hughes Telecom. Satellite Manufacturing includes unamortized purchase accounting adjustments of \$395.1 million in 1996, \$412.8 million in 1995 and \$430.5 million in 1994. Satellite Services includes unamortized purchase accounting adjustments of \$72.9 million in 1996, \$76.2 million in 1995 and \$79.5 million in 1994. Avicom includes unamortized purchase accounting adjustments of \$6.2 million in 1994.

(3) Expenditures related to satellites are included in the segments as follows: \$259.2 million, \$234.9 million and \$59.2 million in 1996, 1995 and 1994, respectively, for the Satellite Services segment; and \$53.1 million and \$209.5 million in 1995 and 1994, respectively, for the Direct-To-Home Broadcast segment.

HUGHES TELECOM

NOTES TO COMBINED FINANCIAL STATEMENTS--(CONCLUDED)

A reconciliation of operating profit shown above to Income before Income Taxes shown in the Combined Statement of Income and Parent Company's Net Investment follows:

	1996	1995	1994
	-----	-----	-----
	(DOLLARS IN MILLIONS)		
Operating Profit.....	\$180.9	\$88.7	\$130.0
Other Income--net.....	74.9	(32.4)	(10.0)
Allocated Interest Expense.....	(45.9)	(65.1)	(55.9)
	-----	-----	-----
Income (Loss) before Income Taxes and minority interests.....	\$209.9	\$(8.8)	\$ 64.1
	=====	=====	=====

Export sales from the U.S. were as follows:

	1996	1995	1994
	-----	-----	-----
	(DOLLARS IN MILLIONS)		
Europe.....	\$ 640.1	\$305.3	\$164.8
Asia.....	651.0	560.7	467.5
Latin America.....	88.2	34.9	85.6
Africa.....	30.4	14.8	6.2
Other.....	19.5	47.7	46.4
	-----	-----	-----
Total.....	\$1,429.2	\$963.4	\$770.5
	=====	=====	=====

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GLOSSARY

APPENDICES

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS OF HE HOLDINGS.

Delaware General Corporation Law

Under Section 145 of the Delaware General Corporation Law, HE Holdings is empowered to indemnify its directors and officers in the circumstances therein provided. Certain portions of Section 145 are summarized below:

Section 145(a) of the Delaware General Corporation Law provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful.

Section 145(b) of the Delaware General Corporation Law provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

Section 145(c) of the Delaware General Corporation Law provides that to the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 145(a) and (b), or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 145(d) of the Delaware General Corporation Law provides that any indemnification under Section 145(a) and (b) (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 145(a) and (b). Such determination shall be made (1) by a majority vote of the directors who were not parties to such action, suit or proceeding, even though less than a quorum, or (2) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (3) by the stockholders.

Section 145(e) of the Delaware General Corporation Law provides that expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall

ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in Section 145. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

Section 145(f) of the Delaware General Corporation Law provides that the indemnification and advancement of expenses provided by, or granted pursuant to, Section 145 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Section 145(g) of the Delaware General Corporation Law provides that a corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's capacity as such, whether or not the corporation would have the power to indemnify such person against such liability under Section 145.

Amended and Restated Certificate of Incorporation

The Amended and Restated Certificate of Incorporation of HE Holdings (the "HE Holdings Certificate of Incorporation") provides that no director of HE Holdings shall be personally liable to HE Holdings or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption or limitation is prohibited under the Delaware General Corporation Law as it currently exists or as it may be amended in the future.

The HE Holdings Certificate of Incorporation also provides that HE Holdings shall indemnify each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of HE Holdings (whether the basis of such action, suit or proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer) to the fullest extent authorized by the Delaware General Corporation Law as it currently exists or as it may be amended in the future, against all expense, liability and loss (including attorneys' fees, judgment, fines, payments in settlement and excise taxes or penalties arising under ERISA) reasonably incurred or suffered by such person. Such indemnification shall continue as to a person who ceases to be a director or officer of HE Holdings and shall inure to the benefit of such person's heirs, executors and administrators. HE Holdings shall not be required to indemnify a person in connection with such action, suit or proceeding initiated by such person if it was not authorized by the HE Holdings Board.

The HE Holdings Certificate of Incorporation also provides that HE Holdings shall pay the expenses of directors and officers incurred in defending any such action, suit or proceeding in advance of its final disposition; provided, however, that, if and to the extent that the Delaware General Corporation Law requires, the payment of expenses incurred by a director or officer in advance of the final disposition of an action, suit or proceeding shall be made only upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that the director or officer is not entitled to be indemnified under the HE Holdings Certificate of Incorporation or otherwise. If a claim for indemnification or advancement of expenses by an officer or director under the HE Holdings Certificate of Incorporation is not paid in full within thirty calendar days after a written claim therefor has been received by HE Holdings, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled also to be paid the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any action, suit or proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to HE Holdings) that the claimant has not met the standard of conduct which makes it permissible under the Delaware General Corporation Law for HE Holdings to indemnify the claimant for the amount claimed. HE Holdings shall have the burden of proving such defense. Neither the failure of HE Holdings to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the claimant has met the applicable

standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by HE Holdings that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct. The right to indemnification and the payment of expenses conferred on any person by the HE Holdings Certificate of Incorporation shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the HE Holdings Certificate of Incorporation or the Amended and Restated By-Laws of HE Holdings, agreement, vote of stockholders or disinterested directors or otherwise.

Any repeal or modification of these provisions of the HE Holdings Certificate of Incorporation by the stockholders of HE Holdings shall not adversely affect any limitation on the personal liability of directors for, or any rights of directors in respect of, any cause of action, suit or claim accruing or arising prior to the repeal or modification.

The HE Holdings Certificate of Incorporation also provides that HE Holdings may maintain insurance to protect itself and any director, officer, employee or agent of HE Holdings or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not HE Holdings would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

A copy of the HE Holdings Certificate of Incorporation is filed as Exhibit 3(a) to this Registration Statement.

Transaction Agreements

The Raytheon Merger Agreement provides that New Raytheon shall indemnify and defend each individual who is or was an officer or director (as well as such individual's heirs and legal representatives) of Raytheon or HE Holdings or any of their respective subsidiaries prior to the Raytheon Merger Effective Time against all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement with the approval of New Raytheon arising out of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on, or arising in whole or in part out of, (1) the fact that such person is or was a director or officer of Raytheon or HE Holdings, whether pertaining to any matter existing or occurring at or prior to the effective time of the Raytheon Merger (but in the case of HE Holdings, only insofar as relating to the defense business of HE Holdings) and (2) the Raytheon Merger Agreement or the transactions contemplated by that agreement, in each case to the full extent Raytheon or HE Holdings would have been permitted under the Delaware General Corporation Law, their certificates of incorporation and their by-laws to indemnify such person.

The Raytheon Merger Agreement also provides that New Raytheon shall pay the expenses of directors and officers (including their heirs and legal representatives) reasonably incurred in defending any action or proceeding in advance of its final disposition to the full extent permitted by law upon receipt of the undertaking contemplated by Section 145(e) of the Delaware General Corporation Law. New Raytheon will use its commercially reasonable efforts to assist in the vigorous defense of any such matter, provided that New Raytheon shall not be liable for any settlement of any claim effected without its written consent, which consent shall not be unreasonably withheld.

In the Master Separation Agreement, Delco and Hughes Telecom will agree to indemnify and defend the directors and officers of HE Holdings and New Raytheon against any losses, claims, damages, liabilities or actions arising, whether prior to or following the Hughes Reorganization, out of or in connection with the liabilities, assets and businesses of Delco and Hughes Telecom, respectively. Hughes Telecom will also agree to indemnify the directors and officers of HE Holdings and New Raytheon against any losses, claims, damages, liabilities or actions arising out of any breach of its representations and warranties to HE Holdings concerning the sufficiency of the assets of HE Holdings immediately following the GM Spin-Off Merger. Delco and Hughes Telecom will agree to reimburse the directors and officers of HE Holdings and New Raytheon for any legal or

other expenses reasonably incurred in connection with the investigation or defense of any such loss, claim, damage, liability or action. The amount of indemnification provided under the Master Separation Agreement shall be increased to take account of any net tax cost incurred by the director or officer arising from the receipt or accrual of an indemnification payment (grossed up for such increase) and reduced to take account of any net tax benefit realized by the director or officer arising from incurring or paying such loss or other liability.

In the Spin-Off Separation Agreement, General Motors will agree to indemnify and defend the directors and officers of HE Holdings from and against all losses relating to, arising from or due to: (1) any breach by General Motors or its affiliates (excluding HE Holdings after the spin-off of HE Holdings) of the Spin-Off Separation Agreement, (2) any untrue statement of a material fact or any omission to state a material fact in the Hughes Defense Registration Statement or the Registration Statement on Form S-4 of Hughes Defense, as amended and including exhibits, to register with the SEC the shares of Class B Common Stock relating to HE Holdings prior to the Raytheon Merger or the Hughes Transactions (except the Raytheon Merger or plans regarding New Raytheon after the Raytheon Merger and other forward-looking information regarding New Raytheon) and (3) any breach of the representation of General Motors in the Implementation Agreement that the execution and delivery of the Transaction Agreements by, and the consummation of the transactions on the part of, General Motors or any of its subsidiaries (excluding HE Holdings after the Hughes Reorganization) will conflict with, or result in a breach of, any provision of the certificates of incorporation or by-laws of General Motors or any such subsidiary. The amount of indemnification provided for under the Spin-Off Separation Agreement shall be increased to take account of any net tax cost incurred by the director or officer arising from the receipt or accrual of an indemnification payment (grossed up for such increase) and reduced to take account of any net tax benefit realized by the director or officer arising from incurring or paying such loss or other liability.

In the Tax Sharing Agreement, from and after the Distribution Date (as defined therein), General Motors and Hughes Telecom jointly and severally shall indemnify and hold harmless the directors and executive officers of HE Holdings from and against (1) all Income Tax Liabilities (as defined therein) incurred by any member of the GM Consolidated Group (as defined therein) in respect of the Distribution (as defined therein) or the Raytheon Merger, (2) all costs, expenses and damages associated with stockholder litigation or controversies arising in connection with any proposed tax assessment or controversy with respect to the Distribution or the Raytheon Merger, (3) without duplication, all Income Tax Liabilities which Hughes Telecom (or any other member of the GM Group (as defined herein)) is required to pay, or reimburse HE Holdings for, pursuant to Section 2 thereof, and (4) all Income Taxes (as defined therein) incurred by any member of the Hughes Group (as defined therein) by reason of the breach by Hughes Telecom or General Motors of any of its covenants hereunder and, in any case, any related costs and expenses (including, without limitation, reasonable attorneys' fees and expenses).

Insurance

General Motors will maintain until the GM Spin-Off Merger Effective Time directors and officers liability insurance for directors and officers of HE Holdings. Directors and officers of HE Holdings will remain entitled to assert claims under such program for events, acts or omissions first reported prior to the GM Spin-Off Merger Effective Time.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following documents are exhibits to this Registration Statement.

EXHIBIT NUMBER -----	DESCRIPTION -----
2(a)	Agreement and Plan of Merger by and between General Motors Corporation and GM Mergeco Corporation, dated as of October 17, 1997 (included as Appendix A to the Solicitation Statement/Prospectus which forms a part of this Registration Statement).
2(b)	Agreement and Plan of Merger by and between HE Holdings, Inc. and Raytheon Company, Inc., dated as of January 16, 1997 (filed as Exhibit 2(a) to the Current Report on Form 8-K of General Motors Corporation, dated January 16, 1997, and incorporated herein by reference).

EXHIBIT NUMBER -----	DESCRIPTION -----
2(c)	Implementation Agreement by and between General Motors Corporation and Raytheon Company, dated as of January 16, 1997 (filed as Exhibit 2(b) to the Current Report on Form 8-K of General Motors Corporation, dated January 16, 1997, and incorporated herein by reference).
2(d)	Form of Master Separation Agreement among General Motors Corporation, Hughes Network Systems, Inc., Delco Electronics Corporation and HE Holdings, Inc.*
2(e)	Form of Hughes Spin-Off Separation Agreement by and between HE Holdings, Inc. and General Motors Corporation.*
2(f)	Form of Tax Sharing Agreement among General Motors Corporation, HE Holdings, Inc. and Hughes Network Systems, Inc.*
3(a)	Amended Certificate of Incorporation of HE Holdings, Inc.*
3(b)	By-Laws of HE Holdings, Inc.*
3(c)	Form of Amended and Restated Certificate of Incorporation of HE Holdings, Inc.**
3(d)	Form of Amended and Restated By-Laws of HE Holdings, Inc.*
4(a)	Form of Amended and Restated Certificate of Incorporation of HE Holdings, Inc. (filed as Exhibit 3(c) above).
4(b)	Form of Amended and Restated By-Laws of HE Holdings, Inc. (filed as Exhibit 3(d) above).
4(c)	Raytheon Company \$4 Billion Credit Agreement--Five-Year Competitive Advance and Revolving Credit Facility (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended March 30, 1997, of Raytheon Company, incorporated herein by reference).
4(d)	Raytheon Company \$3 Billion Credit Agreement--364-Day Competitive Advance and Revolving Credit Facility (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended March 30, 1997, of Raytheon Company, incorporated herein by reference).
4(e)	HE Holdings, Inc. \$3 Billion Credit Agreement--Five-Year Competitive Advance and Revolving Credit Facility.**
4(f)	HE Holdings, Inc. \$2 Billion Credit Agreement--364-Day Competitive Advance and Revolving Credit Facility.**
4(g)	Indenture dated as of July 3, 1995 between Raytheon Company and The Bank of New York, Trustee (filed as an exhibit to the Registration Statement on Form S-3, File No. 33-59241, and incorporated herein by reference).
4(h)	Instruments defining the rights of holders of non-registered debt of HE Holdings, Inc. have been omitted from this exhibit index because the amount of debt authorized under any such agreement does not exceed 10% of the total assets of HE Holdings, Inc. and its subsidiaries. HE Holdings, Inc. agrees to furnish a copy of any such instrument to the SEC upon request.
5	Opinion of Weil, Gotshal & Manges LLP.**
8(a)	Opinion of Kirkland & Ellis.*
8(b)	Opinion of Weil, Gotshal & Manges LLP.*
10(a)	Raytheon Company 1976 Stock Option Plan, as amended (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 1996, of Raytheon Company, and incorporated herein by reference).
10(b)	Raytheon Company 1991 Stock Plan, as amended (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 1996, of Raytheon Company, and incorporated herein by reference).
10(c)	Raytheon Company 1995 Stock Option Plan (filed as an exhibit to the Registration Statement on Form S-8, File No. 33-60635, of Raytheon Company, and incorporated herein by reference).

EXHIBIT NUMBER -----	DESCRIPTION -----
10(d)	Raytheon Company Deferral Plan for Directors (filed as an exhibit to the Registration Statement on Form S-8, File No. 333-22969, of Raytheon Company, and incorporated herein by reference).
10(e)	Form of Raytheon Company Change in Control Severance Agreement (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 1996, of Raytheon Company, incorporated herein by reference). Raytheon has entered into Change in Control Severance Agreements in the form of Agreement filed as Exhibit 10(e) with each of the following executives: Peter R. D'Angelo, Christoph L. Hoffmann, A. Lowell Lawson, Charles Q. Miller, Dennis J. Picard, Robert L. Swam, William H. Swanson and Arthur E. Wegner. Such agreements are designed to provide the executive with certain severance benefits following a termination, all as more fully described in the form of Agreement. Raytheon has entered into Change in Control Severance Agreements in the form of Agreement filed as Exhibit 10(e) with nineteen other executives, but which will be immaterial to New Raytheon. The agreements are designed to provide the executive with certain severance benefits following a termination, all as more fully described in the form of Agreement.
10(f)	Form of HE Holdings, Inc. Executive Change in Control Severance Agreement. HE Holdings has entered into Executive Change in Control Severance Agreements in the form of Agreement filed as Exhibit 10(f) with each of the following executives: John C. Weaver, Barry L. Abrahams, Kenneth C. Dahlberg, Gerald H. Putman, George E. Speake, William C. Bowes, Louise L. Francesconi, Robert L. Horowitz, John T. Kuelbs, Charles A. Leader, David L. McPherson, Charles S. Ream, Terry Snyder, Donald R. Infante, Frederick C. McNutt, David P. Molfenter and Jack O. Pearson. Such agreements are designed to provide the executive with certain severance benefits following a termination, all as more fully described in the form of Agreement.*
10(g)	Form of HE Holdings Executive Retention Agreement. HE Holdings has entered into Executive Retention Agreements in the form of Agreement filed as Exhibit 10(g) with each of the following executives: John C. Weaver, Barry L. Abrahams, Kenneth C. Dahlberg, Gerald H. Putman, George E. Speake, William C. Bowes, Louise L. Francesconi, Robert L. Horowitz, John T. Kuelbs, Charles A. Leader, David L. McPherson, Charles S. Ream, Terry Snyder, Donald R. Infante, Frederick C. McNutt, David P. Molfenter and Jack O. Pearson. Such agreements are designed to provide the executive with certain payments if still employed by New Raytheon at the end of the second and third years after the GM Spin-Off Merger Effective Time, all as more fully described in the form of Agreement.*
10(h)	Form of HE Holdings, Inc. Executive Retention Agreement. HE Holdings has entered into Executive Retention Agreements in the form of Agreement filed as Exhibit 10(h) with 86 other of its executives. The agreements are designed to provide the executive with certain payments if still employed by New Raytheon at the end of the first and second years after the GM Spin-Off Merger Effective Time, all as more fully described in the form of Agreement.*
10(i)	Restricted Unit Award Agreement between Raytheon Company and Dennis J. Picard (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 29, 1997, of Raytheon Company, incorporated herein by reference).
21	Subsidiaries of HE Holdings, Inc. (giving effect to the Hughes Reorganization).*
23(a)	Consent of Deloitte & Touche LLP, independent auditors.**
23(b)	Consent of Coopers & Lybrand L.L.P., independent auditors.**
23(c)	Consent of Ernst & Young LLP, independent auditors.**
23(d)	Consent of Arthur Andersen LLP, independent auditors.**
23(e)	Consent of Weil, Gotshal & Manges LLP (included in Exhibit 5 above).
23(f)	Consent of Kirkland & Ellis (included in Exhibit 8(a) above).
23(g)	Consent of Weil, Gotshal & Manges LLP (included in Exhibit 8(b) above).
23(h)	Consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated.*
23(i)	Consent of Salomon Brothers Inc.*
23(j)	Consent of Goldman, Sachs & Co.**
99	Consents of Persons About to Become Directors.**

*Filed previously.

**Filed herewith.

FAIRNESS OPINIONS

Incorporated as Appendix B to the Solicitation Statement/Prospectus which forms a part of this Registration Statement.

ITEM 22. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

1. That, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

2. That prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this Registration Statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

3. That every prospectus (i) that is filed pursuant to the paragraph immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to this Registration Statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

4. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is assessed by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

5. To respond to requests for information that is incorporated by reference into this Solicitation Statement/Prospectus pursuant to Items 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of this Registration Statement through the date of responding to the request.

6. To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in this Registration Statement when it became effective.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT HAS DULY CAUSED THIS AMENDMENT TO REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF LOS ANGELES, STATE OF CALIFORNIA, ON OCTOBER 17, 1997.

HE Holdings, Inc.

/s/ John C. Weaver

By: _____
 John C. Weaver
 President and Chief Operating
 Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS AMENDMENT TO REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS ON OCTOBER 17, 1997 IN THE CAPACITIES INDICATED.

SIGNATURE

TITLE

/s/ John C. Weaver President and Chief Operating Officer

 (John C. Weaver)

/s/ Roxanne S. Austin Senior Vice President and Chief Financial Officer

 (Roxanne S. Austin)

/s/ Charles S. Ream Vice President

 (Charles S. Ream)

/s/ Michael T. Smith Chairman of the Board of Directors

 (Michael T. Smith)

/s/ C. Michael Armstrong Director

 (C. Michael Armstrong)

Detach Consent Card Here

CONSENT TO ACTION OF STOCKHOLDERS WITHOUT A MEETING
REVOCABLE CONSENT SOLICITED ON BEHALF OF
GENERAL MOTORS CORPORATION

The undersigned, a common stockholder of General Motors Corporation ("General Motors" or "GM"), acting with respect to all of the shares of Common Stock, par value \$1 2/3 per share ("GM \$1 2/3 Common Stock"), and/or GM Class H Common Stock, par value \$0.10 per share ("GM Class H Common Stock" and, together with the GM \$1 2/3 Common Stock, the "GM Common Stock"), as applicable, held by the undersigned on October 15, 1997 (the "Record Date"), hereby consents, withholds consent or abstains as specified on the reverse side with respect to the taking of corporate action without a meeting pursuant to Section 228 of the Delaware General Corporation Law. All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Solicitation Statement/Prospectus (the "Solicitation Statement/Prospectus") furnished herewith to stockholders of General Motors who held shares of GM Common Stock on the Record Date.

FAILURE TO EXECUTE AND RETURN THIS CONSENT CARD WILL BE DEEMED TO BE A VOTE TO ABSTAIN, AND A VOTE TO ABSTAIN WILL HAVE THE EFFECT OF A VOTE AGAINST THE CORPORATE ACTION DESCRIBED ON THE REVERSE SIDE OF THIS CARD.

Stockholders wishing to approve the action set forth herein should mark the "Consent" box on the reverse side of this consent card. Those opposing any such action should register their position by marking the "Withhold Consent" or "Abstain" box on the reverse side of this consent card or by not returning this consent card. Unless you otherwise indicate on this consent card, this consent card will be voted as set forth on the reverse side with respect to all shares of both classes of GM Common Stock held by the undersigned on the Record Date, and if no choice is indicated but this consent card is otherwise completed, you will be deemed to have consented to the action set forth on the reverse side of this consent card. By executing this card, the undersigned hereby revokes any and all prior consents and hereby affirms that, as of the Record Date, the undersigned had the power to deliver a consent for the number of shares represented by this consent.

SIGNED BUT UNMARKED CARDS WILL BE DEEMED TO GIVE CONSENT TO THE ACTION SET FORTH ON THE REVERSE SIDE OF THIS CARD.

Consummation of the Hughes Transactions is conditioned upon receiving the consent of the holders of (1) a majority of the outstanding shares of GM \$1 2/3 Common Stock, voting as a separate class, and (2) a majority of the outstanding shares of GM Class H Common Stock, voting as a separate class. Unless previously revoked, this consent will be effective when and if delivered to General Motors along with consents representing the percentages of shares indicated in the immediately preceding sentence (but no sooner than 20 business days following the mailing of the Solicitation Statement/Prospectus to GM common stockholders).

PLEASE SIGN AND DATE ON REVERSE SIDE
C O N S E N T

Detach Consent Card Here

PLEASE MARK VOTES AS IN THIS EXAMPLE.

X

FAILURE TO EXECUTE AND RETURN THIS CONSENT CARD WILL BE DEEMED TO BE A VOTE TO ABSTAIN, AND A VOTE TO ABSTAIN WILL HAVE THE EFFECT OF A VOTE AGAINST THE CORPORATE ACTION DESCRIBED BELOW.

THE BOARD OF DIRECTORS OF GENERAL MOTORS CORPORATION RECOMMENDS STOCKHOLDERS CONSENT TO THE PROPOSAL BELOW.

Consent []

Withhold []
Consent

Abstain []

1. PROPOSAL: APPROVAL OF THE HUGHES TRANSACTIONS, INCLUDING THE HUGHES REORGANIZATION, THE GM SPIN-OFF MERGER AGREEMENT AND RELATED TRANSACTIONS

The approval of the Hughes Transactions, including the Hughes Reorganization, the GM Spin-Off Merger (including the Hughes Defense Spin-Off and the recapitalization and conversion of GM Class H Common Stock into New GM Class H Common Stock), the Master Separation Agreement and all of the other agreements contemplated thereby and the consummation of the other transactions and events contemplated by the GM Spin-Off Merger Agreement, including the adoption of the GM Spin-Off Merger Agreement.

When shares are held by joint tenants, both must sign. When signing as attorney-in-fact, executor, administrator, trustee, guardian, corporate officer or partner, please give full title as such. If a corporation, please sign in corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Signature _____ Signature, if held jointly _____
Title _____ Dated: _____

IN ORDER FOR THIS CONSENT CARD TO BE VALID, IT MUST BE DATED. PLEASE DATE AND SIGN THIS CARD EXACTLY AS YOUR NAME APPEARS HEREON, AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.

CONSENT TO ACTION OF STOCKHOLDERS WITHOUT A MEETING
REVOCABLE CONSENT SOLICITED ON BEHALF OF
GENERAL MOTORS CORPORATION

COMMON

The undersigned, a common stockholder of General Motors Corporation ("General Motors" or "GM"), acting with respect to all of the shares of Common Stock, par value \$1 2/3 per share ("GM \$1 2/3 Common Stock"), held by the undersigned on October 15, 1997 (the "Record Date"), hereby consents, withholds consent or abstains as specified on the reverse side with respect to the taking of corporate action without a meeting pursuant to Section 228 of the Delaware General Corporation Law. All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Solicitation Statement/Prospectus (the "Solicitation Statement/Prospectus") furnished herewith to stockholders of General Motors who held shares of GM common stock on the Record Date.

FAILURE TO EXECUTE AND RETURN THIS CONSENT CARD WILL BE DEEMED TO BE A VOTE TO ABSTAIN, AND A VOTE TO ABSTAIN WILL HAVE THE EFFECT OF A VOTE AGAINST THE CORPORATE ACTION DESCRIBED ON THE REVERSE SIDE OF THIS CARD.

Stockholders wishing to approve the actions set forth herein should mark the "Consent" box on the reverse side of this consent card. Those opposing such action should register their position by marking the "Withhold Consent" or "Abstain" box on the reverse side of this consent card or by not returning this consent card. Unless you otherwise indicate on this consent card, this consent card will be voted as set forth on the reverse side with respect to all shares of GM \$1 2/3 Common Stock held by the undersigned on the Record Date, and if no choice is indicated but this consent card is otherwise completed, you will be deemed to have consented to the action set forth on the reverse side of this consent card. By executing this card the undersigned hereby revokes any and all prior consents and hereby affirms that, as of the Record Date, the undersigned had the power to deliver a consent for the number of shares represented by this consent.

SIGNED BUT UNMARKED CARDS WILL BE DEEMED TO GIVE CONSENT TO THE ACTION SET FORTH ON THE REVERSE SIDE OF THIS CARD.

Consummation of the Hughes Transactions is conditioned upon receiving the consent of the holders of (1) a majority of the outstanding shares of GM \$1 2/3 Common Stock, voting as a separate class, and (2) a majority of the outstanding shares of GM Class H Common Stock, voting as a separate class. Unless previously revoked, this consent will be effective when and if delivered to General Motors along with consents representing the percentages of shares indicated in the immediately preceding sentence (but no sooner than 20 business days following the mailing of the Solicitation Statement/Prospectus to GM common stockholders).

PLEASE SIGN AND DATE ON REVERSE SIDE

COMMON

[X] PLEASE MARK VOTES AS IN THIS EXAMPLE.

FAILURE TO EXECUTE AND RETURN THIS CONSENT CARD WILL BE DEEMED TO BE A VOTE TO ABSTAIN, AND A VOTE TO ABSTAIN WILL HAVE THE EFFECT OF A VOTE AGAINST THE CORPORATE ACTION DESCRIBED BELOW.

THE BOARD OF DIRECTORS OF GENERAL MOTORS CORPORATION RECOMMENDS STOCKHOLDERS CONSENT TO THE PROPOSAL BELOW.

PROPOSAL: APPROVAL OF THE HUGHES TRANSACTIONS, INCLUDING THE HUGHES REORGANIZATION, THE GM SPIN-OFF MERGER AGREEMENT AND RELATED TRANSACTIONS

[] CONSENT [] WITHHOLD CONSENT [] ABSTAIN

The approval of the Hughes Transactions, including the Hughes Reorganization, the GM Spin-Off Merger (including the Hughes Defense Spin-Off and the recapitalization and conversion of GM Class H Common Stock into New GM Class H Common Stock), the Master Separation Agreement and all of the other agreements contemplated thereby and the consummation of the other transactions and events contemplated by the GM Spin-Off Merger Agreement, including the adoption of the GM Spin-Off Merger Agreement.

When shares are held by joint tenants, both must sign. When signing as attorney-in-fact, executor, administrator, trustee, guardian, corporate officer or partner, please give full title as such. If a corporation, please sign in corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Signature _____ Dated: _____

Signature _____ Dated: _____

CONSENT TO ACTION OF STOCKHOLDERS WITHOUT A MEETING
REVOCABLE CONSENT SOLICITED ON BEHALF OF
GENERAL MOTORS CORPORATION

CLASS H

The undersigned, a common stockholder of General Motors Corporation ("General Motors" or "GM"), acting with respect to all of the shares of Class H Common Stock, par value \$0.10 per share ("GM Class H Common Stock"), held by the undersigned on October 15, 1997 (the "Record Date"), hereby consents, withholds consent or abstains as specified on the reverse side with respect to the taking of corporate action without a meeting pursuant to Section 228 of the Delaware General Corporation Law. All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Solicitation Statement/Prospectus (the "Solicitation Statement/Prospectus") furnished herewith to stockholders of General Motors who held shares of GM common stock on the Record Date.

FAILURE TO EXECUTE AND RETURN THIS CONSENT CARD WILL BE DEEMED TO BE A VOTE TO ABSTAIN, AND A VOTE TO ABSTAIN WILL HAVE THE EFFECT OF A VOTE AGAINST THE CORPORATE ACTION DESCRIBED ON THE REVERSE SIDE OF THIS CARD.

Stockholders wishing to approve the action set forth herein should mark the "Consent" box on the reverse side of this consent card. Those opposing such action should register their position by marking the "Withhold Consent" or "Abstain" box on the reverse side of this consent card or by not returning this consent card. Unless you otherwise indicate on this consent card, this consent card will be voted as set forth on the reverse side with respect to all shares of GM Class H Common Stock held by the undersigned on the Record Date, and if no choice is indicated but this consent card is otherwise completed, you will be deemed to have consented to the action set forth on the reverse side of this consent card. By executing this card the undersigned hereby revokes any and all prior consents and hereby affirms that, as of the Record Date, the undersigned had the power to deliver a consent for the number of shares represented by this consent.

SIGNED BUT UNMARKED CARDS WILL BE DEEMED TO GIVE CONSENT TO THE ACTION SET FORTH ON THE REVERSE SIDE OF THIS CARD.

Consummation of the Hughes Transactions is conditioned upon receiving the consent of the holders of (1) a majority of the outstanding shares of GM \$1 2/3 Common Stock, voting as a separate class, and (2) a majority of the outstanding shares of GM Class H Common Stock, voting as a separate class. Unless previously revoked, this consent will be effective when and if delivered to General Motors along with consents representing the percentages of shares indicated in the immediately preceding sentence (but no sooner than 20 business days following the mailing of the Solicitation Statement/Prospectus to GM common stockholders).

PLEASE SIGN AND DATE ON REVERSE SIDE

CLASS H

[X] PLEASE MARK VOTES AS IN THIS EXAMPLE.

FAILURE TO EXECUTE AND RETURN THIS CONSENT CARD WILL BE DEEMED TO BE A VOTE TO ABSTAIN, AND A VOTE TO ABSTAIN WILL HAVE THE EFFECT OF A VOTE AGAINST THE CORPORATE ACTION DESCRIBED BELOW.

THE BOARD OF DIRECTORS OF GENERAL MOTORS CORPORATION RECOMMENDS STOCKHOLDERS CONSENT TO THE PROPOSAL BELOW.

PROPOSAL: APPROVAL OF THE HUGHES TRANSACTIONS, INCLUDING THE HUGHES REORGANIZATION, THE GM SPIN-OFF MERGER AGREEMENT AND RELATED TRANSACTIONS

[] CONSENT [] WITHHOLD CONSENT [] ABSTAIN

The approval of the Hughes Transactions, including the Hughes Reorganization, the GM Spin-Off Merger (including the Hughes Defense Spin-Off and the recapitalization and conversion of GM Class H Common Stock into New GM Class H Common Stock), the Master Separation Agreement and all of the other agreements contemplated thereby and the consummation of the other transactions and events contemplated by the GM Spin-Off Merger Agreement, including the adoption of the GM Spin-Off Merger Agreement.

When shares are held by joint tenants, both must sign. When signing as attorney-in-fact, executor, administrator, trustee, guardian, corporate officer or partner, please give full title as such. If a corporation, please sign in corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Signature _____ Dated: _____

Signature _____ Dated: _____

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
HE HOLDINGS, INC.

HE Holdings, Inc. (the "Corporation"), a corporation organized and existing under the General Corporation law of the State of Delaware (the "DGCL"), does hereby certify as follows:

1. The present name of the Corporation is HE Holdings, Inc. The Corporation was originally incorporated under the name "Hughes Aircraft Company" and its original certificate of incorporation was filed with the office of the Secretary of State of the State of Delaware on December 17, 1953.

2. This Amended and Restated Certificate of Incorporation was duly adopted by the Board of Directors of the Corporation and by the sole stockholder of the Corporation in accordance with Sections 228, 242 and 245 of the DGCL.

3. This Amended and Restated Certificate of Incorporation restates and integrates and further amends the certificate of incorporation of the Corporation, as heretofore amended (the "Certificate of Incorporation").

4. Upon the filing (the "Effective Time") of this Certificate of Incorporation pursuant to the DGCL, all shares of the Corporation's common stock, no par value per share, issued and outstanding immediately prior to the Effective Time (the "Old Common Stock") shall be reclassified as and changed into an aggregate of 102,630,503 validly issued, fully paid, and non-assessable shares of Class A Common Stock, par value \$.01 per share ("Hughes Class A Common Stock"), without any action by the holder thereof. At the Effective Time, the share certificate(s) that theretofore represented shares of Old Common Stock shall thereafter represent the reclassified shares of Hughes Class A Common Stock.

5. The text of the Certificate of Incorporation is amended and restated in its entirety as follows:

Article I
Name

The name of the corporation (which is hereinafter referred to as the "Corporation") is: "HE Holdings, Inc."

Article II
Registered Agent

The address of the Corporation's registered office in the State of Delaware is The Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

Article III
Purpose

The purpose of the Corporation shall be to engage in any lawful act or activity for which corporations may be organized and incorporated under the General Corporation Law of the State of Delaware (the "DGCL").

Article IV
Capital Stock

Section 1. The Corporation is authorized to issue _____ shares of capital stock, of which (a) _____ shares shall be shares of Common Stock, \$.01 par value per share ("Common Stock"), and which shares of Common Stock shall be divided into two classes, _____ shares of Common Stock shall be shares of Class A Common Stock ("Class A Common Stock") and _____ shares of Common Stock shall be shares of Class B Common Stock ("Class B Common Stock"), and (b) _____ shares shall be shares of Preferred Stock, \$.01 par value per share ("Preferred Stock").

Section 2. Common Stock.

(a) Until the time that any shares of Class B Common Stock are first issued, the powers, preferences and rights, and the qualifications, limitations and restrictions of the Common Stock are as follows:

(i) Voting Rights. Except as otherwise required by law, the holders of Class A Common Stock will be entitled to one vote per share on all matters to be voted on by the Corporation's stockholders.

(ii) Dividends. The holders of Class A Common Stock will be entitled to dividends if, when and as declared by the Corporation's board of directors, out of funds legally available therefor, whether payable in cash, property or securities of the Corporation.

(b) From and after the time that any shares of Class B Common Stock are first issued, the powers, preferences and rights, and the qualifications, limitations and restrictions of the Common Stock are as follows:

(i) Voting. The voting rights of the holders of record of shares of Class A Common Stock and Class B Common Stock on the relevant record date for each annual or special meeting of stockholders of the Corporation shall be as set forth below:

(A) With respect to the election or removal of directors (x) the holders of record of shares of Class B Common Stock shall be entitled to one (1) vote for each share of Class B Common Stock standing in each such person's name on the stock transfer records of the Corporation, which votes shall represent in the aggregate 19.9% of the total voting power of all holders of Common Stock entitled to vote thereon, and (y) the holders of record of shares of Class A Common Stock shall be entitled to such number of votes for each share of Class A Common Stock standing in each such person's name on the stock transfer records of the Corporation as shall be necessary to entitle the holders of all shares of Class A Common Stock to vote, in the aggregate, 80.1% of the total voting power of all holders of Common Stock entitled to vote thereon. Promptly following the fixing of a record date for each annual or special meeting of stockholders at which directors are to be elected or a vote with respect to removal is to be taken, the Board of Directors of the Corporation (the "Board") shall determine the number of votes per share of Class A Common Stock that each holder of record of Class A Common Stock shall be entitled to cast to implement the foregoing. The determination of such number of votes by the Board shall be final and shall be set forth in the notice of such meeting of stockholders delivered to the holders of Common Stock.

(B) With respect to all matters on which holders of Common Stock shall be entitled to vote other than the election or removal of directors, each share of Class A Common Stock and each share of Class B Common Stock shall be entitled to cast one (1) vote per share, and the approval of any such matter shall require the affirmative vote of the holders of the shares of Class A Common Stock and the shares of Class B Common Stock outstanding at the relevant record date, with each class voting separately, in each case acting by such vote as would be required under applicable law were such class of Common Stock the only class of Common Stock of the Corporation then outstanding (or by such greater vote than would be required under applicable law as may be set forth herein or in the by-laws of the Corporation), as well as the approval of the holders of any class or series of Preferred Stock which may be entitled to vote thereon.

(ii) Dividends. Subject to the rights of the holders of any class or series of outstanding Preferred Stock, and subject to any other provisions hereof and

applicable law, holders of shares of Class A Common Stock and holders of shares of Class B Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation as may be declared thereon by the Board from time to time out of assets or funds of the Corporation legally available therefor; provided that if a dividend or other distribution on any Common Stock is declared or paid by the Corporation (which declaration and payment shall be solely in the discretion of the Board), including, but not limited to, dividends or other distributions payable in cash, Common Stock or options or warrants to purchase Common Stock or securities exchangeable for or convertible into Common Stock, or other securities or property of the Corporation, such dividend or other distribution shall be declared and paid to the holders of Class A Common Stock and Class B Common Stock, and the holders of shares of Class A Common Stock and the holders of shares of Class B Common Stock shall be entitled to receive the same amount per share of any such dividends and other distributions in cash, securities or property of the Corporation (and with respect to dividends or distributions not in cash, in the same form); provided, however, that nothing in this Article IV shall prevent the declaration of a dividend or other distribution of shares of Class A Common Stock to holders of Class A Common Stock and shares of Class B Common Stock to holders of Class B Common Stock so long as, immediately following such dividend or other distribution, the number of shares of Class A Common Stock and Class B Common Stock then outstanding bears the same relationship to each other as did the number of shares of Class A Common Stock and Class B Common Stock outstanding immediately prior to such dividend or other distribution.

(iii) Split, Subdivision or Combination. In the case of any split, sub division, combination or reclassification of Class A Common Stock or Class B Common Stock, the shares of Class B Common Stock or Class A Common Stock, as the case may be, shall also be split, subdivided, combined or reclassified so that the number of shares of Class A Common Stock and Class B Common Stock outstanding immediately following such split, subdivision, combination or reclassification shall bear the same relationship to each other as did the number of shares of Class A Common Stock and Class B Common Stock outstanding immediately prior to such split, subdivision, combination or reclassification.

(iv) Liquidation, Dissolution, Mergers, etc. In the event of any liquidation, dissolution or winding up (either voluntary or involuntary) of the Corporation, the holders of Class A Common Stock and the holders of Class B Common Stock shall be entitled to receive the assets and funds of the Corporation available for distribution, after payments to creditors and to the holders of any

Preferred Stock of the Corporation that may at the time be outstanding, in proportion to the number of shares held by them, respectively, without regard to class. In the event of any corporate merger, consolidation, purchase or acquisition of property or stock, or other reorganization in which any consideration is to be received by the holders of Class A Common Stock or the holders of Class B Common Stock, the holders of Class A Common Stock and the holders of Class B Common Stock shall receive the same type and amount of consideration on a per share basis.

(v) Repurchases, etc. The Corporation shall not directly or indirectly redeem, purchase, repurchase or otherwise acquire for consideration (including, without limitation, by directly or indirectly assisting or supporting any other person or entity in any direct or indirect redemption, purchase, repurchase or other acquisition for consideration), and shall not directly or indirectly in any other fashion agree to, facilitate, condone or support in any way or manner whatsoever any direct or indirect redemption, purchase, repurchase or other acquisition for consideration by any person or entity of, any shares of Common Stock unless such redemption, purchase, repurchase or other acquisition is effected ratably in accordance with the number of outstanding shares of Class A Common Stock and Class B Common Stock, is for consideration of the same type and amount as to shares of Class A Common Stock and shares of Class B Common Stock, and is not in any other way prejudicial to the rights of the holders of one class of Common Stock in favor of the other class of Common Stock; provided, however, that in the case of an offer to purchase shares of Common Stock by the Corporation made to all holders of Common Stock, the Corporation shall purchase shares of Common Stock ratably in accordance with the number of shares of each class of Common Stock tendered thereunder.

(vi) Rights Otherwise Identical. Except as expressly set forth herein, the rights of the holders of Class A Common Stock and the rights of the holders of Class B Common Stock shall be in all respects and for all purposes and in all circumstances absolutely and completely identical, and the Corporation shall not in any other manner directly or indirectly take any other action or in any other fashion agree to, facilitate, condone or support any transaction in which the holders of the Class A Common Stock and the Class B Common Stock are subject to discriminatory or unequal treatment.

Section 3. Preferred Stock. The Preferred Stock may be issued from time to time in one or more series. The Board is hereby authorized to provide by resolution from time to time for the issuance of shares of Preferred Stock in series and, by filing a certificate pursuant to the DGCL (hereinafter referred to as a

"Preferred Stock Designation"), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, privileges, preferences and rights of the shares of each such series and the qualifications, limitations and restrictions thereof. The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

(a) the designation of the series, which may be by distinguishing number, letter or title;

(b) the number of shares of the series, which number the Board may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding);

(c) whether dividends, if any, shall be cumulative or noncumulative, and, in the case of shares of any series having cumulative dividend rights, the date or dates or method of determining the date or dates from which dividends on the shares of such series shall be cumulative;

(d) the rate of any dividends (or method of determining such dividends) payable to the holders of the shares of such series, any conditions upon which such dividends shall be paid and the date or dates or the method for determining the date or dates upon which such dividends shall be payable;

(e) the price or prices (or method of determining such price or prices) at which, the form of payment of such price or prices (which may be cash, property or rights, including securities of the same or another corporation or other entity) for which, the period or periods within which and the terms and conditions upon which the shares of such series may be redeemed, in whole or in part, at the option of the Corporation or at the option of the holder or holders thereof or upon the happening of a specified event or events, if any;

(f) the obligation, if any, of the Corporation to purchase or redeem shares of such series pursuant to a sinking fund or otherwise and the price or prices at which, the form of payment of such price or prices (which may be cash, property or rights, including securities of the same or another corporation or other entity) for which, the period or periods within which and the terms and conditions upon which the shares of such series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(g) the amount payable out of the assets of the Corporation to the holders of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(h) provisions, if any, for the conversion or exchange of the shares of such series, at any time or times at the option of the holder or holders thereof or at the option of the Corporation or upon the happening of a specified event or events, into shares of any other class or classes or any other series of the same or any other class or classes of stock, or any other security, of the Corporation, or any other corporation or other entity, and the price or prices or rate or rates of conversion or exchange and any adjustments applicable thereto, and all other terms and conditions upon which such conversion or exchange may be made;

(i) restrictions on the issuance of shares of the same series or of any other class or series, if any; and

(j) the voting rights, if any, of the holders of shares of the series.

Section 4. General. The Common Stock shall be subject to the express terms of the Preferred Stock and any series thereof. Except as otherwise provided by law or by the resolution or resolutions adopted by the Board designating the rights, powers and preferences of any series of Preferred Stock, the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, and holders of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote. The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

Article V Stockholder Action

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as

otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of stockholders of the Corporation for any purpose or purposes may be called only by the Board pursuant to a resolution stating the purpose or purposes thereof approved by a majority of the total number of directors which the Corporation would have if there were no vacancies (the "Whole Board") or by the Chairman of the Board and any power of stockholders to call a special meeting is specifically denied. No business other than that stated in the notice shall be transacted at any special meeting.

Article VI
Board of Directors

Section 1. Number, election and terms. The initial number of directors of the Corporation shall be fifteen (15). Except as otherwise fixed by or pursuant to the provisions of Article IV relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of the directors of the Corporation shall be hereafter fixed from time to time exclusively pursuant to a resolution adopted by a majority of the Whole Board (but shall not be less than three). The directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1998, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1999, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2000, with each director to hold office until such person's successor is duly elected and qualified. At each succeeding annual meeting of stockholders, directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until such person's successor shall have been duly elected and qualified.

Section 2. Stockholder nomination of director candidates; Stockholder Proposal of Business. Advance notice of stockholder nominations for the election of directors and of the proposal of business by stockholders shall be given

in the manner provided in the By-Laws of the Corporation, as amended and in effect from time to time.

Section 3. Newly created directorships and vacancies. Except as otherwise provided for or fixed by or pursuant to the provisions of Article IV relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, (i) newly created directorships resulting from any vacancies on the Board resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board, and not by the stockholders and (ii) newly created directorships resulting from any increase in the number of directors after the adoption of a resolution by a majority of the Whole Board in accordance with Section 1 of this Article VI shall be filled by the affirmative vote of the holders of Common Stock, voting in accordance with the provisions of Section 2(a)(i) of Article IV regarding election of directors at the next succeeding annual or special meeting of stockholders. Any director appointed in accordance with clause (i) of the preceding sentence shall hold office until the next annual or special meeting of stockholders and until such director's successor shall have been duly elected and qualified. Any director elected in accordance with clause (ii) of the preceding sentence shall hold office for the remainder of the full term of the class of director in which the new directorship was created and until such director's successor shall have been duly elected and qualified. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

Section 4. Removal. Subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, any director may be removed from office only for cause by the affirmative vote of the holders of the shares of Common Stock, voting together as a single class in the same manner and with the same votes per share as provided in Section 2(a)(i) of Article IV with respect to the election of directors (i.e. with the holders of Class A Common Stock having 80.1% of the total voting power to remove directors and the number of votes per share necessary to achieve such voting power determined by the Board).

Article VII
By-Laws

The By-Laws may be altered or repealed and new By-Laws may be adopted (1) at any annual or special meeting of stockholders, by the affirmative vote of the holders of the shares of Common Stock voting in accordance with Section 2(a)(ii) of Article IV; provided, however, that in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, repeal or adoption of the new By-Law or By-Laws must be contained in the notice of such special meeting, or (2) by the affirmative vote of a majority of the Whole Board.

Article VIII
Amendment of Certificate of Incorporation

The Corporation reserves the right at any time from time to time to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and, except as set forth in Article X, all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article.

Article IX
Corporate Action

In addition to any other considerations which the Board may lawfully take into account, in determining whether to take or to refrain from taking corporate action on any matter, including making or declining to make any recommendation to the stockholders of the Corporation, the Board may in its discretion consider the long-term as well as short-term best interests of the Corporation (including the possibility that these interests may be best served by the continued independence of the Corporation), taking into account, and weighing as the directors deem appropriate, the effects of such action on employees, suppliers and customers of the Corporation and its subsidiaries and the effect upon communities in which offices or other facilities of the Corporation are located, and any other factors the directors consider pertinent.

Article X
Limited Liability; Indemnification

Section 1. Limited Liability of Directors. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. Neither the amendment nor repeal of Section 1 of this Article X shall eliminate or reduce the effect of Section 1 of this Article X in respect of any matter occurring, or any cause of action, suit or claim that, but for Section 1 of this Article X would accrue or arise, prior to such amendment or repeal.

Section 2. Indemnification and Insurance. (a) Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that such person, or a person of whom such person is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, to the fullest extent permitted by law, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgment, fines, amounts paid or to be paid in settlement, and excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974, as in effect from time to time) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer, and shall inure to the benefit of such person's heirs, executors and administrators; provided, however, that, except as provided in paragraph (b) of this Section, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board. The right to indemnification conferred in this Section shall be a contract right and shall include the right

to have the Corporation pay the expenses incurred in defending any such proceeding in advance of its final disposition; any advance payments to be paid by the Corporation within 20 calendar days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that, if and to the extent the DGCL requires, the payment of such expenses incurred by a director or officer in such person's capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The Corporation may, to the extent authorized from time to time by the Board, grant rights to indemnification, and rights to have the Corporation pay the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

(b) Right of Claimant to Bring Suit. If a claim under paragraph (a) of this Section is not paid in full by the Corporation within 30 calendar days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the claimant has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person (including, without limitation, any person other than an officer or director of the Corporation) may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-Laws, agreement, vote of stockholders or disinterested directors or otherwise. No repeal or modification of this Article shall in any way diminish or adversely affect the rights of any director or officer of the Corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

(d) Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

(e) Severability. If any provision or provisions of this Article X shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article X (including, without limitation, each portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Article X (including, without limitation, each such portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be duly executed this ___ day of _____ 1997.

By: _____

Name:

Title:

=====
\$3,000,000,000

CREDIT AGREEMENT

Dated as of May 30, 1997,

among

HE HOLDINGS, INC.

as Borrower,

HUGHES AIRCRAFT COMPANY,

as Guarantor,

THE LENDERS NAMED HEREIN,

BANCAMERICA SECURITIES, INC. and

CHASE SECURITIES, INC.,

as Arrangers,

BANCAMERICA SECURITIES, INC.,

as Syndication Agent,

CITICORP USA, INC. and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,

as Documentation Agents,

and

THE CHASE MANHATTAN BANK,

as Administrative Agent,

FIVE-YEAR COMPETITIVE ADVANCE AND

REVOLVING CREDIT FACILITY
=====

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EXHIBITS

Exhibit A	Administrative Questionnaire
Exhibit B	Form of Assignment and Acceptance
Exhibit C	Form of Borrowing Request
Exhibit D-1	Form of Competitive Bid Request
Exhibit D-2	Form of Notice of Competitive Bid Request
Exhibit D-3	Form of Competitive Bid
Exhibit D-4	Form of Competitive Bid Accept/Reject Letter
Exhibit E	Form of Opinion of Robert M. Hall, Esq.
Exhibit F	Form of Opinion of Special Counsel for the Borrower
Exhibit G	Form of Tax Opinion
Exhibit H	Form of Delco Notes

SCHEDULES

Schedule 1.01	Restricted Subsidiaries
Schedule 2.01	Lenders and Commitments
Schedule 3.01	Significant Subsidiaries
Schedule 3.01	Financial Statements/Material Liabilities
Schedule 3.07	Litigation
Schedule 6.01	Existing Liens
Schedule 6.04	Existing Subsidiary Indebtedness

CREDIT AGREEMENT dated as of May 30, 1997, among HE HOLDINGS, INC., a Delaware corporation (the "Borrower"), HUGHES AIRCRAFT COMPANY, a Delaware corporation, as Guarantor (the "Guarantor"), the Lenders (as defined in Article I), BANCAMERICA SECURITIES, INC. and CHASE SECURITIES, INC., as arrangers (in such capacity, the "Arrangers"), BANCAMERICA SECURITIES, INC., as syndication agent (in such capacity, the "Syndication Agent"), CITICORP USA, INC. and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as documentation agents (in such capacity, each a "Documentation Agent" and, collectively, the "Documentation Agents"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative agent (in such capacity, the "Administrative Agent") for the Lenders.

The Borrower has requested the Lenders, and the Lenders have agreed, to extend credit in the form of Revolving Loans at any time and from time to time prior to the Maturity Date, in an aggregate principal amount at any time outstanding not in excess of \$3,000,000,000. The Borrower also has requested the Lenders to provide a procedure pursuant to which the Borrower may invite the Lenders to bid on an uncommitted basis on short-term borrowings by the Borrower. Pursuant to an agreement and plan of merger dated as of January 16, 1997 (the "Merger Agreement"), between the Borrower and Raytheon Company ("Raytheon"), and subject to the conditions therein, the Borrower will combine its defense business with the business of Raytheon (the "Raytheon Merger"). Prior to the Raytheon Merger, the Guarantor will merge with and into the Borrower (the "HAC Merger"), with the Borrower being the surviving corporation of such merger. Immediately following the Raytheon Merger, the Borrower, as the surviving corporation of such merger, will change its name to Raytheon Company. The proceeds of the Loans are to be used by the Borrower to contribute cash to Hughes Network Systems, Inc. ("HNS"), to pay fees and expenses in connection with the Raytheon Merger, and to repay intercompany loans prior to the spin-off of HNS to General Motors Corporation ("GM"), including payment of loans from Delco Electronics Corporation to the Borrower. Following the Raytheon Merger, the Facilities may also be used to provide working capital and for other general corporate purposes of the Borrower, including commercial paper backup.

The Lenders are willing to extend such credit to the Borrower on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"ABR Borrowing" shall mean a Borrowing comprised of ABR Loans.

"ABR Loan" shall mean any Loan bearing interest at the Alternate Base Rate in accordance with the provisions of Article II.

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit A.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"Agents" shall mean the Administrative Agent, the Syndication Agent and the Documentation Agents.

"Agents' Fees" shall have the meaning assigned to such term in Section 2.06(b).

"Aggregate Revolving Credit Exposure" shall mean the aggregate amount of the Lenders' Revolving Credit Exposures.

"Alternate Base Rate" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate or both for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, of the preceding sentence, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" shall mean, with respect to any Eurodollar Loan (other than any Eurodollar Competitive Loan), or with respect to the Facility Fees, as the case may be:

(a) for any day prior to the consummation of the Raytheon Merger, the applicable percentage set forth below under the caption "Eurodollar Spread" or "Fee Percentage", as the case may be, based upon the ratio of Total Debt to Total Capitalization:

Ratio -----	Eurodollar Spread -----	Fee Percentage -----
Category 1 -----		
Less than or equal to 25%	.140%	.060%
Category 2 -----		
Greater than 25% but less than or equal to 35%	.170%	.080%
Category 3 -----		
Greater than 35% but less than or equal to 45%	.225%	.125%
Category 4 -----		
Greater than 45% but less than or equal to 55%	.300%	.150%

Category 5

Greater than 55%	.425%	.175%
------------------	-------	-------

For purposes of this clause (a), (i) the Eurodollar Spread will be increased by 0.05% at all times that the aggregate amounts outstanding hereunder and under the 364-day Agreement exceed 66 2/3% of the aggregate commitments (whether used or unused) hereunder and under the 364-day Agreement, (ii) the ratio of Total Debt to Total Capitalization on any day shall be determined by reference to the Ratio Certificate most recently delivered pursuant to Section 4.02(d)(ii), 2.04 or 5.04(c), as the case may be and (iii) if the Ratio Certificate has not been delivered in accordance with this Agreement, the ratio of Total Debt to Total Capitalization will be deemed to be in Category 5. Each change in the Applicable Percentage resulting from any change in the ratio of Total Debt to Total Capitalization shall be effective on and after the date of delivery of a Ratio Certificate indicating such change; and

(b) with respect to the day of, and any day after, the consummation of the Raytheon Merger, the applicable percentage set forth below under the caption "Eurodollar Spread" or "Fee Percentage", as the case may be, based upon the ratings by S&P and Moody's, respectively, applicable on such date to the Index Debt:

	Eurodollar Spread	Fee Percentage
	-----	-----
Category 1		

AA- or higher by S&P		
Aa3 or higher by Moody's	.120%	.060%
Category 2		

A+ or A by S&P		
A1 or A2 by Moody's	.155%	.070%
Category 3		

A- by S&P		
A3 by Moody's	.170%	.080%
Category 4		

BBB+ by S&P		
Baa1 by Moody's	.200%	.100%
Category 5		

BBB by S&P		
Baa2 by Moody's	.225%	.125%
Category 6		

BBB- by S&P		
Baa3 by Moody's	.300%	.150%

Category 7

Less than BBB- by S&P		
Less than Baa3 by Moody's	.375%	.175%

For purposes of this clause (b), (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this paragraph), then such rating agency shall be deemed to have established a rating in Category 7; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories, the Applicable Percentage shall be based on the higher of the two ratings unless the ratings differ by more than one category, in which case the governing rating shall be the rating next below the higher of the two; (iii) until the aggregate commitments under this Agreement, the 364-day Agreement and the Raytheon Credit Agreements are reduced below \$8,000,000,000, the Eurodollar Spread will be increased by 0.05% at all times that the aggregate amounts outstanding hereunder and under the 364-day Agreement exceed 66 2/3% of the aggregate commitments (whether used or unused) hereunder and under the 364-day Agreement; and (iv) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the non-availability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Percentage shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"Asset Sale" shall mean the sale, assignment, transfer or other disposition by the Borrower or any of its Restricted Subsidiaries to any person other than the Borrower or any of its wholly owned Restricted Subsidiaries of any capital stock or assets owned by such person other than inventory, obsolete or worn out assets or accounts receivable, in each case disposed of in the ordinary course of business; provided, however, that any asset sale or series of related asset sales described above having a value not in excess of \$25,000,000 shall not be deemed an "Asset Sale" for purposes of this Agreement; and provided further that the consummation of the HAC Merger and the Raytheon Merger and the other transactions contemplated by the Separation Agreement shall not be deemed an "Asset Sale" for purposes of this Agreement.

"Arrangers" shall have the meaning assigned to such term in the preamble.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee, and accepted by the Administrative Agent, in the form of Exhibit B or such other form as shall be approved by the Administrative Agent.

"Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) Statutory Reserves and (b) the Assessment Rate. The term "Statutory Reserves" shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board and any other domestic banking authority to which the Administrative Agent or any Lender (including any branch, Affiliate, or other fronting office making or holding a Loan) is subject with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in Dollars of over \$100,000 with maturities approximately equal to three months. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage. The term "Assessment Rate" shall mean for any date the annual rate (rounded upwards, if necessary, to the

next 1/100 of 1%) most recently estimated by the Administrative Agent as the then current net annual assessment rate that will be employed in determining amounts payable by the Administrative Agent to the Federal Deposit Insurance Corporation (or any successor) for insurance by such Corporation (or such successor) of time deposits made in Dollars at the Administrative Agent's domestic offices.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

"Borrowing" shall mean a group of Loans of a single Type made by the Lenders (or, in the case of a Competitive Borrowing, by the Lender or Lenders whose Competitive Bids have been accepted pursuant to Section 2.03) on a single date and as to which a single Interest Period is in effect.

"Borrowing Request" shall mean a request by the Borrower in accordance with the terms of Section 2.04 and substantially in the form of Exhibit C.

"Business Day" shall mean any day other than a Saturday, Sunday or day on which banks in New York City are authorized or required by law to close; provided, however, that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market.

A "Change in Control" shall be deemed to have occurred if (a) any person or group (within the meaning of Rule 13d-5 of the Securities Exchange Act of 1934 as in effect on the date hereof) other than, at any time prior to the Raytheon Merger, GM or its subsidiaries shall own directly or indirectly, beneficially or of record, shares representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower, (b) a majority of the seats (other than vacant seats) on the board of directors of the Borrower shall at any time have been occupied by persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated or (c) the Borrower shall cease to own 100% of HAC prior to the consummation of the HAC Merger; provided, however, that (i) the consummation of the Raytheon Merger and the transactions contemplated by the Merger Agreement shall not constitute a Change in Control and (ii) the consummation of the HAC Merger and the transactions contemplated thereby shall not constitute a Change in Control.

"Closing Date" shall mean May 30, 1997.

"Closing Date Final Amount" shall have the meaning assigned to such term in the Separation Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Commitment" shall mean, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder as set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender assumed its Commitment, as applicable, as the same may be (a) reduced from time to time pursuant to Section 2.10 or pursuant to Section 2.17, and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04.

"Competitive Bid" shall mean an offer by a Lender to make a Competitive Loan pursuant to Section 2.03.

"Competitive Bid Accept/Reject Letter" shall mean a notification made by the Borrower pursuant to Section 2.03(d) in the form of Exhibit D-4.

"Competitive Bid Rate" shall mean, as to any Competitive Bid made by a Lender pursuant to Section 2.03(b), (i) in the case of a Eurodollar Competitive Loan, the Margin, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Lender making such Competitive Bid.

"Competitive Bid Request" shall mean a request made pursuant to Section 2.03 in the form of Exhibit D-1.

"Competitive Borrowing" shall mean a Borrowing consisting of a Competitive Loan or concurrent Competitive Loans from the Lender or Lenders whose Competitive Bids for such Borrowing have been accepted by the Borrower under the bidding procedure described in Section 2.03.

"Competitive Loan" shall mean a Loan from a Lender to the Borrower pursuant to the bidding procedure described in Section 2.03. Each Competitive Loan shall be a Eurodollar Competitive Loan or a Fixed Rate Loan.

"Confidential Information Memorandum" shall mean the Confidential Information Memorandum of the Borrower dated April 1997.

"Consolidated Net Tangible Assets" shall mean, as at any date of determination, the total amount of assets of the Borrower and the Restricted Subsidiaries (less applicable depreciation, amortization and other valuation reserves) at such date, after deducting therefrom (a) all current liabilities of the Borrower and the Restricted Subsidiaries at such date and (b) all goodwill, trade names, trademarks, patents, unamortized debt issuance fees and expenses and other like intangibles at such date.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Debt Issuance" shall mean the public or private issuance or series of related issuances by the Borrower or any Restricted Subsidiary of Indebtedness for money borrowed in an aggregate principal amount in excess of \$50,000,000 with a maturity greater than 270 days; provided, however, that none of the following shall be considered a "Debt Issuance" for purposes of this Agreement: (a) Indebtedness incurred under this Agreement, the 364-day Agreement or the Raytheon Credit Agreements, (b) Indebtedness incurred under Section 6.04 (other than Section 6.04(h)) of each of this Agreement, the 364-day Agreement or the Raytheon Credit Agreements, (c) Subordinated Intercompany Indebtedness and (d) Indebtedness of the Borrower of the type described in Section 6.04(c).

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"Defense Business" shall have the meaning assigned to such term in the Separation Agreement.

"Delco Notes" shall mean the subordinated promissory notes of the Borrower, in the form attached as Exhibit H.

"Dollars" or "\$" shall mean lawful money of the United States of America.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" shall mean (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan; (b) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section

307 of ERISA; (c) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (d) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Borrower or any of its ERISA Affiliates from any Plan or Multiemployer Plan; (f) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (g) the receipt by the Borrower or any ERISA Affiliate of any notice that Withdrawal Liability is being imposed or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; and (h) the occurrence of a non-exempt "prohibited transaction" with respect to which the Borrower or any of its Subsidiaries is a "disqualified person" (within the meaning of Section 4975) of the Code, or with respect to which the Borrower or any such Subsidiary could otherwise be liable.

"Eurodollar Borrowing" shall mean a Borrowing comprised of Eurodollar Loans.

"Eurodollar Competitive Borrowing" shall mean a Borrowing comprised of Eurodollar Competitive Loans.

"Eurodollar Competitive Loan" shall mean any Competitive Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Eurodollar Loan" shall mean any Eurodollar Revolving Loan or Eurodollar Competitive Loan.

"Eurodollar Revolving Credit Borrowing" shall mean a Borrowing comprised of Eurodollar Revolving Loans.

"Eurodollar Revolving Loan" shall mean any Revolving Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning assigned to such term in Article VII.

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Letter" shall mean the Fee Letter dated April 3, 1997, between the Borrower, the Administrative Agent, the Syndication Agent and Bank of America National Trust and Savings Association.

"Fees" shall mean the Facility Fees and the Agents' Fees.

"Financial Officer" of any corporation shall mean the chief financial officer, principal accounting officer, Treasurer, Assistant Treasurer or Controller of such corporation and, with respect to the Borrower following the Raytheon Merger, shall also mean the Vice President - Project and International Finance.

"Fixed Rate Borrowing" shall mean a Borrowing comprised of Fixed Rate Loans.

"Fixed Rate Loan" shall mean any Competitive Loan bearing interest at a fixed percentage rate per annum (expressed in the form of a decimal to no more than four decimal places) specified by the Lender making such Loan in its Competitive Bid.

"GAAP" shall mean generally accepted accounting principles applied on a consistent basis.

"GM" shall have the meaning assigned to such term in the preamble.

"Governmental Authority" shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guarantee" of or by any person shall mean any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other liability of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligations of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of)such Indebtedness or liability or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness or liability, (b) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness or liability of the payment of such Indebtedness or liability or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or liability.

"Guarantor" shall have the meaning assigned to such term in the preamble.

"HAC Merger" shall have the meaning assigned to such term in the preamble.

"Hughes Distribution Agreement" shall have the meaning assigned to such term in the Merger Agreement.

"HNS" shall have the meaning assigned to such term in the preamble.

"Indebtedness" of any person shall mean, as at any date of determination, all indebtedness (including capitalized lease obligations) of such person and its consolidated subsidiaries at such date that would be required to be included as a liability on a consolidated balance sheet (excluding the footnotes thereto) of such person prepared in accordance with GAAP applied on a basis consistent with the application used in the financial statements referred to in Section 3.05.

"Index Debt" shall mean the senior, unsecured, non-credit enhanced, long-term indebtedness for borrowed money of the Borrower.

"Interest Payment Date" shall mean, with respect to any Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months' duration been applicable to such Borrowing, and, in addition, except with respect to any ABR Loan, the date of any prepayment of such Loan or conversion of such Loan to a Loan of a different Type.

"Interest Period" shall mean (a) as to any Eurodollar Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the Borrower may elect, (b) as to any ABR Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the earlier of (i) the next succeeding March 31, June 30, September 30 or December 31 and (ii) the Maturity Date and (c) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing was

extended, which shall not be earlier than seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing; provided, however, that, if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"Lenders" shall mean (a) the financial institutions listed on Schedule 2.01 (other than any such financial institution that has ceased to be a party hereto pursuant to an Assignment and Acceptance) and (b) any financial institution that has become a party hereto pursuant to an Assignment and Acceptance.

"LIBO Rate" shall mean, with respect to any Eurodollar Borrowing, the rate (rounded upwards, if necessary, to the next 1/100 of 1%) at which Dollar deposits approximately equal in principal amount to (i) in the case of a Revolving Credit Borrowing, the Administrative Agent's portion of such Eurodollar Borrowing and (ii) in the case of a Competitive Borrowing, a principal amount that would have been the Administrative Agent's portion of such Competitive Borrowing had such Competitive Borrowing been a Revolving Credit Borrowing, and for a maturity comparable to such Interest Period are offered to the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" shall mean, with respect to any asset of any person, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities that constitute assets of such person, any purchase option, call or similar right of a third party with respect to such securities.

"Loans" shall mean the Revolving Loans and the Competitive Loans.

"Margin" shall mean, as to any Eurodollar Competitive Loan, the margin (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) to be added to or subtracted from the LIBO Rate in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"Margin Stock" shall have the meaning assigned to such term in Regulation U.

"Material Adverse Effect" shall mean a materially adverse effect on the business, assets, operations or condition, financial or otherwise, of the Borrower and the Restricted Subsidiaries taken as a whole.

"Maturity Date" shall mean the fifth anniversary of the Closing Date.

"Merger Agreement" shall have the meaning assigned to such term in the preamble.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds" shall mean (a) with respect to any Asset Sale, the gross cash proceeds (including, without limitation, cash proceeds, whenever received, of any non-cash consideration) of such Asset Sale less the sum of (i) the reasonable costs associated therewith, including taxes (as estimated by the Borrower or any of its Subsidiaries, as the case may be, in good faith), brokers' and advisors' fees and commissions, (ii) payments of the outstanding principal amount of, premium or penalty, if any, and interest on any Indebtedness required to be, and which in fact is, paid or prepaid

under the terms thereof as a result of such Asset Sale and (iii) appropriate amounts as a reserve, in accordance with GAAP, against any liabilities directly associated with the capital stock or assets sold and which liabilities are retained by the Borrower or any of its Subsidiaries after such Asset Sale (provided that such amounts shall constitute Net Cash Proceeds as and when they are released from such reserve) and (b) with respect to any Debt Issuance, cash proceeds net of underwriting commissions or placement fees and expenses directly incurred in connection therewith less the amount thereof used substantially concurrently with the receipt thereof to repay or prepay short-term Indebtedness of the Borrower or its Restricted Subsidiaries or the current maturities of long-term Indebtedness of the Borrower or its Restricted Subsidiaries. The Net Cash Proceeds of any Asset Sale completed prior to the Raytheon Merger shall only be Net Cash Proceeds for purposes of Section 2.13(a) to the extent they are identifiable as such.

"Obligations" shall mean (a) the due and punctual payment of (i) the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (ii) all other monetary obligations, including Fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) of the Borrower to the Lenders under this Agreement and (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrower under or pursuant to this Agreement.

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Permitted Receivables Program" shall mean any receivables securitization program pursuant to which the Borrower or any of the Subsidiaries sells accounts receivable to any non-Affiliate in a "true sale" transaction; provided, however, that any related indebtedness incurred to finance the purchase of such accounts receivable is not includible on the balance sheet of the Borrower or any Subsidiary in accordance with GAAP and applicable regulations of the Securities and Exchange Commission.

"person" shall mean any natural person, corporation, limited liability company, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

"Plan" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 307 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as being effective.

"Ratio Certificate" shall mean a certificate, signed on behalf of the Borrower by a Financial Officer of the Borrower, delivered to the Administrative Agent on the Closing Date, at the time of each Borrowing Request occurring prior to the Raytheon Merger and as may be required by Section 5.04(c), and calculating, in detail reasonably satisfactory to the Administrative Agent, the ratio of Total Debt to Total Capitalization on the Closing Date or on the date of (and after giving pro forma effect to) the related Borrowing or on the last day of any fiscal quarter, as the case may be.

"Raytheon" shall have the meaning assigned to such term in the preamble.

"Raytheon Credit Agreements" shall mean the 364-day and five-year credit agreements entered into by, among others, Raytheon, as borrower, the lenders party thereto, BancAmerica Securities, Inc., as syndication agent, and The Chase Manhattan Bank, as administrative agent.

"Raytheon Merger" shall have the meaning assigned to such term in the preamble.

"Register" shall have the meaning given such term in Section 10.04(d).

"Regulation G" shall mean Regulation G of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Required Lenders" shall mean, at any time, Lenders having Commitments representing at least a majority of the sum of all Commitments at such time or, for purposes of acceleration pursuant to clause (ii) of the last paragraph of Article VII, Lenders having Loans and unused Commitments representing at least a majority of the sum of all Loans outstanding and unused Commitments.

"Responsible Officer" of any corporation shall mean any executive officer or Financial Officer of such corporation and any other officer or similar official thereof responsible for the administration of the obligations of such corporation in respect of this Agreement.

"Restricted Subsidiary" shall mean (a) prior to the Raytheon Merger, each Subsidiary listed on Schedule 1.01, and (b) from and after the Raytheon Merger, each Subsidiary.

"Revolving Credit Borrowing" shall mean a Borrowing comprised of Revolving Loans.

"Revolving Credit Exposure" shall mean, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Revolving Loans of such Lender.

"Revolving Loans" shall mean the revolving loans made by the Lenders to the Borrower pursuant to Section 2.01. Each Revolving Loan shall be a Eurodollar Revolving Loan or an ABR Loan.

"S&P" shall mean Standard & Poor's Ratings Service.

"Separation Agreement" shall have the meaning assigned to such term in the Merger Agreement.

"Significant Subsidiary" shall mean any Restricted Subsidiary that would be a "Significant Subsidiary" at such time, as such term is defined in Regulation S-X promulgated by the Securities and Exchange Commission as in effect on the Closing Date. Notwithstanding Regulation S-X, the Guarantor will at all times prior to the consummation of the HAC Merger be deemed to be a Significant Subsidiary.

"Stockholders' Equity" shall mean, as at any date of determination (i) prior to the Raytheon Merger, Hughes Electronics Corporation's Net Investment in the combined balance sheet of the Defense Business (such financial statement to be titled "The Defense Business of Hughes Electronics Corporation") at such date (or as of the most recent practicable date preceding such date (but in no event earlier than the last day of the fiscal quarter preceding such date for which financial statements are available)) or (ii) on the day of or after the Raytheon Merger, the stockholders' equity of the Borrower and its consolidated Subsidiaries as of such date (or as of the most recent practicable date after the Raytheon Merger which precedes such date (but in no event earlier than the last day of the

fiscal quarter preceding the date for which financial statements are available)), in each case, as determined in accordance with GAAP.

"Subordinated Intercompany Indebtedness" shall mean Indebtedness of the Borrower or any Restricted Subsidiary held by any Affiliate thereof that is subordinated in right of payment to the Obligations on terms at least as favorable to the Lenders as the subordination provisions of the Delco Notes.

"subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, owned, controlled or held or (b) that is, at the time any determination is made, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" shall mean any subsidiary of the Borrower.

"Tax Sharing Agreement" shall have the meaning assigned to such term in the Separation Agreement.

"364-day Agreement" shall mean the 364-day Credit Agreement dated as of the date hereof among the Borrower, the Guarantor, the lenders party thereto and the Agents.

"Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Administrative Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it.

"Total Capitalization" shall mean, as at any date of determination, the sum of Total Debt at such date and Stockholders' Equity at such date.

"Total Commitment" shall mean, at any time, the aggregate amount of the Commitments, as in effect at such time.

"Total Debt" shall mean, as at any date of determination, all Indebtedness of the Borrower and its consolidated Restricted Subsidiaries (including, without duplication, all Guarantees by the Borrower and its consolidated Restricted Subsidiaries of Indebtedness of others) at such date; provided, however, that the term "Total Debt" shall not include Subordinated Intercompany Indebtedness or such Indebtedness that shall be Subordinated Intercompany Indebtedness as of the date of the initial Borrowing in accordance with the provisions of Section 4.02(1).

"Transactions" shall have the meaning assigned to such term in Section 3.02.

"Type", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, the term "Rate" shall include the LIBO Rate and the Alternate Base Rate.

"Unrestricted Subsidiary" shall mean each Subsidiary, whether now owned or hereafter acquired, that is not a Restricted Subsidiary. Notwithstanding anything to the contrary contained

herein, immediately after the consummation of the Raytheon Merger, all Subsidiaries shall be deemed to be Restricted Subsidiaries.

"wholly owned Subsidiary" of any person shall mean a subsidiary of such person of which securities (except for directors' qualifying shares) or other ownership interests representing 100% of the equity or 100% of the ordinary voting power or 100% of the general partnership interests are, at the time any determination is being made, owned, controlled or held by such person or one or more wholly owned subsidiaries of such person or by such person and one or more wholly owned subsidiaries of such person.

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, (a) any reference to this Agreement shall mean this Agreement as amended, restated, supplemented or otherwise modified from time to time and (b) all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided, however, that for purposes of determining compliance with the covenants contained in Article VI, all accounting terms herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP as in effect on the date of this Agreement and applied on a basis consistent with the application used in the financial statements referred to in Section 3.05.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Revolving Loans to the Borrower, at any time and from time to time on or after the Closing Date, and until the earlier of the Maturity Date and the termination of the Commitment of such Lender in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in (a)(i) such Lender's Revolving Credit Exposure exceeding (ii) such Lender's Commitment or (b)(i) the aggregate amount of outstanding Loans exceeding (ii) the Total Commitment. Within the limits set forth in the preceding sentence, the Borrower may borrow, pay or prepay and reborrow Revolving Loans on or after the Closing Date and prior to the Maturity Date, subject to the terms, conditions and limitations set forth herein.

SECTION 2.02. Loans. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments; provided, however, that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.03. The Loans comprising any Borrowing shall be in an aggregate principal amount that is (i) an integral multiple of \$1,000,000 and not less than \$10,000,000 or (ii) equal to the remaining available balance of the Total Commitment.

(b) Subject to Sections 2.09 and 2.15, each Competitive Borrowing shall be comprised entirely of Eurodollar Competitive Loans or Fixed Rate Loans, and each Revolving Credit Borrowing shall be

comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request pursuant to Section 2.03 or 2.04, as applicable. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; provided, however, that the Borrower shall not be entitled to request any Borrowing that, if made, would result in more than 15 Eurodollar Borrowings outstanding hereunder at any time. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to such account in New York City as the Administrative Agent may designate not later than 11:00 a.m., New York City time, and the Administrative Agent shall by 12:00 (noon), New York City time, credit the amounts so received to an account with the Administrative Agent designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request, which account must be in the name of the Borrower or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with paragraph (c) above and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If the Administrative Agent shall have so made funds available then, to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent within one Business Day of demand therefor such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds (which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(e) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Competitive Bid Procedure. (a) In order to request Competitive Bids, the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Competitive Bid Request (i) in the case of a Eurodollar Competitive Borrowing, not later than 10:00 a.m., New York City time, four Business Days before the proposed date of such Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the proposed date of such Borrowing. A Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request. No ABR Loan shall be requested in, or made pursuant to, a Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit D-1 may be rejected by the Administrative Agent and the Administrative Agent shall notify the Borrower of such rejection as promptly as practicable. Each Competitive Bid Request shall refer to this Agreement and specify (i) whether the Borrowing being requested is to be a Eurodollar Competitive Borrowing or a Fixed Rate Borrowing; (ii) the date of such Borrowing (which shall be a Business Day); (iii) the number and the location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the aggregate principal amount of such Borrowing, which shall be a minimum of \$10,000,000 and an integral multiple of \$1,000,000 and not greater than the Total Commitment then available; and (v) the Interest Period with respect thereto (which may not end after the Maturity Date).

Promptly after its receipt of a Competitive Bid Request that is not rejected, the Administrative Agent shall by telecopy in the form set forth in Exhibit D-2 invite the Lenders to bid to make Competitive Loans pursuant to the Competitive Bid Request.

(b) Each Lender may make one or more Competitive Bids to the Borrower responsive to a Competitive Bid Request. Each Competitive Bid by a Lender must be received by the Administrative Agent by telecopy in the form of Exhibit D-3, (i) in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the format of Exhibit D-3 may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall refer to this Agreement and specify (x) the principal amount (which shall be a minimum of \$5,000,000 and an integral multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (y) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans and (z) the Interest Period applicable to such Loan or Loans and the last day thereof.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount of each Competitive Loan in respect of which a Competitive Bid shall have been made and the identity of the Lender that shall have made each bid.

(d) The Borrower may, subject only to the provisions of this paragraph (d), accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in the form of a Competitive Bid Accept/Reject Letter, whether and to what extent it has decided to accept or reject each Competitive Bid, (x) in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing and (y) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided, however, that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower has decided to reject a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed (but may be less than) the principal amount specified in the Competitive Bid Request, (iv) if the Borrower shall accept a Competitive Bid or Bids made at a particular Competitive Bid Rate but the amount of such Competitive Bid or Bids would cause the total amount to be accepted by the Borrower to exceed the amount specified in the Competitive Bid Request, then the Borrower shall accept a portion of such Competitive Bid or Bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids so accepted, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Bid and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and an integral multiple of \$1,000,000; provided further, however, that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph (d) shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, in what amount and at what Competitive Bid Rate), and each successful bidder will thereupon become bound, upon the terms and subject to the conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) above.

SECTION 2.04. Borrowing Procedure. In order to request a Borrowing (other than a Competitive Borrowing, as to which this Section 2.04 shall not apply), the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Borrowing Request (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before a proposed Borrowing and (b) in the case of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the day of a proposed Borrowing. Each Borrowing Request shall be irrevocable, signed by or on behalf of the Borrower, shall be accompanied by a Ratio Certificate (if the requested Borrowing is to be made prior to the Raytheon Merger) and shall specify the following information: (i) whether the Borrowing then being requested is to be a Eurodollar Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day); (iii) the number and location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the amount of such Borrowing; and (v) if such Borrowing is to be a Eurodollar Borrowing, the Interest Period with respect thereto; provided, however, that, notwithstanding any contrary specification in any Borrowing Request, each requested Borrowing shall comply with the requirements set forth in Section 2.02. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.04 (and the contents thereof), and of each Lender's portion of the requested Borrowing.

SECTION 2.05. Evidence of Debt; Repayment of Loans. (a) The Borrower hereby agrees that the outstanding principal balance of each Revolving Loan shall be payable on the Maturity Date and the outstanding principal balance of each Competitive Loan shall be payable on the last day of the Interest Period applicable thereto. Each Loan shall bear interest from and including the date of such Loan on the outstanding principal balance thereof as set forth in Section 2.07.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) of this Section 2.05 shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with their terms.

(e) Notwithstanding any other provision of this Agreement, in the event any Lender shall request and receive a promissory note payable to such Lender and its registered assigns, the interests represented by such note shall at all times (including after any assignment of all or part of such interests pursuant to Section 10.04) be represented by one or more promissory notes payable to the payee named therein or its registered assigns.

SECTION 2.06. Fees. (a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on the last day of March, June, September and December in each year, and on

the date on which the Commitment of such Lender shall be terminated as provided herein, a facility fee (a "Facility Fee") equal to the Applicable Percentage per annum in effect from time to time on the average daily amount of the Commitment of such Lender (whether used or unused) during the preceding quarter (or shorter period commencing with the date hereof or ending with the Maturity Date or the date on which the Commitment of such Lender shall expire or be terminated). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Facility Fee due to each Lender shall commence to accrue on the date of this Agreement and shall cease to accrue on the earlier of the Maturity Date and the date on which the Commitment of such Lender shall be terminated as provided herein.

(b) The Borrower agrees to pay to each of the Agents or their Affiliates, for their own account, the fees set forth in the Fee Letter at the times and in the amounts specified therein (the "Agents' Fees").

(c) All Fees shall be paid on the dates due, in immediately available funds. Once paid, none of the Fees shall be refundable under any circumstances.

SECTION 2.07. Interest on Loans. (a) Subject to the provisions of Section 2.08, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when the Alternate Base Rate is determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate.

(b) Subject to the provisions of Section 2.08, the Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to (i) in the case of each Revolving Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Percentage in effect from time to time and (ii) in the case of each Competitive Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus the Margin offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(c) Subject to the provisions of Section 2.08, each Fixed Rate Loan shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the fixed rate of interest offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(d) Interest on each Loan shall be payable on the Interest Payment Dates applicable to such Loan except as otherwise provided in this Agreement. The applicable Alternate Base Rate or LIBO Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.08. Default Interest. If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, by acceleration or otherwise, the Borrower shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount to but excluding the date of actual payment (after as well as before judgment) (a) in the case of overdue principal, at the rate otherwise applicable to such Loan pursuant to Section 2.07 plus 2.00% per annum and (b) in all other cases, at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate and over a year of 360 days at all other times) equal to the sum of the Alternate Base Rate plus 2.00%.

SECTION 2.09. Alternate Rate of Interest. In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Borrowing the Administrative Agent shall have determined that (a) Dollar deposits in the principal amounts of the Loans comprising such Borrowing are not generally available in the London interbank market, or (b) the rates at which such Dollar deposits are being offered will not adequately and fairly reflect the cost to Lenders having Commitments representing at least 20% of the Total Commitment of making or

maintaining Eurodollar Loans during such Interest Period, or (c) reasonable means do not exist for ascertaining the LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give written or telecopy notice of such determination to the Borrower and the Lenders. In the event of any such determination (other than any such determination pursuant to clause (b) of the preceding sentence, to the extent the circumstances giving rise to such determination would also give Lenders the right to demand additional amounts pursuant to Section 2.14), until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any request by the Borrower for a Eurodollar Revolving Credit Borrowing pursuant to Section 2.04 shall be deemed to be a request for an ABR Borrowing and (ii) any request by the Borrower for a Eurodollar Competitive Borrowing pursuant to Section 2.03 shall be of no force and effect and shall be denied by the Administrative Agent. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

SECTION 2.10. Termination and Reduction of Commitments. (a) The Commitments shall automatically terminate on the Maturity Date.

(b) Upon at least three Business Days' prior irrevocable written or telecopy notice to the Administrative Agent, the Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Commitments; provided, however, that (i) each partial reduction of the Commitments shall be in an integral multiple of \$1,000,000 and in a minimum amount of \$10,000,000 and (ii) the Total Commitment shall not be reduced to an amount that is less than the sum of the Aggregate Revolving Credit Exposure and the aggregate outstanding principal amount of the Competitive Loans at the time.

(c) Each reduction in the Commitments hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Borrower shall pay to the Administrative Agent for the account of the applicable Lenders, on the date of each termination or reduction, the Facility Fees on the amount of the Commitments so terminated or reduced accrued to but excluding the date of such termination or reduction.

SECTION 2.11. Conversion and Continuation of Revolving Credit Borrowings. The Borrower shall have the right at any time upon prior irrevocable notice to the Administrative Agent (a) not later than 10:00 a.m., New York City time, on the day of conversion, to convert any Eurodollar Borrowing into an ABR Borrowing, (b) not later than 10:00 a.m., New York City time, three Business Days prior to conversion or continuation, to convert any ABR Borrowing into a Eurodollar Borrowing or to continue any Eurodollar Borrowing as a Eurodollar Borrowing for an additional Interest Period, and (c) not later than 10:00 a.m., New York City time, three Business Days prior to conversion, to convert the Interest Period with respect to any Eurodollar Borrowing to another permissible Interest Period, subject in each case to the following:

(i) each conversion or continuation shall be made pro rata among the Lenders in accordance with the respective principal amounts of the Loans comprising the converted or continued Borrowing;

(ii) if less than all the outstanding principal amount of any Borrowing shall be converted or continued, then each resulting Borrowing shall satisfy the limitations specified in Sections 2.02(a) and 2.02(b) regarding the principal amount and maximum number of Borrowings of the relevant Type;

(iii) each conversion shall be effected by each Lender by recording for the account of such Lender the new Loan of such Lender resulting from such conversion and reducing the Loan (or portion thereof) of such Lender being converted by an equivalent principal amount; accrued interest on any Eurodollar Loan (or portion thereof) being converted shall be paid by the Borrower at the time of conversion;

(iv) if any Eurodollar Borrowing is converted at a time other than the end of the Interest Period applicable thereto, the Borrower shall pay, upon demand, any amounts due to the Lenders pursuant to Section 2.16;

(v) any portion of a Borrowing maturing or required to be repaid in less than one month may not be converted into or continued as a Eurodollar Borrowing; and

(vi) any portion of a Eurodollar Borrowing that cannot be converted into or continued as a Eurodollar Borrowing by reason of the immediately preceding clause shall be automatically converted at the end of the Interest Period in effect for such Borrowing into an ABR Borrowing.

Each notice pursuant to this Section 2.11 shall be irrevocable and shall refer to this Agreement and specify (i) the identity and amount of the Borrowing that the Borrower requests be converted or continued, (ii) whether such Borrowing is to be converted into or continued as a Eurodollar Borrowing or an ABR Borrowing, (iii) if such notice requests a conversion, the date of such conversion (which shall be a Business Day) and (iv) if such Borrowing is to be converted into or continued as a Eurodollar Borrowing, the Interest Period with respect thereto (which may not end after the Maturity Date). If no Interest Period is specified in any such notice with respect to any conversion into or continuation as a Eurodollar Borrowing, the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall advise the other Lenders of any notice given pursuant to this Section 2.11 and of each Lender's portion of any converted or continued Borrowing. If the Borrower shall not have given notice in accordance with this Section 2.11 to continue any Borrowing into a subsequent Interest Period (and shall not otherwise have given notice in accordance with this Section 2.11 to convert such Borrowing), such Borrowing shall, at the end of the Interest Period applicable thereto (unless repaid pursuant to the terms hereof), automatically be continued into a new Interest Period as an ABR Borrowing. The Borrower shall not have the right to continue or convert the Interest Period with respect to any Competitive Borrowing pursuant to this Section 2.11.

SECTION 2.12. Prepayment. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing (other than a Competitive Borrowing), in whole or in part, upon at least three Business Days' prior written or telecopy notice (or telephone notice promptly confirmed by written or telecopy notice) to the Administrative Agent before 11:00 a.m., New York City time; provided, however, that each partial prepayment shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000. The Borrower shall not have the right to prepay any Competitive Borrowing.

(b) In the event of any termination of the Commitments, the Borrower shall repay or prepay all its outstanding Revolving Credit Borrowings on the date of such termination. In the event of any partial reduction of the Commitments, then (i) at or prior to the effective date of such reduction, the Administrative Agent shall notify the Borrower and the Lenders of the Aggregate Revolving Credit Exposure and (ii) if the Aggregate Revolving Credit Exposure would exceed the available Total Commitment after giving effect to such reduction, the Borrower shall, on the date of such reduction, repay or prepay Revolving Credit Borrowings in an amount sufficient to eliminate such excess.

(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing by the amount stated therein on the date stated therein. All prepayments under this Section 2.12 shall be subject to Section 2.16 but otherwise without premium or penalty. All prepayments of Eurodollar Loans under this Section 2.12 shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

SECTION 2.13. Required Commitment Reductions and Prepayments. (a) If prior to the second anniversary of the Closing Date the Borrower or any Restricted Subsidiary shall complete any Asset Sale, then not later than the third Business Day following the receipt by the Borrower or any Restricted Subsidiary of any Net Cash Proceeds therefrom (or, if such Asset Sale was completed prior

to the Raytheon Merger, the fifth Business Day following the final determination of the Closing Date Final Amount pursuant to Article 7 of the Separation Agreement), the Borrower shall permanently reduce the Commitments and/or the commitments under the 364-day Agreement and/or the commitments under one and/or both of the Raytheon Credit Agreements, at the option of the Borrower, by an aggregate amount, which when aggregated with all required commitment reductions made pursuant to Section 2.13 (a) or (b) prior to such date, shall equal at least 75% of the aggregate Net Cash Proceeds of such Asset Sale and all other Asset Sales and Debt Issuances made prior to such date and, to the extent the outstanding Loans would exceed the Total Commitment as so reduced, prepay any Revolving Loans then outstanding on or prior to the effectiveness of such reduction by an amount sufficient to eliminate such excess.

(b) If prior to the second anniversary of the Closing Date the Borrower or any Restricted Subsidiary shall complete any Debt Issuance, then within three Business Days of the receipt by the Borrower or any Restricted Subsidiary of any Net Cash Proceeds therefrom, the Borrower shall on such date permanently reduce the Commitments and/or the commitments under the 364-day Agreement and/or, after the consummation of the Raytheon Merger, the commitments under one and/or both of the Raytheon Credit Agreements, at the option of the Borrower, by an aggregate amount, which when aggregated with all required commitment reductions made pursuant to Section 2.13 (a) or (b) prior to such date, shall equal at least 75% of the aggregate Net Cash Proceeds of such Debt Issuance and all other Debt Issuances and Asset Sales made prior to such date and, to the extent the outstanding Loans would exceed the Total Commitment as so reduced, prepay any Revolving Loans then outstanding on or prior to the effectiveness of such reduction by an amount sufficient to eliminate such excess.

(c) In the event any prepayment required by Section 2.13(a) or (b) with respect to any Revolving Loan would become due on a date that is not the last day of the relevant Interest Period therefor and as a result thereof the Borrower would incur liabilities under Section 2.16, then (i) if the last day of the relevant Interest Period for such Loan would occur within 180 days of the date on which such prepayment is otherwise due, and (ii) no Default or Event of Default shall have occurred and be continuing, such prepayment may be made at the Borrower's election on the last day of the relevant Interest Period for such Loan and, pending such prepayment, the Borrower shall deposit such Net Cash Proceeds with the Administrative Agent which shall hold such Net Cash Proceeds for the benefit of the Lenders, in an interest bearing account, until such time as such proceeds can be applied towards payment of the Loans in accordance with the provisions of this Agreement without resulting in any liability to the Borrower under Section 2.16. Until such Loans are so prepaid they shall continue to accrue interest as provided hereunder, provided that all interest which may accrue on any amounts so held in escrow shall be delivered by the Administrative Agent to the Borrower following prepayment of the principal of and accrued interest on such Loans.

SECTION 2.14. Reserve Requirements; Change in Circumstances. (a) Notwithstanding any other provision of this Agreement, if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender or shall impose on such Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or Fixed Rate Loan, or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the Borrower will pay to such Lender upon demand such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender shall have determined that the adoption after the date hereof of any law, rule, regulation, agreement or guideline regarding capital adequacy, or any change after the date hereof in any such law, rule, regulation, agreement or guideline (whether such law, rule, regulation, agreement or guideline has been adopted) or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by

any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any Governmental Authority has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company (including the calculation thereof) as specified in paragraph (a) or (b) above shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate delivered by it within 10 days after its receipt of the same.

(d) Failure or delay on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital shall not constitute a waiver of such Lender's right to demand such compensation. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, agreement, guideline or other change or condition that shall have occurred or been imposed. Notwithstanding any other provision of this Section, no Lender shall be entitled to demand compensation hereunder in respect of any Competitive Loan if it shall have been aware of the event or circumstance giving rise to such demand at the time it submitted the Competitive Bid pursuant to which such Loan was made.

SECTION 2.15. Change in Legality. (a) Notwithstanding any other provision of this Agreement, if, after the date hereof, any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent:

(i) such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods and ABR Loans will not thereafter (for such duration) be converted into Eurodollar Loans), whereupon such Lender shall not submit a Competitive Bid in response to a request for a Eurodollar Competitive Loan and any request for a Eurodollar Borrowing (or to convert an ABR Borrowing to a Eurodollar Borrowing or to continue a Eurodollar Borrowing for an additional Interest Period) shall, as to such Lender only, be deemed a request for an ABR Loan unless such declaration shall be subsequently withdrawn (or a request to continue an ABR Loan as such for an additional Interest Period or to convert a Eurodollar Loan into an ABR Loan, as the case may be); and

(ii) such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.15, a notice to the Borrower by any Lender shall be effective as to each Eurodollar Loan made by such Lender, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

SECTION 2.16. Indemnity. The Borrower shall indemnify each Lender against any loss or expense that such Lender may sustain or incur as a consequence of any event, other than a default by such Lender in the performance of its obligations hereunder, that results in (i) such Lender receiving or being deemed to receive any amount on account of the principal of any Fixed Rate Loan or Eurodollar Loan prior to the end of the Interest Period in effect therefor, (ii) the conversion of any Eurodollar Loan to an ABR Loan, or the conversion of the Interest Period with respect to any Eurodollar Loan, in each case prior to the end of the Interest Period in effect therefor or (iii) any Fixed Rate Loan or Eurodollar Loan to be made by such Lender (including any Eurodollar Loan to be made pursuant to a conversion or continuation under Section 2.11) not being made after notice of such Loan shall have been given by the Borrower hereunder (any of the events referred to in this sentence being called a "Breakage Event"). In the case of any Breakage Event, such loss shall include an amount equal to the excess, as reasonably determined by such Lender, of (i) its cost of obtaining funds for the Eurodollar Loan or Fixed Rate Loan that is the subject of such Breakage Event for the period from the date of such Breakage Event to the last day of the Interest Period in effect (or that would have been in effect) for such Loan over (ii) the amount of interest likely to be realized by such Lender in redeploying the funds released or not utilized by reason of such Breakage Event for such period. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section 2.16 shall be delivered to the Borrower and shall be conclusive absent manifest error.

SECTION 2.17. Pro Rata Treatment. Except as provided in the two succeeding sentences with respect to Competitive Borrowings and as required under Section 2.15, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of the Facility Fees, each reduction of the Commitments and each continuation or conversion of any Borrowing to a Borrowing of any Type shall be allocated pro rata among the Lenders in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans). Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining the available Commitments of the Lenders at any time, each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Lenders (including those Lenders that shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole Dollar amount.

SECTION 2.18. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the Borrower, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Revolving Loan or Loans as a result of which the unpaid principal portion of its Revolving Loans shall be proportionately less than the unpaid principal portion of the Revolving Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Revolving Loans of such other Lender, so that the aggregate unpaid principal amount of the Revolving Loans and participations in Revolving Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Revolving Loans then outstanding as the principal amount of its Revolving Loans prior to such exercise of banker's lien, setoff or counterclaim or other event

was to the principal amount of all Revolving Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Revolving Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower to such Lender by reason thereof as fully as if such Lender had made a Revolving Loan directly to the Borrower in the amount of such participation.

SECTION 2.19. Payments. (a) The Borrower shall make each payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder not later than 12:00 (noon), New York City time, on the date when due in immediately available Dollars, without defense, setoff or counterclaim. Each such payment shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.20. Taxes. (a) Any and all payments by the Borrower hereunder shall be made, in accordance with Section 2.19, free and clear of and without deduction for any and all current or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding (i) income taxes imposed on the net income of the Administrative Agent or any Lender (or any transferee or assignee thereof, including a participation holder (any such entity a "Transferee")) and (ii) franchise taxes imposed on the net income of the Administrative Agent or any Lender (or Transferee), in each case by the jurisdiction under the laws of which the Administrative Agent or such Lender (or Transferee) is organized or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, being called "Taxes"). If the Borrower shall be required to deduct any Taxes from or in respect of any sum payable hereunder to the Administrative Agent or any Lender (or any Transferee), (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.20) the Administrative Agent or such Lender (or Transferee), as the case may be, shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay to the relevant Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement ("Other Taxes").

(c) The Borrower will indemnify the Administrative Agent and each Lender (or Transferee) for the full amount of Taxes and Other Taxes paid by the Administrative Agent or such Lender (or Transferee), as the case may be, and any liability (including penalties, interest and expenses (including reasonable attorney's fees and expenses)) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability prepared by the Administrative Agent or a Lender (or Transferee), or the Administrative Agent on its behalf, absent manifest error, shall be final, conclusive and binding for all purposes. Such indemnification shall be made within 30 days after the date the Administrative Agent or any Lender (or Transferee), as the case may be, makes written demand therefor.

(d) If the Administrative Agent or a Lender (or Transferee) receives a refund in respect of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.20, it shall within 30 days from the date of such receipt pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.20 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender (or Transferee) and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund); provided, however, that the Borrower, upon the request of the Administrative Agent or such Lender (or Transferee), shall repay the amount paid over to the Borrower (plus penalties, interest or other charges) to the Administrative Agent or such Lender (or Transferee) in the event the Administrative Agent or such Lender (or Transferee) is required to repay such refund to such Governmental Authority.

(e) As soon as practicable after the date of any payment of Taxes or Other Taxes by the Borrower to the relevant Governmental Authority, the Borrower will deliver to the Administrative Agent, at its address referred to in Section 10.01, the original or a certified copy of a receipt issued by such Governmental Authority evidencing payment thereof.

(f) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.20 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(g) Each Lender (or Transferee) that is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") shall deliver to each of the Borrower and the Administrative Agent two copies of either United States Internal Revenue Service Form 1001 or Form 4224, or, in the case of a Non-U.S. Lender claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8, or any subsequent versions thereof or successors thereto (and, if such Non-U.S. Lender delivers a Form W-8, a certificate representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code)), properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or reduced rate of, U.S. Federal withholding tax on payments by the Borrower under this Agreement. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a participation holder, on or before the date such participation holder becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S. Lender changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this Section 2.20(g), a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.20(g) that such Non-U.S. Lender is not legally able to deliver.

(h) The Borrower shall not be required to indemnify any Non-U.S. Lender or to pay any additional amounts to any Non-U.S. Lender, in respect of United States Federal withholding tax pursuant to paragraph (a) or (c) above to the extent that (i) the obligation to withhold amounts with respect to United States Federal withholding tax existed on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a Transferee that is a participation holder, on the date such participation holder became a Transferee hereunder) or, with respect to payments to a New Lending Office, the date such Non-U.S. Lender designated such New Lending Office with respect to a Loan; provided, however, that this paragraph (h) shall not apply (x) to any Transferee or New Lending Office that becomes a Transferee or New Lending Office as a result of an assignment, participation, transfer or designation made at the request of the Borrower and (y) to the extent the indemnity payment or additional amounts any Transferee, or any Lender (or Transferee), acting through a New Lending Office, would be entitled to receive (without regard to this paragraph (h)) do not exceed the indemnity payment or additional amounts that the person making the assignment, participation or transfer to such Transferee, or Lender (or Transferee) making the designation of such New Lending Office, would

have been entitled to receive in the absence of such assignment, participation, transfer or designation or (ii) the obligation to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Lender to comply with the provisions of paragraph (g) above.

(i) Nothing contained in this Section 2.20 shall require any Lender (or any Transferee) or the Administrative Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

SECTION 2.21. Assignment of Commitments Under Certain Circumstances; Duty to Mitigate. (a) In the event (i) any Lender delivers a certificate requesting compensation pursuant to Section 2.14, (ii) any Lender delivers a notice described in Section 2.15 or (iii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender pursuant to Section 2.20, the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to transfer and assign, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all of its interests, rights and obligations under this Agreement to an assignee which shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (x) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority having jurisdiction, (y) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, and (z) the Borrower or such assignee shall have paid to the affected Lender in immediately available funds an amount equal to the sum of the principal of and interest accrued to the date of such payment on the outstanding Loans of such Lender plus all Fees and other amounts accrued for the account of such Lender hereunder (including any amounts under Section 2.14 and Section 2.16); provided further that if prior to any such transfer and assignment the circumstances or event that resulted in such Lender's claim for compensation under Section 2.14 or notice under Section 2.15 or the amounts paid pursuant to Section 2.20, as the case may be, cease to cause such Lender to suffer increased costs or reductions in amounts received or receivable or reduction in return on capital, or cease to have the consequences specified in Section 2.15, or cease to result in amounts being payable under Section 2.20, as the case may be (including as a result of any action taken by such Lender pursuant to paragraph (b) below), or if such Lender shall waive its right to claim further compensation under Section 2.14 in respect of such circumstances or event or shall withdraw its notice under Section 2.15 or shall waive its right to further payments under Section 2.20 in respect of such circumstances or event, as the case may be, then such Lender shall not thereafter be required to make any such transfer and assignment hereunder.

(b) If (i) any Lender shall request compensation under Section 2.14, (ii) any Lender delivers a notice described in Section 2.15 or (iii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender, pursuant to Section 2.20, then, such Lender shall use reasonable efforts (which shall not require such Lender to incur an unreimbursed loss or unreimbursed cost or expense or otherwise take any action inconsistent with its internal policies or legal or regulatory restrictions or suffer any disadvantage or burden deemed by it to be significant) (x) to file any certificate or document reasonably requested in writing by the Borrower or (y) to assign its rights and delegate and transfer its obligations hereunder to another of its offices, branches or affiliates, if such filing or assignment would reduce its claims for compensation under Section 2.14 or enable it to withdraw its notice pursuant to Section 2.15 or would reduce amounts payable pursuant to Section 2.20, as the case may be, in the future. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such filing, assignment, delegation and transfer.

ARTICLE III

Representations and Warranties

The Borrower represents and warrants to the Administrative Agent and each of the Lenders that:

SECTION 3.01. Organization; Powers. The Borrower and each of the Significant Subsidiaries (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted and (c) is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where the failure so to qualify could not reasonably be expected to result in a Material Adverse Effect. The Borrower has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and to borrow hereunder. Schedule 3.01 sets forth each Significant Subsidiary of the Borrower in existence on the Closing Date.

SECTION 3.02. Authorization. The execution, delivery and performance by the Borrower of this Agreement and the borrowings hereunder (collectively, the "Transactions") (a) have been duly authorized by all requisite corporate and, if required, stockholder action and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, or of the certificate or articles of incorporation or other constitutive documents or by-laws of the Borrower or any Significant Subsidiary, (B) any order of any Governmental Authority or (C) any material provision of any material indenture, agreement or other instrument to which the Borrower or any Significant Subsidiary is a party or by which any of them or any of their property is or may be bound, (ii) be in material conflict with, result in a material breach of or constitute (alone or with notice or lapse of time or both) a material default under, or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under any such material indenture, agreement or other instrument or (iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by the Borrower or any Significant Subsidiary.

SECTION 3.03. Enforceability. This Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

SECTION 3.04. Governmental Approvals. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Transactions, except those which have been made or obtained.

SECTION 3.05. Financial Statements. The Borrower has heretofore furnished to the Lenders the consolidated balance sheet, statement of income and statement of cash flows of the Defense Business as of and for the fiscal year ended December 31, 1996, audited by and accompanied by the opinion of Deloitte & Touche LLP, independent public accountants. Such financial statements present fairly the financial condition and results of operations of the Defense Business as of such date and for such period and were prepared in accordance with GAAP applied on a consistent basis. Such financial statements and the notes thereto, and Schedule 3.05, when taken together, disclose all material liabilities, direct or contingent, of the Borrower and its consolidated Restricted Subsidiaries as of the date thereof.

SECTION 3.06. No Material Adverse Change. There has been no material adverse change in the business, assets, operations or condition, financial or otherwise, of the Borrower and the Subsidiaries, taken as a whole, since December 31, 1996.

SECTION 3.07. Litigation; Compliance with Laws. (a) Except as set forth on Schedule 3.07, there are not any actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any Subsidiary or any business, property or rights of any such person (i) that involve this

Agreement or the Transactions or (ii) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(b) None of the Borrower or any of the Subsidiaries or any of their respective material properties or assets is in violation of, nor will the continued operation of their material properties and assets as currently conducted violate, any law, rule or regulation, or is in default with respect to any judgment, writ, injunction, decree or order of any Governmental Authority (including any of the foregoing relating to the environment), where such violation or default could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.08. Federal Reserve Regulations. (a) Neither the Borrower nor any of the Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately for any purpose that entails a violation of, or that is inconsistent with, the provisions of the Regulations of the Board, including Regulation G, U or X. Margin Stocks do not constitute 25% or more of the fair market value of the assets of the Borrower and the Subsidiaries subject to the restrictions of Section 6.01.

SECTION 3.09. Investment Company Act; Public Utility Holding Company Act. Neither the Borrower nor any Subsidiary is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.10. Tax Returns. Each of the Borrower and the Subsidiaries has filed or caused to be filed all Federal and all material state, local and foreign tax returns or materials required to have been filed by it and has paid or caused to be paid all taxes shown to be due and payable by it on such returns and all assessments received by it, except taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiaries, as applicable, shall have set aside on its books adequate reserves in accordance with GAAP.

SECTION 3.11. No Material Misstatements. Neither (a) the Confidential Information Memorandum nor (b) any other information, report, financial statement, exhibit or schedule furnished in writing by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or included herein or delivered pursuant hereto contained, contains or will contain any material misstatement of fact or omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading; provided that to the extent any such information, report, financial statement, exhibit or schedule was based upon or constitutes a forecast or projection, the Borrower represents only that it acted in good faith and utilized reasonable assumptions and due care in the preparation of such information, report, financial statement, exhibit or schedule.

SECTION 3.12. Employee Benefit Plans. Each of the Borrower and its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect. The present value of all benefit liabilities under each Plan (based on those assumptions used to fund such Plan) did not, as of the last annual valuation date applicable thereto before the Closing Date, exceed the fair market value of the assets of such Plan as of such date, and the present value of all benefit liabilities of all underfunded Plans (based on those assumptions used to fund each such Plan) did not, as of the last annual valuation dates applicable thereto before the Closing Date, exceed by more than \$280 million the fair market value of the assets of all such underfunded Plans as of such dates.

ARTICLE IV

Conditions of Lending

The obligations of the Lenders to make Loans hereunder are subject to the satisfaction of the following conditions:

SECTION 4.01. All Borrowings. On the date of each Borrowing (other than, in the case of paragraph (b) below, a Borrowing that does not increase the aggregate principal amount of Loans outstanding of any Lender):

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03 or 2.04, as applicable.

(b) The representations and warranties set forth in Article III hereof shall be true and correct in all material respects on and as of the date of such Borrowing with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) At the time of and immediately after such Borrowing, no Event of Default or Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date of such Borrowing as to the matters specified in paragraphs (b) (except as aforesaid) and (c) of this Section 4.01.

SECTION 4.02. First Borrowing. On the date of the initial Borrowing:

(a) The Administrative Agent shall have received, on behalf of itself and the Lenders and the Agents, the favorable written opinions of (i) Robert M. Hall, Esq., Secretary of the Borrower and (ii) Weil, Gotshal & Manges LLP, special counsel for the Borrower, substantially to the effect set forth in Exhibits E and F, respectively, each (A) dated the date of the initial Borrowing, (B) addressed to the Administrative Agent, the Lenders and the Agents, and (C) covering such other matters relating to this Agreement and the transactions contemplated hereby as the Administrative Agent and the Syndication Agent may reasonably request as a result of any change in law or regulation after the Closing Date relating to such transactions or any material change in facts previously disclosed to the Lenders, or disclosure of facts not previously disclosed to the Lenders, and the Borrower hereby requests such counsel deliver such opinions.

(b) All legal matters incident to this Agreement, the Borrowings and extensions of credit hereunder shall be reasonably satisfactory to the Lenders and to Cravath, Swaine & Moore, counsel for the Administrative Agent and the Syndication Agent.

(c) The Administrative Agent and the Syndication Agent shall have received (i) a copy of the certificate of incorporation, including all amendments thereto, of the Borrower and the Guarantor, each certified as of a recent date by the Secretary of State of the State of Delaware, and a certificate as to the good standing of the Borrower and the Guarantor as of a recent date, from such Secretary of State; (ii) a certificate of the Secretary or Assistant Secretary of each of the Borrower and the Guarantor, each dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Borrower or the Guarantor, as applicable, as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Borrower or the Guarantor, as applicable, authorizing the execution, delivery and performance of this Agreement and, in the case of the Borrower, the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate of

incorporation of the Borrower or the Guarantor, as applicable, has not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of the Borrower or the Guarantor, as applicable; (iii) a certificate of another officer of the Borrower or the Guarantor, as applicable, as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or Cravath, Swaine & Moore, counsel for the Administrative Agent and the Syndication Agent, may reasonably request.

(d) The Administrative Agent and the Syndication Agent shall each have received (i) a certificate, dated the date of the initial Borrowing and signed by a Financial Officer of the Borrower, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.01, (ii) a Ratio Certificate, calculating the ratio of Total Debt to Total Capitalization on the Closing Date and on the date of the initial Borrowing and (iii) a certificate, dated the date of the initial Borrowing, and signed by a Financial Officer of the Borrower, setting forth all Asset Sales as of such date made after the Closing Date, and the amount of Net Cash Proceeds received by the Borrower or any of its Restricted Subsidiaries in connection therewith.

(e) The consummation of the Raytheon Merger shall have been approved by the shareholders of Raytheon and the shareholders of each class of common stock of GM shall have approved the GM Transactions (as defined in the Hughes Distribution Agreement) and those related transactions submitted for the approval of such shareholders.

(f) All requisite Governmental Authorities shall have approved or consented to the Raytheon Merger and the transactions contemplated hereby to the extent required, all applicable waiting periods (including under the Hart-Scott-Rodino Antitrust Improvements Act of 1976) shall have expired and there shall be no governmental or judicial action, actual or overtly threatened, restraining, preventing or imposing burdensome conditions on the Raytheon Merger or the transactions contemplated hereby.

(g) There shall be no litigation or administrative proceedings or other legal or regulatory developments, actual or overtly threatened, that, in the judgment of the Lenders, involve a reasonable possibility of prohibiting or imposing burdensome conditions on the Raytheon Merger or the transactions contemplated hereby.

(h) The Administrative Agent and the other Agents and their Affiliates shall have received all Fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(i) The Borrower shall have provided to the Lenders an opinion of Weil, Gotshal & Manges LLP, special counsel to the Borrower, to the effect that the Raytheon Merger shall qualify as a "reorganization" within the meaning of Section 368 of the Code and either (A) a copy of a ruling by the Internal Revenue Service confirming the tax-free status of certain related transactions (including the distribution of HNS stock by the Borrower to GM, the distribution of the Borrower's stock by GM to its shareholders and the liquidation of Hughes Electronics Corporation into GM and HAC into the Borrower prior to the Raytheon Merger) or (B) an opinion of Kirkland & Ellis, special counsel to GM to such effect (which opinion shall be substantially identical to the opinion of such counsel delivered to GM), the conclusion of which shall be substantially in the form set forth as Exhibit G.

(j) The HAC Merger shall have occurred.

(k) The 364-day Agreement shall have been, or shall simultaneously be, executed and delivered by the parties thereto and shall be in full force and effect.

(1) The subordination provisions attached as a rider to the Delco Notes shall have been incorporated into and made a part of the Delco Notes.

ARTICLE V

Affirmative Covenants

The Borrower covenants and agrees with each Lender that so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement shall have been paid in full, unless the Required Lenders shall otherwise consent in writing, the Borrower will, and will cause each of the Restricted Subsidiaries to:

SECTION 5.01. Existence; Businesses and Properties. In the case of the Borrower and the Significant Subsidiaries:

(a) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises, except as otherwise expressly permitted under Section 6.03 and

(b) comply in all material respects with all applicable laws, rules, regulations and decrees and orders of any Governmental Authority, whether now in effect or hereafter enacted; and at all times maintain, preserve and protect all property material to the conduct of its business.

SECTION 5.02. Insurance. Keep its insurable properties adequately insured at all times by financially sound and reputable insurers; and maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses, provided that nothing in this Section 5.02 shall preclude the Borrower or any Subsidiary from being self-insured (to the extent deemed prudent by the Borrower or such Subsidiary and customary with companies in the same or similar business).

SECTION 5.03. Taxes. Pay and discharge promptly when due all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise that, if unpaid, might give rise to a Lien upon such properties or any part thereof unless and to the extent the same are being contested in good faith by appropriate proceedings and adequate reserves with respect thereto shall, to the extent required by GAAP, have been set aside.

SECTION 5.04. Financial Statements, Reports, etc. In the case of the Borrower, furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year, a consolidated balance sheet, statement of income and statement of cash flows showing the financial condition and results of operations of the Defense Business and, after the consummation of the Raytheon Merger, the Borrower and its consolidated Subsidiaries as of and for the fiscal year then ended, all audited by Deloitte & Touche LLP or other independent public accountants of recognized national standing and accompanied by an opinion of such accountants (which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of the Defense Business or the Borrower and its consolidated Subsidiaries, as the case may be, on a consolidated basis in accordance with GAAP;

(b) within 45 days (or, in the case of the fiscal quarter ending March 31, 1997, 60 days) after the end of each of the first three fiscal quarters of each fiscal year, a consolidated

balance sheet, statement of income and statement of cash flows showing the financial condition and results of operations of the Defense Business and, after the consummation of the Raytheon Merger, the Borrower and its consolidated Subsidiaries as of and for the fiscal quarter then ended and the then elapsed portion of the fiscal year, all certified by a Financial Officer of the Borrower as fairly presenting the financial condition and results of operations of the Defense Business or the Borrower, as the case may be, on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments;

(c) concurrently with any delivery of financial statements under paragraph (a) or (b) above, (i) a certificate of a Financial Officer of the Borrower certifying that no Event of Default or Default has occurred or, if such an Event of Default or Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto and (ii) if the Raytheon Merger has not occurred, (x) a Ratio Certificate, calculating the ratio of Total Debt to Total Capitalization as of the last day of the preceding fiscal quarter and (y) a certificate of a Financial Officer of the Borrower certifying that such financial statements and the notes thereto, and Schedule 3.05 (as modified, if necessary, by an updated schedule attached to such certificate), when taken together, disclose all material liabilities, direct or contingent, of the Borrower and its consolidated Restricted Subsidiaries as of the date thereof;

(d) no later than May 30, 1997, a consolidated balance sheet, statement of income and statement of cash flows showing the financial condition of the Borrower and its consolidated Subsidiaries as of December 31, 1996, all certified by a Financial Officer of the Borrower as fairly presenting the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP;

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed to its shareholders, as the case may be; and

(f) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of the Borrower or any Significant Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.05. Litigation and Other Notices. Promptly upon any Responsible Officer of the Borrower obtaining knowledge of any of the following, furnish to the Administrative Agent and each Lender written notice of the following:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto;

(b) the filing or commencement of, or any notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Borrower or any Affiliate thereof that could reasonably be expected to result in a Material Adverse Effect or materially impair the Borrower's ability to perform its obligations under this Agreement;

(c) any change in the ratings by S&P or Moody's of the Index Debt; and

(d) any development that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect.

SECTION 5.06. Employee Benefits. (a) Comply in all material respects with the applicable provisions of ERISA and the Code and (b) furnish to the Administrative Agent and each Lender as soon

as possible after, and in any event within 30 days after any Responsible Officer of the Borrower or any ERISA Affiliate knows that, any ERISA Event has occurred that, alone or together with any other ERISA Event known to have occurred, could reasonably be expected to result in liability of the Borrower in an aggregate amount exceeding \$75,000,000 in any year, a statement of a Financial Officer of the Borrower setting forth details as to such ERISA Event and the action, if any, that the Borrower proposes to take with respect thereto

SECTION 5.07. Maintaining Records; Access to Properties and Inspections. Maintain financial records in accordance with GAAP and, upon reasonable notice, permit any representatives designated by the Administrative Agent or any Lender to visit and inspect the financial records and the properties of the Borrower or any Significant Subsidiary during normal business hours and to discuss the affairs, finances and condition of the Borrower or any Significant Subsidiary with the officers thereof and independent accountants therefor.

SECTION 5.08. Use of Proceeds. Use the proceeds of the Loans only for the purposes set forth in the preamble to this Agreement.

ARTICLE VI

Negative Covenants

The Borrower covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement have been paid in full, unless the Required Lenders shall otherwise consent in writing, the Borrower will not, and will not cause or permit any of the Restricted Subsidiaries to:

SECTION 6.01. Liens. Create, incur, assume or permit to exist any Lien on any property or assets (including stock or other securities of any person, including any Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except:

(a) Liens on property or assets of the Borrower or any of its Restricted Subsidiaries existing on the date hereof except, in the case of the Borrower, any such Lien securing Indebtedness for borrowed money in excess of \$5,000,000 that is not set forth in Schedule 6.01, provided that all Liens permitted by this paragraph (a) shall secure only those obligations which they secure on the date hereof;

(b) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Restricted Subsidiary (or, in the case of any property or asset of Raytheon or any of its subsidiaries, prior to consummation of the Raytheon Merger), provided that (i) such Lien is not created in contemplation of or in connection with such acquisition (or the Raytheon Merger) and (ii) such Lien does not apply to any other property or assets of the Borrower or any Restricted Subsidiary;

(c) Liens for taxes not yet past due or which are being contested in compliance with Section 5.03;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business and securing obligations that are not due and payable or which are being contested in compliance with Section 5.03;

(e) pledges and deposits made in the ordinary course of business in compliance with workmen's compensation, unemployment insurance and other social security laws or regulations;

(f) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases (other than capital leases), statutory obligations, surety and appeal bonds, advance payment bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) zoning restrictions, easements, rights-of-way, restrictions on use of real property and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Borrower or any of its Restricted Subsidiaries;

(h) Liens upon any property acquired, constructed or improved by the Borrower or any Restricted Subsidiary which are created or incurred within 360 days of such acquisition, construction or improvement to secure or provide for the payment of any part of the purchase price of such property or the cost of such construction or improvement, including carrying costs (but no other amounts), provided that any such Lien shall not apply to any other property of the Borrower or any Subsidiary;

(i) Liens on the property or assets of any Restricted Subsidiary in favor of the Borrower;

(j) extensions, renewals and replacements of Liens referred to in paragraphs (a) through (i) of this Section 6.01, provided that any such extension, renewal or replacement Lien shall be limited to the property or assets covered by the Lien extended, renewed or replaced and that the obligations secured by any such extension, renewal or replacement Lien shall be in an amount not greater than the amount of the obligations secured by the Lien extended, renewed or replaced;

(k) any Lien of the type described in clause (c) of the definition of the term "Lien" on securities imposed pursuant to an agreement entered into for the sale or disposition of such securities pending the closing of such sale or disposition; provided such sale or disposition is otherwise permitted hereunder;

(l) Liens arising in connection with any Permitted Receivables Program (to the extent the sale by the Borrower or the applicable Restricted Subsidiary of its accounts receivable is deemed to give rise to a Lien in favor of the purchaser thereof in such accounts receivable or the proceeds thereof); and

(m) Liens to secure Indebtedness if, immediately after the grant thereof, the aggregate amount of all Indebtedness secured by Liens that would not be permitted but for this clause (m), when aggregated with the amount of Indebtedness permitted by Section 6.04(h), does not exceed the greater of (i) \$100,000,000 or (ii) 15% of Consolidated Net Tangible Assets as shown on the most recent consolidated balance sheet delivered pursuant to Section 3.05 or 5.04(a) or (b), as the case may be.

SECTION 6.02. Sale and Lease-Back Transactions. Enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease back such property; provided, however, that the Borrower and the Restricted Subsidiaries may enter into any such transaction to the extent the Lien on any such property would be permitted by Section 6.01(m).

SECTION 6.03. Mergers, Consolidations and Sales of Assets. In the case of the Borrower, merge into or consolidate with any other person, or permit any other person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of, or permit the sale, transfer, lease or other disposition of (in one transaction or in a series of transactions) all or substantially all of its assets, or agree to do any of the foregoing; provided, however, that (i) any person may merge into or consolidate with the Borrower in a transaction in which the Borrower is the surviving corporation if no

Event of Default or Default shall have occurred and be continuing or would occur immediately after giving effect thereto, (ii) the Borrower may consummate the HAC Merger and the Raytheon Merger; and (iii) the Borrower may consummate the transactions contemplated by the Merger Agreement and the Separation Agreement.

SECTION 6.04. Subsidiary Indebtedness. Permit any Restricted Subsidiary to create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness existing on the date hereof and set forth in Schedule 6.04 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(b) Indebtedness issued to the Borrower or any other Restricted Subsidiary;

(c) Indebtedness incurred to finance the acquisition, construction or improvement of any fixed or capital assets, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement;

(d) Indebtedness of any person that becomes a Restricted Subsidiary after the date hereof; provided that such Indebtedness exists at the time such person becomes a Restricted Subsidiary and is not created in contemplation of or in connection with such Person becoming a Restricted Subsidiary;

(e) Indebtedness as an account party in respect of trade letters of credit;

(f) Indebtedness arising in connection with any Permitted Receivables Program (to the extent the sale by the applicable Subsidiary of its accounts receivable is deemed to be Indebtedness of such Subsidiary);

(g) performance, advance payment, warranty and bid guarantees and other similar guarantees of payment (other than in respect of Indebtedness for borrowed money) made by a Restricted Subsidiary in the ordinary course of business; and

(h) other Indebtedness in an aggregate principal amount, when aggregated with the amount of all Indebtedness secured by Liens permitted by Section 6.01(m), not exceeding the greater of (i) \$100,000,000 or (ii) 15% of Consolidated Net Tangible Assets as shown on the most recent consolidated balance sheet delivered pursuant to Section 3.05 or 5.04(a) or (b), as the case may be.

SECTION 6.05. Debt to Capitalization. (a) Permit Total Debt at any time up to but excluding the date of the Raytheon Merger to exceed 60% of Total Capitalization at such time.

(b) Permit Total Debt to exceed (i) 65% of Total Capitalization at any time after the consummation of the Raytheon Merger to but excluding July 2, 1999, (ii) 60% of Total Capitalization from and including July 2, 1999 to but excluding January 1, 2002, and (iii) 55% of Total Capitalization from and after January 1, 2002.

SECTION 6.06. Amendment to Agreements. Amend (a) the Merger Agreement, (b) the Separation Agreement or (c) the Tax Sharing Agreement in any manner adverse to the interests of the Lenders.

ARTICLE VII

Events of Default

In case of the happening of any of the following events ("Events of Default"):

(a) any representation or warranty made or deemed made in or in connection with this Agreement or the borrowings hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to this Agreement, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(b) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or any Fee or any other amount (other than an amount referred to in (b) above) due under this Agreement, when and as the same shall become due and payable, and such default shall continue unremedied for a period of three Business Days following notice thereof;

(d) default shall be made in the due observance or performance by the Borrower or any Subsidiary of any covenant, condition or agreement contained in Section 5.01(a), 5.05(a) or 5.08 or in Article VI;

(e) default shall be made in the due observance or performance by the Borrower or any Subsidiary of any covenant, condition or agreement contained in this Agreement (other than those specified in (b), (c) or (d) above) and such default shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent or any Lender to the Borrower;

(f) the Borrower or any Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness in a principal amount in excess of \$50,000,000, when and as the same shall become due and payable, or (ii) fail to make any payment under any guarantee, if the aggregate amount of the guaranteed obligations is in excess of \$50,000,000, except to the extent the Borrower or such Subsidiary is contesting in good faith the requirement to make such payment, or (iii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Indebtedness if the effect of any failure referred to in this clause (iii) is to cause such Indebtedness to become due prior to its stated maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Borrower or any Significant Subsidiary, or of a substantial part of the property or assets of the Borrower or a Significant Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Significant Subsidiary or for a substantial part of the property or assets of the Borrower or a Significant Subsidiary or (iii) the winding-up or liquidation of the Borrower or any Significant Subsidiary; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the Borrower or any Significant Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in

a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Significant Subsidiary or for a substantial part of the property or assets of the Borrower or any Significant Subsidiary, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more judgments for the payment of money in an aggregate amount in excess of \$50,000,000 (to the extent not adequately covered by insurance as to which the insurance company has acknowledged coverage in writing) shall be rendered against the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of the Borrower or any Subsidiary to enforce any such judgment;

(j) an ERISA Event shall have occurred that, in the reasonable opinion of the Required Lenders, when taken together with all other such ERISA Events that have occurred could reasonably be expected to result in a Material Adverse Effect; or

(k) there shall have occurred a Change in Control;

then, and in every such event (other than an event with respect to the Borrower described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding; and in any event with respect to the Borrower described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding.

ARTICLE VIII

The Administrative Agent

In order to expedite the transactions contemplated by this Agreement, The Chase Manhattan Bank is hereby appointed to act as Administrative Agent on behalf of the Lenders. Each of the Lenders and each assignee of any such Lender hereby irrevocably authorizes the Administrative Agent to take such actions on behalf of such Lender or assignee and to exercise such powers as are specifically delegated to the Administrative Agent by the terms and provisions hereof, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders all payments of principal of and interest on the Loans and all other amounts due to the Lenders hereunder, and promptly to distribute to each Lender its proper share of each payment so received; (b) to give notice on behalf of each of the Lenders to the Borrower of any Event of Default specified in this Agreement of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices,

financial statements and other materials delivered by the Borrower pursuant to this Agreement as received by the Administrative Agent.

Neither the Administrative Agent nor any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its or his own gross negligence or wilful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower of any of the terms, conditions, covenants or agreements contained in this Agreement. The Administrative Agent shall not be responsible to the Lenders for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement or any other instruments or agreements. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders (or, when expressly required hereunder, all the Lenders) and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall have any responsibility to the Borrower on account of the failure of or delay in performance or breach by any Lender of any of its obligations hereunder or to any Lender on account of the failure of or delay in performance or breach by any other Lender or the Borrower of any of their respective obligations hereunder or in connection herewith. The Administrative Agent may execute any and all duties here under by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (which consent shall not be unreasonably withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, having a combined capital and surplus of at least \$500,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans made by it hereunder, the Administrative Agent in its individual capacity and not as Administrative Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not the Administrative Agent, and the Administrative Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent.

Each Lender agrees (a) to reimburse the Administrative Agent, on demand, in the amount of its pro rata share (based on its Commitment hereunder) of any expenses incurred for the benefit of the Lenders by the Administrative Agent, including counsel fees, that shall not have been reimbursed by the Borrower and (b) to indemnify and hold harmless the Administrative Agent and any of its directors,

officers, employees or agents, on demand, in the amount of such pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against it in its capacity as the Administrative Agent or any of them in any way relating to or arising out of this Agreement or any action taken or omitted by it or any of them under this Agreement, to the extent the same shall not have been reimbursed by the Borrower, provided that no Lender shall be liable to the Administrative Agent or any such other indemnified person for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of the Administrative Agent or any of its directors, officers, employees or agents.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder. Each Lender further acknowledges that the Syndication Agent and the Documentation Agents have no duties or obligations as such under this Agreement.

ARTICLE IX

Guarantee

In order to induce the Lenders to extend credit hereunder and in consideration therefor, the Guarantor hereby unconditionally and irrevocably guarantees, as a primary obligor and not merely as a surety, the Obligations. The Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its Guarantee hereunder notwithstanding any such extension or renewal of any Obligation.

The Guarantor waives presentment to, demand of payment from and protest to the Borrower of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of the Guarantor hereunder shall not be affected by the failure of any Lender or the Administrative Agent to assert any claim or demand or to enforce any right or remedy against the Borrower under the provisions of this Agreement or otherwise, or, except as specifically provided therein, by any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement or any other agreement.

The Guarantor further agrees that its Guarantee hereunder constitutes a promise of payment when due and not merely of collection, and waives any right to require that any resort be had by any Lender to any balance of any deposit account or credit on the books of any Lender in favor of the Borrower or any other person.

The obligations of the Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of the Obligations, any impossibility in the performance of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any remedy under this Agreement or any other agreement, by any waiver or modification in respect of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Obligations, or by any other act or omission which may or might in any manner or to any extent vary the risk of the Guarantor or otherwise operate as a discharge of the Guarantor as a matter of law or equity.

The Guarantor further agrees that its obligations hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Obligation is rescinded or must otherwise be restored by the Administrative Agent or any Lender upon the bankruptcy or reorganization of the Borrower or otherwise.

In furtherance of the foregoing and not in limitation of any other right which the Administrative Agent or any Lender may have at law or in equity against the Guarantor by virtue hereof, upon the failure of the Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, the Guarantor hereby promises to and will, upon receipt of written demand by the Administrative Agent, forthwith pay, or cause to be paid, in immediately available Dollars the amount of such unpaid Obligation.

Upon payment by the Guarantor of any sums as provided above, all rights of the Guarantor against the Borrower arising as a result thereof by way of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full of all the Obligations.

ARTICLE X

Miscellaneous

SECTION 10.01. Notices. Unless otherwise specified herein, notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower, to it at 7200 Hughes Terrace, MS B189, Los Angeles, CA 90045 Attention of Ms. Roxanne S. Austin (Telecopy No. (310) 568-7652); with a copy to Edward B. Clarkson at the same address;

(b) if to the Administrative Agent, to The Chase Manhattan Bank, One Chase Manhattan Plaza, 8th Floor, New York, New York 10017, Attention of Sandra Miklave (Telecopy No. (212) 552-5658), with a copy to The Chase Manhattan Bank, at 270 Park Avenue, New York, New York 10017, Attention of Mr. [] (Telecopy No. []); and

(c) if to a Lender, to it at its address (or telecopy number) set forth in Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy or on the date five Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 10.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 10.01.

SECTION 10.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not been terminated. The provisions of Sections 2.14, 2.16, 2.20 and 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the

invalidity or unenforceability of any term or provision of this Agreement, or any investigation made by or on behalf of the Administrative Agent or any Lender.

SECTION 10.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

SECTION 10.04. Successors and Assigns. (a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower, the Administrative Agent or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, however, that (i) except in the case of an assignment to a Lender or an Affiliate of such Lender, (x) the Borrower and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld) and (y) the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$25,000,000 (or the entire remaining amount of the assigning Lender's Commitment), unless such Lender is making a substantially simultaneous assignment to the same assignee pursuant to Section 10.04(b) of the 364-day Agreement in which case the aggregate of the amount of the Commitment of the assigning Lender subject to the assignment under this Agreement and the amount of the commitment of the assigning Lender subject to the assignment under the 364-day Agreement shall not be less than \$25,000,000, (ii) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500 and (iii) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (e) of this Section 10.04, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.14, 2.16, 2.20 and 10.05, as well as to any Fees accrued for its account and not yet paid).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Commitment, and the outstanding balances of its Revolving Loans and Competitive Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto, or the financial condition of the Borrower or any Subsidiary or the performance or observance by the Borrower or any Subsidiary of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the

most recent financial statements referred to in Section 3.05 or delivered pursuant to Section 5.04 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The Borrower, the Administrative Agent and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary, and such entries in the Register shall be conclusive absent manifest error. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of the Borrower and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Lenders and the Borrower. No assignment shall be effective unless it has been recorded in the Register as provided in this paragraph (e).

(f) Each Lender may without the consent of the Borrower or the Administrative Agent sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.14, 2.16 and 2.20 (and shall have the duty to mitigate under Section 2.21) to the same extent as if they were Lenders and (iv) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any fees payable hereunder or the amount of principal or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans or increasing or extending the Commitments).

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure of information designated by the Borrower as confidential, "Company Private" or "Proprietary", each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information on terms no less restrictive than those applicable to the Lenders pursuant to Section 10.16.

(h) Any Lender may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank without the consent of the Borrower or the Administrative Agent to secure extensions of credit by such Federal Reserve Bank to such Lender; provided that no such assignment shall release a Lender from any of its obligations hereunder or substitute any such Bank for such Lender as a party hereto. In order to facilitate such an assignment to a Federal Reserve Bank, the Borrower shall, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing the Loans made to the Borrower by the assigning Lender hereunder.

(i) The Borrower shall not assign or delegate any of its rights or duties hereunder without the prior written consent of the Administrative Agent and each Lender, and any attempted assignment without such consent shall be null and void.

(j) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") of such Granting Lender, identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to Section 2.01 or 2.03(e), provided that (i) nothing herein shall constitute a commitment to make any Loan by any SPC and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender (and, if such Loan is a Competitive Loan, shall be deemed to utilize the Commitments of all the Lenders) to the same extent, and as if, such Loan were made by the Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the related Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 10.04 or in Section 10.16, any SPC may (i) with notice to, but without the prior written consent of, the Borrower or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to its Granting Lender or to any financial institutions providing liquidity and/or credit facilities to or for the account of such SPC to fund the Loans made by such SPC or to support the securities (if any) issued by such SPC to fund such Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit or liquidity enhancement to such SPC.

SECTION 10.05. Expenses; Indemnity. (a) The Borrower agrees to pay all out-of-pocket expenses incurred by the Agents in connection with the syndication of the credit facilities provided for herein and the preparation and administration of this Agreement or in connection with any amendments, modifications or waivers of the provisions hereof (whether or not the transactions hereby or thereby contemplated shall be consummated) or incurred by any Agent or any Lender in connection with the enforcement or protection of its rights in connection with this Agreement or in connection with the Loans made hereunder, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Agents, and, in connection with any such enforcement or protection, the reasonable fees, charges and disbursements of any other counsel (including the allocated charges of in-house counsel) for any Agent or any Lender. The Borrower shall not be obligated to reimburse out-of-pocket legal expenses pursuant to the preceding sentence for more than one law firm for the Agents incurred in connection with the preparation of this Agreement or in connection with any particular amendment, modification or waiver of the provisions hereof.

(b) The Borrower agrees to indemnify each Agent and each Lender, each Affiliate of any of the foregoing persons and each of their respective directors, officers, employees and agents (each such person being called an "Indemnitee") against, and to hold each Indemnitee harmless from, any and all

losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated hereby, (ii) the use of the proceeds of the Loans or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses result from the gross negligence or wilful misconduct of such Indemnitee.

(c) The provisions of this Section 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement, or any investigation made by or on behalf of any Agent or any Lender. All amounts due under this Section 10.05 shall be payable on written demand therefor.

SECTION 10.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.07. APPLICABLE LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 10.08. Waivers; Amendment. (a) No failure or delay of the Administrative Agent or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan or the payment of any Facility Fee, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan, without the prior written consent of each Lender affected thereby, (ii) change or extend the Commitment or decrease the Facility Fees of any Lender without the prior written consent of such Lender, (iii) reduce or terminate the obligations of the Guarantor or (iv) amend or modify the provisions of Section 2.17, the provisions of Section 10.04(i), the provisions of this Section or the definition of the term "Required Lenders", without the prior written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

SECTION 10.09. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 10.10. Entire Agreement. This Agreement and the Fee Letter constitute the entire contract among the parties relative to the subject matter hereof. Any other previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement. Nothing in this Agreement, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 10.11. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.11.

SECTION 10.12. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 10.13. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 10.03. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually signed counterpart of this Agreement.

SECTION 10.14. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 10.15. Jurisdiction; Consent to Service of Process. (a) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other

manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(b) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 10.16. Confidentiality. The Administrative Agent and each of the Lenders agrees to keep confidential (and to use its best efforts to cause its respective agents and representatives to keep confidential) the Information (as defined below) and all copies thereof, extracts therefrom and analyses or other materials based thereon, except that the Administrative Agent or any Lender shall be permitted to disclose Information (a) to such of its respective officers, directors, employees, agents, affiliates and representatives as need to know such Information, (b) to the extent requested by any regulatory authority or examining authority, (c) to the extent otherwise required by applicable laws and regulations or by any subpoena or similar legal process, (d) in connection with any suit, action or proceeding relating to the enforcement of its rights hereunder, (e) to the extent permitted by Section 10.04(g), or (f) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Agreement or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" shall mean all financial statements, certificates, reports, agreements and information (including all analyses, compilations and studies prepared by the Administrative Agent or any Lender based on any of the foregoing) that are received from the Borrower or any Subsidiary and related to the Borrower, any Subsidiary or any employee, customer or supplier of the Borrower, other than any of the foregoing that were available to the Administrative Agent or any Lender on a nonconfidential basis prior to its disclosure thereto by the Borrower, and which are in the case of Information provided after the date hereof, clearly identified at the time of delivery as confidential, "Company Private" or "Proprietary". The provisions of this Section 10.16 shall remain operative and in full force and effect regardless of the expiration and term of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

HE HOLDINGS, INC.

By: /s/ R.S. Aust

R.S. Aust

HUGHES AIRCRAFT COMPANY, as
Guarantor

by /s/ Charles S. Ream

Charles S. Ream
Vice President and Chief
Financial Officer

THE CHASE MANHATTAN BANK,
individually and as Administrative Agent,

by /s/ B. Joseph Lillis

B. Joseph Lillis
Managing Director

CHASE SECURITIES, INC., as Arranger,

by /s/ B. Joseph Lillis

B. Joseph Lillis
Managing Director

BANCAMERICA SECURITIES, INC., as
Arranger and as Syndication Agent,

by /s/ John A. Finan

John A. Finan
Managing Director

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,

by /s/ Deborah J. Graziano

Deborah J. Graziano
Vice President

CITICORP USA, INC., individually and as
Documentation Agent,

by /s/ Marjorie Futornick

Marjorie Futornick
Vice President

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, individually and as
Documentation Agent,

by /s/ Diana H. Imhof

Diana H. Imhof
Vice President

CREDIT SUISSE FIRST BOSTON,

by /s/ Lynn Allegaert

Lynn Allegaert
Vice President

by /s/ Edward E. Barr

Edward E. Barr
Associate

ABN AMRO BANK N.V.,

by /s/ Carol A. Levine

Carol A. Levine
Senior Vice President

by /s/ James E. Davis

James E. Davis
Group Vice President

ARAB BANK PLC, GRAND CAYMAN
BRANCH,

by /s/ Nofal S. Barbar

Nofal S. Barbar
EVP & Regional Manager

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED,

by /s/ Christine S. Pomeranz

Christine S. Pomeranz
Vice President

BANCA COMMERCIALE ITALIANA, NEW
YORK BRANCH,

by /s/ Karen Purelis

Karen Purelis
Vice President

by /s/ Charles Dougherty

Charles Dougherty
Vice President

BANCA NAZIONALE DEL LAVORO S.P.A
NEW YORK BRANCH,

by /s/ Giuliano Violetta

Giuliano Violetta
First Vice President

by /s/ Miguel J. Medida

Miguel J. Medida
Vice President

BANCA POPOLARE DI MILANO,

by /s/ Anthony Franco

Anthony Franco
Executive Vice President
& General Manager

by /s/ Fulvio Montanari

Fulvio Montanari
First Vice President

BANKBOSTON N.A.,

by /s/ Roberta F. Keeler

Roberta F. Keeler
Vice President

BANK BRUSSELL LAMBERT, NEW YORK BRANCH,

by
 /s/ John Kippax

 John Kippax
 Vice President & Manager

by
 /s/ Dominick H. J. Vangaever

 Dominick H. J. Vangaever
 Senior Vice President Credit

BANK OF MONTREAL,

by
 /s/ R. J. McClorey

 R. J. McClorey
 Director

THE BANK OF NEW YORK,

by
 /s/ David C. Judge

 David C. Judge
 Vice President

THE BANK OF NOVA SCOTIA,

by
 /s/ Tom Sterling

 Tom Sterling
 Authorized Signatory

BANKERS TRUST COMPANY,

by
 /s/ Gina S. Thompson

 Gina S. Thompson
 Vice President

BANQUE FRANCAISE DU COMMERCE EXTERIEUR,

by
 /s/ Pieter J. van Tulder

 Pieter J. van Tulder
 Vice President And Manager
 Multinational Group

BANQUE NATIONALE DE PARIS,

by /s/ Richard L. Sted

Richard L. Sted
Senior Vice President

by /s/ Richard Pace

Richard Pace
Vice President
Corporate Banking Division

BANQUE PARIBAS,

by /s/ John J. McCormick, III

John J. McCormick, III
Vice President

by /s/ Mary T. Finnegan

Mary T. Finnegan
Group Vice President

BAYERISCHE LANDESBANK
GIROZENTRALE, CAYMAN ISLANDS
BRANCH,

by /s/ Peter Obermann

Peter Obermann
Senior Vice President
Manager, Lending Division

by /s/ Alexander Kohnert

Alexander Kohnert
Vice President

BAYERISCHE VEREINSBANK AG, NEW
YORK BRANCH,

by /s/ Marianne Weinzinger

Marianne Weinzinger
Vice President

by /s/ Pamela J. Gillons

Pamela J. Gillons
Asst. Treasurer

CITIBANK, N.A.,

by /s/ Name

Name:
Title:

COMMERZBANK AKTIENGESELLSCHAFT,
NEW YORK BRANCH,

by /s/ Robert J. Donohue

Robert J. Donohue
Vice President

by /s/ Peter T. Doyle

Peter T. Doyle
Assistant Treasurer

CORESTATES BANK, N.A.,

by /s/ John D. Brady

John D. Brady
Assistant Vice President

CREDIT LYONNAIS NEW YORK BRANCH,

by /s/ Robert Ivosevich

Robert Ivosevich
Senior Vice President

THE DAI-ICHI KANGYO BANK, LTD.,
NEW YORK BRANCH,

by /s/ Kim P. Leary

Kim P. Leary
Vice President

DEN DANSKE BANK AKTIESELSKAB,

by /s/ Peter L. Hargraves

Peter L. Hargraves
Vice President

by /s/ John O'Neill

John O'Neill
Vice President

DEUTSCHE BANK AG NEW YORK AND/OR
CAYMAN ISLANDS BRANCHES,

by /s/ Andreas Neumeier

Andreas Neumeier
Vice President

by /s/ Robert Wood

Robert Wood
Director

THE FIRST NATIONAL BANK OF CHICAGO,

by /s/ Jeffrey Lubatkin

Jeffrey Lubatkin
Assistant Vice President

THE FIRST NATIONAL BANK OF
MARYLAND,

by /s/ Robert M. Beaver

Robert M. Beaver
Vice President

FIRST UNION BANK OF NORTH
CAROLINA,

by /s/ Mark M. Harden

Mark M. Harden
Vice President

FLEET NATIONAL BANK,

by /s/ Lisa S. Coney

Lisa S. Coney
Senior Vice President

FUJI BANK, LIMITED,

by /s/ Nobuhiro Umemura

Nobuhiro Umemura
Joint General Manager

GULF INTERNATIONAL BANK B.S.C.,

by /s/ Thomas E. Fitzherbert

Thomas E. Fitzherbert
Vice President

by /s/ Abdel-Fattah Tahoun

Abdel-Fattah Tahoun
Senior Vice President

THE INDUSTRIAL BANK OF JAPAN,
LIMITED,

by /s/ John V. Veltri

John V. Veltri
Senior Vice President

ISTITUTO BANCARIO SAN PAOLO DI
TORINO SPA,

by /s/ Gerard M. McKenna

Gerard M. McKenna
Vice President

by /s/ Robert S. Wurster

Robert S. Wurster
First Vice President

KREDIETBANK N.V., GRAND CAYMAN
BRANCH,

by /s/ Robert M. Surdam, Jr.

Robert M. Surdam, Jr.
Vice President

by /s/ Robert Snauffer

Robert Snauffer
Vice President

THE LONG-TERM CREDIT BANK OF
JAPAN, LIMITED, NEW YORK BRANCH,

by /s/ Masanori Shoji

Masanori Shoji
Deputy General Manager

MELLON BANK, N.A.,

by /s/ Joseph F. Bond, Jr.

Joseph F. Bond, Jr.
Vice President

MERITA BANK LTD, NEW YORK BRANCH,

by /s/ Frank Maffei

Frank Maffei
Vice President

by /s/ John Kehnle

John Kehnle
Vice President

THE MITSUBISHI TRUST AND BANKING
CORPORATION,

by /s/ Scott J. Paige

Scott J. Paige
Senior Vice President

BANK OF TOKYO MITSUBISHI LIMITED,

by /s/ Friedrich N. Wilms

Friedrich N. Wilms
Attorney-In-Fact

NATIONAL BANK OF KUWAIT S.A.K.,

by /s/ Muhannad Kamal

Muhannad Kamal
Executive Manager

by /s/ Stephen A. Larson

Stephen A. Larson
Executive Manager

NATIONSBANK, N.A.,

by /s/ Marcus A. Boyer

Marcus A. Bouer
Senior Vice President

NORTHERN TRUST COMPANY,

by /s/ James F. T. Minhart

James F. T. Minhart
Vice President

SAKURA BANK, LIMITED,
NEW YORK BRANCH,

by /s/ Yasumasa Kikuchi

Yasumasa Kikuchi
Senior Vice President

THE SANWA BANK LIMITED,
NEW YORK BRANCH,

by /s/ Joseph E. Leo

Joseph E. Leo
Vice President and Area Manager

SOCIETE GENERALE,

by /s/ Robert Petersen

Robert Petersen
Vice President

STATE STREET BANK AND TRUST
COMPANY,

by /s/ L. Dan Lobdell

L. Dan Lobdell
Vice President

THE SUMITOMO BANK, LIMITED, NEW
YORK BRANCH,

by /s/ John C. Kissinger

John C. Kissinger
Joint General Manager

SUMMIT BANK,

by /s/ Arty C. Zulawski

Arty C. Zulawski
SVP

SWISS BANK CORPORATION, NEW YORK
BRANCH,

by /s/ Gary Riddell

Gary Riddell
Director
Credit Risk Management

by /s/ James J. Diaz

James J. Diaz
Director
Banking Finance Support, N.A.

TORONTO DOMINION (NEW YORK), INC.,

by /s/ Jorge Garcia

Jorge Garcia
Vice President

THE TOYO TRUST & BANKING CO., LTD.,

by /s/ Takashi Mikumo

Takashi Mikumo
Vice President

UNION BANK OF SWITZERLAND, NEW
YORK BRANCH,

by /s/ Samuel Azizo

Samuel Azizo
Vice President

by /s/ Dieter Hoeppli

Dieter Hoeppli
Vice President

WACHOVIA BANK OF GEORGIA, N.A.,

by /s/ Terence A. Snellings

Terence A. Snellings
Senior Vice President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE,

by /s/ Cynthia M. Niesen

Cynthia M. Niesen
Managing Director

by /s/ James Veneau

James Veneau
Senior Analyst

WESTPAC BANKING CORPORATION,

by /s/ K. Perry

K. Perry
Assistant Vice President

CANADIAN IMPERIAL BANK OF COMMERCE,

by /s/ William J. Koslo, Jr.

William J. Koslo, Jr.
Director

=====
\$2,000,000,000

CREDIT AGREEMENT

Dated as of May 30, 1997,

among

HE HOLDINGS, INC.

as Borrower,

HUGHES AIRCRAFT COMPANY,

as Guarantor,

THE LENDERS NAMED HEREIN,

BANCAMERICA SECURITIES, INC. and

CHASE SECURITIES, INC.,

as Arrangers,

BANCAMERICA SECURITIES, INC.,

as Syndication Agent,

CITICORP USA, INC. and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,

as Documentation Agents,

and

THE CHASE MANHATTAN BANK,

as Administrative Agent,

364-DAY COMPETITIVE ADVANCE AND

REVOLVING CREDIT FACILITY
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EXHIBITS

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Exhibit F	Form of Opinion of Special Counsel for the Borrower
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Schedule 1.01	Restricted Subsidiaries
Schedule 2.01	Lenders and Commitments
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CREDIT AGREEMENT dated as of May 30, 1997, among HE HOLDINGS, INC., a Delaware corporation (the "Borrower"), HUGHES AIRCRAFT COMPANY, a Delaware corporation, as Guarantor (the "Guarantor"), the Lenders (as defined in Article I), BANCAMERICA SECURITIES, INC. and CHASE SECURITIES, INC., as arrangers (in such capacity, the "Arrangers"), BANCAMERICA SECURITIES, INC., as syndication agent (in such capacity, the "Syndication Agent"), CITICORP USA, INC. and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as documentation agents (in such capacity, each a "Documentation Agent" and, collectively, the "Documentation Agents"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative agent (in such capacity, the "Administrative Agent") for the Lenders.

The Borrower has requested the Lenders, and the Lenders have agreed, to extend credit in the form of Revolving Loans at any time and from time to time prior to the Maturity Date, in an aggregate principal amount at any time outstanding not in excess of \$2,000,000,000. The Borrower also has requested the Lenders to provide a procedure pursuant to which the Borrower may invite the Lenders to bid on an uncommitted basis on short-term borrowings by the Borrower. Pursuant to an agreement and plan of merger dated as of January 16, 1997 (the "Merger Agreement"), between the Borrower and Raytheon Company ("Raytheon"), and subject to the conditions therein, the Borrower will combine its defense business with the business of Raytheon (the "Raytheon Merger"). Prior to the Raytheon Merger, the Guarantor will merge with and into the Borrower (the "HAC Merger"), with the Borrower being the surviving corporation of such merger. Immediately following the Raytheon Merger, the Borrower, as the surviving corporation of such merger, will change its name to Raytheon Company. The proceeds of the Loans are to be used by the Borrower to contribute cash to Hughes Network Systems, Inc. ("HNS"), to pay fees and expenses in connection with the Raytheon Merger, and to repay intercompany loans prior to the spin-off of HNS to General Motors Corporation ("GM"), including payment of loans from Delco Electronics Corporation to the Borrower. Following the Raytheon Merger, the Facilities may also be used to provide working capital and for other general corporate purposes of the Borrower, including commercial paper backup.

The Lenders are willing to extend such credit to the Borrower on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"ABR Borrowing" shall mean a Borrowing comprised of ABR Loans.

"ABR Loan" shall mean any Loan bearing interest at the Alternate Base Rate in accordance with the provisions of Article II.

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit A.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"Agents" shall mean the Administrative Agent, the Syndication Agent and the Documentation Agents.

"Agents' Fees" shall have the meaning assigned to such term in Section 2.06(b).

"Aggregate Revolving Credit Exposure" shall mean the aggregate amount of the Lenders' Revolving Credit Exposures.

"Alternate Base Rate" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate or both for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, of the preceding sentence, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" shall mean, with respect to any Eurodollar Loan (other than any Eurodollar Competitive Loan), or with respect to the Facility Fees, as the case may be:

(a) for any day prior to the consummation of the Raytheon Merger, the applicable percentage set forth below under the caption "Eurodollar Spread" or "Fee Percentage", as the case may be, based upon the ratio of Total Debt to Total Capitalization:

Ratio -----	Eurodollar Spread -----	Fee Percentage -----
Category 1 -----		
Less than or equal to 25%	.155%	.045%
Category 2 -----		
Greater than 25% but less than or equal to 35%	.195%	.055%
Category 3 -----		
Greater than 35% but less than or equal to 45%	.250%	.100%
Category 4 -----		
Greater than 45% but less than or equal to 55%	.325%	.125%
Category 5 -----		
Greater than 55%	.450%	.150%

For purposes of this clause (a), (i) the Eurodollar Spread will be increased by 0.05% at all times that the aggregate amounts outstanding hereunder and under the 5-year Agreement exceed 66 2/3% of the aggregate commitments (whether used or unused) hereunder and under the 5-year Agreement, (ii) the ratio of Total Debt to Total Capitalization on any day shall be determined by reference to the Ratio Certificate most recently delivered pursuant to Section 4.02(d)(ii), 2.04 or 5.04(c), as the case may be and (iii) if the Ratio Certificate has not been delivered in accordance with this Agreement, the ratio of Total Debt to Total Capitalization will be deemed to be in Category 5. Each change in the Applicable Percentage resulting from any change in the ratio of Total Debt to Total Capitalization shall be effective on and after the date of delivery of a Ratio Certificate indicating such change; and

(b) with respect to the day of, and any day after, the consummation of the Raytheon Merger, the applicable percentage set forth below under the caption "Eurodollar Spread" or "Fee Percentage", as the case may be, based upon the ratings by S&P and Moody's, respectively, applicable on such date to the Index Debt:

	Eurodollar Spread -----	Fee Percentage -----
Category 1 -----		
AA- or higher by S&P Aa3 or higher by Moody's	.135%	.045%
Category 2 -----		
A+ or A by S&P A1 or A2 by Moody's	.175%	.050%
Category 3 -----		
A- by S&P A3 by Moody's	.195%	.055%
Category 4 -----		
BBB+ by S&P Baa1 by Moody's	.230%	.070%
Category 5 -----		
BBB by S&P Baa2 by Moody's	.250%	.100%
Category 6 -----		
BBB- by S&P Baa3 by Moody's	.325%	.125%
Category 7 -----		
Less than BBB- by S&P Less than Baa3 by Moody's	.400%	.150%

For purposes of this clause (b), (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this paragraph), then such rating agency shall be deemed to have established a rating in Category 7; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories, the Applicable Percentage shall be based on the higher of the two ratings unless the ratings differ by more than one category, in which case the governing rating shall be the rating next below the higher of the two; (iii) until the aggregate commitments under this Agreement, the 5-year Agreement and the Raytheon Credit Agreements are reduced below \$8,000,000,000, the Eurodollar Spread will be increased by 0.05% at all times that the aggregate amounts outstanding hereunder and under the 5-year Agreement exceed 66 2/3% of the aggregate commitments (whether used or unused) hereunder and under the 5-year Agreement; and (iv) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the non-availability of ratings from such rating agency and, pending the effectiveness of any such amendment,

the Applicable Percentage shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"Asset Sale" shall mean the sale, assignment, transfer or other disposition by the Borrower or any of its Restricted Subsidiaries to any person other than the Borrower or any of its wholly owned Restricted Subsidiaries of any capital stock or assets owned by such person other than inventory, obsolete or worn out assets or accounts receivable, in each case disposed of in the ordinary course of business; provided, however, that any asset sale or series of related asset sales described above having a value not in excess of \$25,000,000 shall not be deemed an "Asset Sale" for purposes of this Agreement; and provided further that the consummation of the HAC Merger and the Raytheon Merger and the other transactions contemplated by the Separation Agreement shall not be deemed an "Asset Sale" for purposes of this Agreement.

"Arrangers" shall have the meaning assigned to such term in the preamble.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee, and accepted by the Administrative Agent, in the form of Exhibit B or such other form as shall be approved by the Administrative Agent.

"Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) Statutory Reserves and (b) the Assessment Rate. The term "Statutory Reserves" shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board and any other domestic banking authority to which the Administrative Agent or any Lender (including any branch, Affiliate, or other fronting office making or holding a Loan) is subject with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in Dollars of over \$100,000 with maturities approximately equal to three months. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage. The term "Assessment Rate" shall mean for any date the annual rate (rounded upwards, if necessary, to the next 1/100 of 1%) most recently estimated by the Administrative Agent as the then current net annual assessment rate that will be employed in determining amounts payable by the Administrative Agent to the Federal Deposit Insurance Corporation (or any successor) for insurance by such Corporation (or such successor) of time deposits made in Dollars at the Administrative Agent's domestic offices.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

"Borrowing" shall mean a group of Loans of a single Type made by the Lenders (or, in the case of a Competitive Borrowing, by the Lender or Lenders whose Competitive Bids have been accepted pursuant to Section 2.03) on a single date and as to which a single Interest Period is in effect.

"Borrowing Request" shall mean a request by the Borrower in accordance with the terms of Section 2.04 and substantially in the form of Exhibit C.

"Business Day" shall mean any day other than a Saturday, Sunday or day on which banks in New York City are authorized or required by law to close; provided, however, that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market.

A "Change in Control" shall be deemed to have occurred if (a) any person or group (within the meaning of Rule 13d-5 of the Securities Exchange Act of 1934 as in effect on the date hereof) other than, at any time prior to the Raytheon Merger, GM or its subsidiaries shall own directly or indirectly, beneficially or of record, shares representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower, (b) a majority of the seats (other than vacant seats) on the board of directors of the Borrower shall at any time have been occupied by persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated or (c) the Borrower shall cease to own 100% of HAC prior to the consummation of the HAC Merger; provided, however, that (i) the consummation of the Raytheon Merger and the transactions contemplated by the Merger Agreement shall not constitute a Change in Control and (ii) the consummation of the HAC Merger and the transactions contemplated thereby shall not constitute a Change in Control.

"Closing Date" shall mean May 30, 1997.

"Closing Date Final Amount" shall have the meaning assigned to such term in the Separation Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Commitment" shall mean, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder as set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender assumed its Commitment, as applicable, as the same may be (a) reduced from time to time pursuant to Section 2.10 or pursuant to Section 2.17, and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04.

"Competitive Bid" shall mean an offer by a Lender to make a Competitive Loan pursuant to Section 2.03.

"Competitive Bid Accept/Reject Letter" shall mean a notification made by the Borrower pursuant to Section 2.03(d) in the form of Exhibit D-4.

"Competitive Bid Rate" shall mean, as to any Competitive Bid made by a Lender pursuant to Section 2.03(b), (i) in the case of a Eurodollar Competitive Loan, the Margin, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Lender making such Competitive Bid.

"Competitive Bid Request" shall mean a request made pursuant to Section 2.03 in the form of Exhibit D-1.

"Competitive Borrowing" shall mean a Borrowing consisting of a Competitive Loan or concurrent Competitive Loans from the Lender or Lenders whose Competitive Bids for such Borrowing have been accepted by the Borrower under the bidding procedure described in Section 2.03.

"Competitive Loan" shall mean a Loan from a Lender to the Borrower pursuant to the bidding procedure described in Section 2.03. Each Competitive Loan shall be a Eurodollar Competitive Loan or a Fixed Rate Loan.

"Confidential Information Memorandum" shall mean the Confidential Information Memorandum of the Borrower dated April 1997.

"Consolidated Net Tangible Assets" shall mean, as at any date of determination, the total amount of assets of the Borrower and the Restricted Subsidiaries (less applicable depreciation, amortization and other valuation reserves) at such date, after deducting therefrom (a) all current liabilities of the Borrower and the Restricted Subsidiaries at such date and (b) all goodwill, trade names, trademarks, patents, unamortized debt issuance fees and expenses and other like intangibles at such date.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Debt Issuance" shall mean the public or private issuance or series of related issuances by the Borrower or any Restricted Subsidiary of Indebtedness for money borrowed in an aggregate principal amount in excess of \$50,000,000 with a maturity greater than 270 days; provided, however, that none of the following shall be considered a "Debt Issuance" for purposes of this Agreement: (a) Indebtedness incurred under this Agreement, the 5-year Agreement or the Raytheon Credit Agreements, (b) Indebtedness incurred under Section 6.04 (other than Section 6.04(h)) of each of this Agreement, the 5-year Agreement or the Raytheon Credit Agreements, (c) Subordinated Intercompany Indebtedness and (d) Indebtedness of the Borrower of the type described in Section 6.04(c).

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"Defense Business" shall have the meaning assigned to such term in the Separation Agreement.

"Delco Notes" shall mean the subordinated promissory notes of the Borrower, in the form attached as Exhibit H.

"Dollars" or "\$" shall mean lawful money of the United States of America.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" shall mean (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan; (b) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (c) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (d) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Borrower or any of its ERISA Affiliates from any Plan or Multiemployer Plan; (f) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (g) the receipt by the Borrower or any ERISA Affiliate of any notice that Withdrawal Liability is being imposed or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; and (h) the occurrence of a non-exempt "prohibited transaction" with respect to which the Borrower or any of its Subsidiaries is a "disqualified person" (within the meaning of Section 4975) of the Code, or with respect to which the Borrower or any such Subsidiary could otherwise be liable.

"Eurodollar Borrowing" shall mean a Borrowing comprised of Eurodollar Loans.

"Eurodollar Competitive Borrowing" shall mean a Borrowing comprised of Eurodollar Competitive Loans.

"Eurodollar Competitive Loan" shall mean any Competitive Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Eurodollar Loan" shall mean any Eurodollar Revolving Loan or Eurodollar Competitive Loan.

"Eurodollar Revolving Credit Borrowing" shall mean a Borrowing comprised of Eurodollar Revolving Loans.

"Eurodollar Revolving Loan" shall mean any Revolving Loan bearing interest at a rate determined by reference to the LIBO Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning assigned to such term in Article VII.

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Letter" shall mean the Fee Letter dated April 3, 1997, between the Borrower, the Administrative Agent, the Syndication Agent and Bank of America National Trust and Savings Association.

"Fees" shall mean the Facility Fees and the Agents' Fees.

"Financial Officer" of any corporation shall mean the chief financial officer, principal accounting officer, Treasurer, Assistant Treasurer or Controller of such corporation and, with respect to the Borrower following the Raytheon Merger, shall also mean the Vice President - Project and International Finance.

"5-year Agreement" shall mean the 5-year Credit Agreement dated as of the date hereof among the Borrower, the Guarantor, the lenders party thereto and the Agents.

"Fixed Rate Borrowing" shall mean a Borrowing comprised of Fixed Rate Loans.

"Fixed Rate Loan" shall mean any Competitive Loan bearing interest at a fixed percentage rate per annum (expressed in the form of a decimal to no more than four decimal places) specified by the Lender making such Loan in its Competitive Bid.

"GAAP" shall mean generally accepted accounting principles applied on a consistent basis.

"GM" shall have the meaning assigned to such term in the preamble.

"Governmental Authority" shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guarantee" of or by any person shall mean any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other liability of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligations of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or liability or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness or liability, (b) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness or liability of the payment of such Indebtedness or liability or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or liability.

"Guarantor" shall have the meaning assigned to such term in the preamble

"HAC Merger" shall have the meaning assigned to such term in the preamble.

"Hughes Distribution Agreement" shall have the meaning assigned to such term in the Merger Agreement.

"HNS" shall have the meaning assigned to such term in the preamble.

"Indebtedness" of any person shall mean, as at any date of determination, all indebtedness (including capitalized lease obligations) of such person and its consolidated subsidiaries at such date that would be required to be included as a liability on a consolidated balance sheet (excluding the footnotes thereto) of such person prepared in accordance with GAAP applied on a basis consistent with the application used in the financial statements referred to in Section 3.05.

"Index Debt" shall mean the senior, unsecured, non-credit enhanced, long-term indebtedness for borrowed money of the Borrower.

"Interest Payment Date" shall mean, with respect to any Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months' duration been applicable to such Borrowing, and, in addition, except with respect to any ABR Loan, the date of any prepayment of such Loan or conversion of such Loan to a Loan of a different Type.

"Interest Period" shall mean (a) as to any Eurodollar Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months

thereafter, as the Borrower may elect, (b) as to any ABR Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the earlier of (i) the next succeeding March 31, June 30, September 30 or December 31 and (ii) the Maturity Date and (c) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing was extended, which shall not be earlier than seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing; provided, however, that, if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"Lenders" shall mean (a) the financial institutions listed on Schedule 2.01 (other than any such financial institution that has ceased to be a party hereto pursuant to an Assignment and Acceptance) and (b) any financial institution that has become a party hereto pursuant to an Assignment and Acceptance.

"LIBO Rate" shall mean, with respect to any Eurodollar Borrowing, the rate (rounded upwards, if necessary, to the next 1/100 of 1%) at which Dollar deposits approximately equal in principal amount to (i) in the case of a Revolving Credit Borrowing, the Administrative Agent's portion of such Eurodollar Borrowing and (ii) in the case of a Competitive Borrowing, a principal amount that would have been the Administrative Agent's portion of such Competitive Borrowing had such Competitive Borrowing been a Revolving Credit Borrowing, and for a maturity comparable to such Interest Period are offered to the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" shall mean, with respect to any asset of any person, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities that constitute assets of such person, any purchase option, call or similar right of a third party with respect to such securities.

"Loans" shall mean the Revolving Loans and the Competitive Loans.

"Margin" shall mean, as to any Eurodollar Competitive Loan, the margin (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) to be added to or subtracted from the LIBO Rate in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"Margin Stock" shall have the meaning assigned to such term in Regulation U.

"Material Adverse Effect" shall mean a materially adverse effect on the business, assets, operations or condition, financial or otherwise, of the Borrower and the Restricted Subsidiaries taken as a whole.

"Maturity Date" shall mean May 29, 1998.

"Merger Agreement" shall have the meaning assigned to such term in the preamble.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds" shall mean (a) with respect to any Asset Sale, the gross cash proceeds (including, without limitation, cash proceeds, whenever received, of any non-cash consideration) of such Asset Sale less the sum of (i) the reasonable costs associated therewith, including taxes (as estimated by the Borrower or any of its Subsidiaries, as the case may be, in good faith), brokers' and advisors' fees and commissions, (ii) payments of the outstanding principal amount of, premium or

penalty, if any, and interest on any Indebtedness required to be, and which in fact is, paid or prepaid under the terms thereof as a result of such Asset Sale and (iii) appropriate amounts as a reserve, in accordance with GAAP, against any liabilities directly associated with the capital stock or assets sold and which liabilities are retained by the Borrower or any of its Subsidiaries after such Asset Sale (provided that such amounts shall constitute Net Cash Proceeds as and when they are released from such reserve) and (b) with respect to any Debt Issuance, cash proceeds net of underwriting commissions or placement fees and expenses directly incurred in connection therewith less the amount thereof used substantially concurrently with the receipt thereof to repay or prepay short-term Indebtedness of the Borrower or its Restricted Subsidiaries or the current maturities of long-term Indebtedness of the Borrower or its Restricted Subsidiaries. The Net Cash Proceeds of any Asset Sale completed prior to the Raytheon Merger shall only be Net Cash Proceeds for purposes of Section 2.13(a) to the extent they are identifiable as such.

"Obligations" shall mean (a) the due and punctual payment of (i) the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (ii) all other monetary obligations, including Fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) of the Borrower to the Lenders under this Agreement and (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrower under or pursuant to this Agreement.

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Permitted Receivables Program" shall mean any receivables securitization program pursuant to which the Borrower or any of the Subsidiaries sells accounts receivable to any non-Affiliate in a "true sale" transaction; provided, however, that any related indebtedness incurred to finance the purchase of such accounts receivable is not includible on the balance sheet of the Borrower or any Subsidiary in accordance with GAAP and applicable regulations of the Securities and Exchange Commission.

"person" shall mean any natural person, corporation, limited liability company, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

"Plan" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 307 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as being effective.

"Ratio Certificate" shall mean a certificate, signed on behalf of the Borrower by a Financial Officer of the Borrower, delivered to the Administrative Agent on the Closing Date, at the time of each Borrowing Request occurring prior to the Raytheon Merger and as may be required by Section 5.04(c), and calculating, in detail reasonably satisfactory to the Administrative Agent, the ratio of Total Debt to Total Capitalization on the Closing Date or on the date of (and after giving pro forma effect to) the related Borrowing or on the last day of any fiscal quarter, as the case may be.

"Raytheon" shall have the meaning assigned to such term in the preamble.

"Raytheon Credit Agreements" shall mean the 364-day and five-year credit agreements entered into by, among others, Raytheon, as borrower, the lenders party thereto, BancAmerica Securities, Inc., as syndication agent, and The Chase Manhattan Bank, as administrative agent.

"Raytheon Merger" shall have the meaning assigned to such term in the preamble.

"Register" shall have the meaning given such term in Section 10.04(d).

"Regulation G" shall mean Regulation G of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Required Lenders" shall mean, at any time, Lenders having Commitments representing at least a majority of the sum of all Commitments at such time or, for purposes of acceleration pursuant to clause (ii) of the last paragraph of Article VII, Lenders having Loans and unused Commitments representing at least a majority of the sum of all Loans outstanding and unused Commitments.

"Responsible Officer" of any corporation shall mean any executive officer or Financial Officer of such corporation and any other officer or similar official thereof responsible for the administration of the obligations of such corporation in respect of this Agreement.

"Restricted Subsidiary" shall mean (a) prior to the Raytheon Merger, each Subsidiary listed on Schedule 1.01, and (b) from and after the Raytheon Merger, each Subsidiary.

"Revolving Credit Borrowing" shall mean a Borrowing comprised of Revolving Loans.

"Revolving Credit Exposure" shall mean, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Revolving Loans of such Lender.

"Revolving Loans" shall mean the revolving loans made by the Lenders to the Borrower pursuant to Section 2.01. Each Revolving Loan shall be a Eurodollar Revolving Loan or an ABR Loan.

"S&P" shall mean Standard & Poor's Ratings Service.

"Separation Agreement" shall have the meaning assigned to such term in the Merger Agreement.

"Significant Subsidiary" shall mean any Restricted Subsidiary that would be a "Significant Subsidiary" at such time, as such term is defined in Regulation S-X promulgated by the Securities and Exchange Commission as in effect on the Closing Date. Notwithstanding Regulation S-X, the Guarantor will at all times prior to the consummation of the HAC Merger be deemed to be a Significant Subsidiary.

"Stockholders' Equity" shall mean, as at any date of determination (i) prior to the Raytheon Merger, Hughes Electronics Corporation's Net Investment in the combined balance sheet of the Defense Business (such financial statement to be titled "The Defense Business of Hughes Electronics Corporation") at such date (or as of the most recent practicable date preceding such date (but in no event earlier than the last day of the fiscal quarter preceding such date for which financial statements are available)) or (ii) on the day of or after the Raytheon Merger, the stockholders' equity of the Borrower and its consolidated Subsidiaries as of such date (or as of the most recent practicable date after the Raytheon Merger which precedes such date (but in no event earlier than the last day of the fiscal quarter preceding the date for which financial statements are available)), in each case, as determined in accordance with GAAP.

"Subordinated Intercompany Indebtedness" shall mean Indebtedness of the Borrower or any Restricted Subsidiary held by any Affiliate thereof that is subordinated in right of payment to the Obligations on terms at least as favorable to the Lenders as the subordination provisions of the Delco Notes.

"subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made,

owned, controlled or held or (b) that is, at the time any determination is made, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" shall mean any subsidiary of the Borrower.

"Tax Sharing Agreement" shall have the meaning assigned to such term in the Separation Agreement.

"Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Administrative Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it.

"Total Capitalization" shall mean, as at any date of determination, the sum of Total Debt at such date and Stockholders' Equity at such date.

"Total Commitment" shall mean, at any time, the aggregate amount of the Commitments, as in effect at such time.

"Total Debt" shall mean, as at any date of determination, all Indebtedness of the Borrower and its consolidated Restricted Subsidiaries (including, without duplication, all Guarantees by the Borrower and its consolidated Restricted Subsidiaries of Indebtedness of others) at such date; provided, however, that the term "Total Debt" shall not include Subordinated Intercompany Indebtedness or such Indebtedness that shall be Subordinated Intercompany Indebtedness as of the date of the initial Borrowing in accordance with the provisions of Section 4.02(1).

"Transactions" shall have the meaning assigned to such term in Section 3.02.

"Type", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, the term "Rate" shall include the LIBO Rate and the Alternate Base Rate.

"Unrestricted Subsidiary" shall mean each Subsidiary, whether now owned or hereafter acquired, that is not a Restricted Subsidiary. Notwithstanding anything to the contrary contained herein, immediately after the consummation of the Raytheon Merger, all Subsidiaries shall be deemed to be Restricted Subsidiaries.

"wholly owned Subsidiary" of any person shall mean a subsidiary of such person of which securities (except for directors' qualifying shares) or other ownership interests representing 100% of the equity or 100% of the ordinary voting power or 100% of the general partnership interests are, at the time any determination is being made, owned, controlled or held by such person or one or more wholly owned subsidiaries of such person or by such person and one or more wholly owned subsidiaries of such person.

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, (a) any reference to this Agreement shall mean

this Agreement as amended, restated, supplemented or otherwise modified from time to time and (b) all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided, however, that for purposes of determining compliance with the covenants contained in Article VI, all accounting terms herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP as in effect on the date of this Agreement and applied on a basis consistent with the application used in the financial statements referred to in Section 3.05.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Revolving Loans to the Borrower, at any time and from time to time on or after the Closing Date, and until the earlier of the Maturity Date and the termination of the Commitment of such Lender in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in (a)(i) such Lender's Revolving Credit Exposure exceeding (ii) such Lender's Commitment or (b)(i) the aggregate amount of outstanding Loans exceeding (ii) the Total Commitment. Within the limits set forth in the preceding sentence, the Borrower may borrow, pay or prepay and reborrow Revolving Loans on or after the Closing Date and prior to the Maturity Date, subject to the terms, conditions and limitations set forth herein.

SECTION 2.02. Loans. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments; provided, however, that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.03. The Loans comprising any Borrowing shall be in an aggregate principal amount that is (i) an integral multiple of \$1,000,000 and not less than \$10,000,000 or (ii) equal to the remaining available balance of the Total Commitment.

(b) Subject to Sections 2.09 and 2.15, each Competitive Borrowing shall be comprised entirely of Eurodollar Competitive Loans or Fixed Rate Loans, and each Revolving Credit Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request pursuant to Section 2.03 or 2.04, as applicable. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; provided, however, that the Borrower shall not be entitled to request any Borrowing that, if made, would result in more than 15 Eurodollar Borrowings outstanding hereunder at any time. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to such account in New York City as the Administrative Agent may designate not later than 11:00 a.m., New York City time, and the Administrative Agent shall by 12:00 (noon), New York City time, credit the amounts so received to an account with the Administrative Agent designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request, which account must be in the name of the Borrower or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with paragraph (c) above and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If the Administrative Agent shall have so made funds available then, to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the

Administrative Agent within one Business Day of demand therefor such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds (which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(e) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Competitive Bid Procedure. (a) In order to request Competitive Bids, the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Competitive Bid Request (i) in the case of a Eurodollar Competitive Borrowing, not later than 10:00 a.m., New York City time, four Business Days before the proposed date of such Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the proposed date of such Borrowing. A Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request. No ABR Loan shall be requested in, or made pursuant to, a Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit D-1 may be rejected by the Administrative Agent and the Administrative Agent shall notify the Borrower of such rejection as promptly as practicable. Each Competitive Bid Request shall refer to this Agreement and specify (i) whether the Borrowing being requested is to be a Eurodollar Competitive Borrowing or a Fixed Rate Borrowing; (ii) the date of such Borrowing (which shall be a Business Day); (iii) the number and the location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the aggregate principal amount of such Borrowing, which shall be a minimum of \$10,000,000 and an integral multiple of \$1,000,000 and not greater than the Total Commitment then available; and (v) the Interest Period with respect thereto (which may not end after the Maturity Date). Promptly after its receipt of a Competitive Bid Request that is not rejected, the Administrative Agent shall by telecopy in the form set forth in Exhibit D-2 invite the Lenders to bid to make Competitive Loans pursuant to the Competitive Bid Request.

(b) Each Lender may make one or more Competitive Bids to the Borrower responsive to a Competitive Bid Request. Each Competitive Bid by a Lender must be received by the Administrative Agent by telecopy in the form of Exhibit D-3, (i) in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the format of Exhibit D-3 may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall refer to this Agreement and specify (x) the principal amount (which shall be a minimum of \$5,000,000 and an integral multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (y) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans and (z) the Interest Period applicable to such Loan or Loans and the last day thereof.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount of each Competitive Loan in respect of which a Competitive Bid shall have been made and the identity of the Lender that shall have made each bid.

(d) The Borrower may, subject only to the provisions of this paragraph (d), accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in the form of a Competitive Bid Accept/Reject Letter, whether and to what extent it has decided to accept or reject each Competitive Bid, (x) in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing and (y) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided, however, that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower has decided to reject a Competitive Bid made at a lower

Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed (but may be less than) the principal amount specified in the Competitive Bid Request, (iv) if the Borrower shall accept a Competitive Bid or Bids made at a particular Competitive Bid Rate but the amount of such Competitive Bid or Bids would cause the total amount to be accepted by the Borrower to exceed the amount specified in the Competitive Bid Request, then the Borrower shall accept a portion of such Competitive Bid or Bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids so accepted, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Bid and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and an integral multiple of \$1,000,000; provided further, however, that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph (d) shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, in what amount and at what Competitive Bid Rate), and each successful bidder will thereupon become bound, upon the terms and subject to the conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) above.

SECTION 2.04. Borrowing Procedure. In order to request a Borrowing (other than a Competitive Borrowing, as to which this Section 2.04 shall not apply), the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Borrowing Request (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before a proposed Borrowing and (b) in the case of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the day of a proposed Borrowing. Each Borrowing Request shall be irrevocable, signed by or on behalf of the Borrower, shall be accompanied by a Ratio Certificate (if the requested Borrowing is to be made prior to the Raytheon Merger) and shall specify the following information: (i) whether the Borrowing then being requested is to be a Eurodollar Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day); (iii) the number and location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the amount of such Borrowing; and (v) if such Borrowing is to be a Eurodollar Borrowing, the Interest Period with respect thereto; provided, however, that, notwithstanding any contrary specification in any Borrowing Request, each requested Borrowing shall comply with the requirements set forth in Section 2.02. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.04 (and the contents thereof), and of each Lender's portion of the requested Borrowing.

SECTION 2.05. Evidence of Debt; Repayment of Loans. (a) The Borrower hereby agrees that the outstanding principal balance of each Revolving Loan shall be payable on the Maturity Date and the outstanding principal balance of each Competitive Loan shall be payable on the last day of the Interest Period applicable thereto. Each Loan shall bear interest from and including the date of such Loan on the outstanding principal balance thereof as set forth in Section 2.07.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the

amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) of this Section 2.05 shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with their terms.

(e) Notwithstanding any other provision of this Agreement, in the event any Lender shall request and receive a promissory note payable to such Lender and its registered assigns, the interests represented by such note shall at all times (including after any assignment of all or part of such interests pursuant to Section 10.04) be represented by one or more promissory notes payable to the payee named therein or its registered assigns.

SECTION 2.06. Fees. (a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on the last day of March, June, September and December in each year, and on the date on which the Commitment of such Lender shall be terminated as provided herein, a facility fee (a "Facility Fee") equal to the Applicable Percentage per annum in effect from time to time on the average daily amount of the Commitment of such Lender (whether used or unused) during the preceding quarter (or shorter period commencing with the date hereof or ending with the Maturity Date or the date on which the Commitment of such Lender shall expire or be terminated). All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Facility Fee due to each Lender shall commence to accrue on the date of this Agreement and shall cease to accrue on the earlier of the Maturity Date and the date on which the Commitment of such Lender shall be terminated as provided herein.

(b) The Borrower agrees to pay to each of the Agents or their Affiliates, for their own account, the fees set forth in the Fee Letter at the times and in the amounts specified therein (the "Agents' Fees").

(c) All Fees shall be paid on the dates due, in immediately available funds. Once paid, none of the Fees shall be refundable under any circumstances.

SECTION 2.07. Interest on Loans. (a) Subject to the provisions of Section 2.08, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when the Alternate Base Rate is determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate.

(b) Subject to the provisions of Section 2.08, the Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to (i) in the case of each Revolving Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Percentage in effect from time to time and (ii) in the case of each Competitive Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus the Margin offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(c) Subject to the provisions of Section 2.08, each Fixed Rate Loan shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the fixed rate of interest offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(d) Interest on each Loan shall be payable on the Interest Payment Dates applicable to such Loan except as otherwise provided in this Agreement. The applicable Alternate Base Rate or LIBO Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.08. Default Interest. If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, by acceleration or otherwise, the Borrower shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount to but excluding the date of actual payment (after as well as before judgment) (a) in

the case of overdue principal, at the rate otherwise applicable to such Loan pursuant to Section 2.07 plus 2.00% per annum and (b) in all other cases, at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate and over a year of 360 days at all other times) equal to the sum of the Alternate Base Rate plus 2.00%.

SECTION 2.09. Alternate Rate of Interest. In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Borrowing the Administrative Agent shall have determined that (a) Dollar deposits in the principal amounts of the Loans comprising such Borrowing are not generally available in the London interbank market, or (b) the rates at which such Dollar deposits are being offered will not adequately and fairly reflect the cost to Lenders having Commitments representing at least 20% of the Total Commitment of making or maintaining Eurodollar Loans during such Interest Period, or (c) reasonable means do not exist for ascertaining the LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give written or teletype notice of such determination to the Borrower and the Lenders. In the event of any such determination (other than any such determination pursuant to clause (b) of the preceding sentence, to the extent the circumstances giving rise to such determination would also give Lenders the right to demand additional amounts pursuant to Section 2.14), until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any request by the Borrower for a Eurodollar Revolving Credit Borrowing pursuant to Section 2.04 shall be deemed to be a request for an ABR Borrowing and (ii) any request by the Borrower for a Eurodollar Competitive Borrowing pursuant to Section 2.03 shall be of no force and effect and shall be denied by the Administrative Agent. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

SECTION 2.10. Termination and Reduction of Commitments. (a) The Commitments shall automatically terminate on the Maturity Date.

(b) Upon at least three Business Days' prior irrevocable written or teletype notice to the Administrative Agent, the Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Commitments; provided, however, that (i) each partial reduction of the Commitments shall be in an integral multiple of \$1,000,000 and in a minimum amount of \$10,000,000 and (ii) the Total Commitment shall not be reduced to an amount that is less than the sum of the Aggregate Revolving Credit Exposure and the aggregate outstanding principal amount of the Competitive Loans at the time.

(c) Each reduction in the Commitments hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Borrower shall pay to the Administrative Agent for the account of the applicable Lenders, on the date of each termination or reduction, the Facility Fees on the amount of the Commitments so terminated or reduced accrued to but excluding the date of such termination or reduction.

SECTION 2.11. Conversion and Continuation of Revolving Credit Borrowings. The Borrower shall have the right at any time upon prior irrevocable notice to the Administrative Agent (a) not later than 10:00 a.m., New York City time, on the day of conversion, to convert any Eurodollar Borrowing into an ABR Borrowing, (b) not later than 10:00 a.m., New York City time, three Business Days prior to conversion or continuation, to convert any ABR Borrowing into a Eurodollar Borrowing or to continue any Eurodollar Borrowing as a Eurodollar Borrowing for an additional Interest Period, and (c) not later than 10:00 a.m., New York City time, three Business Days prior to conversion, to convert the Interest Period with respect to any Eurodollar Borrowing to another permissible Interest Period, subject in each case to the following:

(i) each conversion or continuation shall be made pro rata among the Lenders in accordance with the respective principal amounts of the Loans comprising the converted or continued Borrowing;

(ii) if less than all the outstanding principal amount of any Borrowing shall be converted or continued, then each resulting Borrowing shall satisfy the limitations specified in Sections 2.02(a) and 2.02(b) regarding the principal amount and maximum number of Borrowings of the relevant Type;

(iii) each conversion shall be effected by each Lender by recording for the account of such Lender the new Loan of such Lender resulting from such conversion and reducing the

Loan (or portion thereof) of such Lender being converted by an equivalent principal amount; accrued interest on any Eurodollar Loan (or portion thereof) being converted shall be paid by the Borrower at the time of conversion;

(iv) if any Eurodollar Borrowing is converted at a time other than the end of the Interest Period applicable thereto, the Borrower shall pay, upon demand, any amounts due to the Lenders pursuant to Section 2.16;

(v) any portion of a Borrowing maturing or required to be repaid in less than one month may not be converted into or continued as a Eurodollar Borrowing; and

(vi) any portion of a Eurodollar Borrowing that cannot be converted into or continued as a Eurodollar Borrowing by reason of the immediately preceding clause shall be automatically converted at the end of the Interest Period in effect for such Borrowing into an ABR Borrowing.

Each notice pursuant to this Section 2.11 shall be irrevocable and shall refer to this Agreement and specify (i) the identity and amount of the Borrowing that the Borrower requests be converted or continued, (ii) whether such Borrowing is to be converted into or continued as a Eurodollar Borrowing or an ABR Borrowing, (iii) if such notice requests a conversion, the date of such conversion (which shall be a Business Day) and (iv) if such Borrowing is to be converted into or continued as a Eurodollar Borrowing, the Interest Period with respect thereto (which may not end after the Maturity Date). If no Interest Period is specified in any such notice with respect to any conversion into or continuation as a Eurodollar Borrowing, the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall advise the other Lenders of any notice given pursuant to this Section 2.11 and of each Lender's portion of any converted or continued Borrowing. If the Borrower shall not have given notice in accordance with this Section 2.11 to continue any Borrowing into a subsequent Interest Period (and shall not otherwise have given notice in accordance with this Section 2.11 to convert such Borrowing), such Borrowing shall, at the end of the Interest Period applicable thereto (unless repaid pursuant to the terms hereof), automatically be continued into a new Interest Period as an ABR Borrowing. The Borrower shall not have the right to continue or convert the Interest Period with respect to any Competitive Borrowing pursuant to this Section 2.11.

SECTION 2.12. Prepayment. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing (other than a Competitive Borrowing), in whole or in part, upon at least three Business Days' prior written or teletype notice (or telephone notice promptly confirmed by written or teletype notice) to the Administrative Agent before 11:00 a.m., New York City time; provided, however, that each partial prepayment shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000. The Borrower shall not have the right to prepay any Competitive Borrowing.

(b) In the event of any termination of the Commitments, the Borrower shall repay or prepay all its outstanding Revolving Credit Borrowings on the date of such termination. In the event of any partial reduction of the Commitments, then (i) at or prior to the effective date of such reduction, the Administrative Agent shall notify the Borrower and the Lenders of the Aggregate Revolving Credit Exposure and (ii) if the Aggregate Revolving Credit Exposure would exceed the available Total Commitment after giving effect to such reduction, the Borrower shall, on the date of such reduction, repay or prepay Revolving Credit Borrowings in an amount sufficient to eliminate such excess.

(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing by the amount stated therein on the date stated therein. All prepayments under this Section 2.12 shall be subject to Section 2.16 but otherwise without premium or penalty. All prepayments of Eurodollar Loans under this Section 2.12 shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

SECTION 2.13. Required Commitment Reductions and Prepayments. (a) If the Borrower or any Restricted Subsidiary shall complete any Asset Sale, then not later than the third Business Day following the receipt by the Borrower or any Restricted Subsidiary of any Net Cash Proceeds therefrom (or, if such Asset Sale was completed prior to the Raytheon Merger, the fifth Business Day following the final determination of the Closing Date Final Amount pursuant to Article 7 of the Separation Agreement), the Borrower shall permanently reduce the Commitments and/or the

commitments under the 5-year Agreement and/or the commitments under one and/or both of the Raytheon Credit Agreements, at the option of the Borrower, by an aggregate amount, which when aggregated with all required commitment reductions made pursuant to Section 2.13 (a) or (b) prior to such date, shall equal at least 75% of the aggregate Net Cash Proceeds of such Asset Sale and all other Asset Sales and Debt Issuances made prior to such date and, to the extent the outstanding Loans would exceed the Total Commitment as so reduced, prepay any Revolving Loans then outstanding on or prior to the effectiveness of such reduction by an amount sufficient to eliminate such excess.

(b) If prior to the second anniversary of the Closing Date the Borrower or any Restricted Subsidiary shall complete any Debt Issuance, then within three Business Days of the receipt by the Borrower or any Restricted Subsidiary of any Net Cash Proceeds therefrom, the Borrower shall on such date permanently reduce the Commitments and/or the commitments under the 5-year Agreement and/or, after the consummation of the Raytheon Merger, the commitments under one and/or both of the Raytheon Credit Agreements, at the option of the Borrower, by an aggregate amount, which when aggregated with all required commitment reductions made pursuant to Section 2.13 (a) or (b) prior to such date, shall equal at least 75% of the aggregate Net Cash Proceeds of such Debt Issuance and all other Debt Issuances and Asset Sales made prior to such date and, to the extent the outstanding Loans would exceed the Total Commitment as so reduced, prepay any Revolving Loans then outstanding on or prior to the effectiveness of such reduction by an amount sufficient to eliminate such excess.

(c) In the event any prepayment required by Section 2.13(a) or (b) with respect to any Revolving Loan would become due on a date that is not the last day of the relevant Interest Period therefor and as a result thereof the Borrower would incur liabilities under Section 2.16, then (i) if the last day of the relevant Interest Period for such Loan would occur within 180 days of the date on which such prepayment is otherwise due, and (ii) no Default or Event of Default shall have occurred and be continuing, such prepayment may be made at the Borrower's election on the last day of the relevant Interest Period for such Loan and, pending such prepayment, the Borrower shall deposit such Net Cash Proceeds with the Administrative Agent which shall hold such Net Cash Proceeds for the benefit of the Lenders, in an interest bearing account, until such time as such proceeds can be applied towards payment of the Loans in accordance with the provisions of this Agreement without resulting in any liability to the Borrower under Section 2.16. Until such Loans are so prepaid they shall continue to accrue interest as provided hereunder, provided that all interest which may accrue on any amounts so held in escrow shall be delivered by the Administrative Agent to the Borrower following prepayment of the principal of and accrued interest on such Loans.

SECTION 2.14. Reserve Requirements; Change in Circumstances. (a) Notwithstanding any other provision of this Agreement, if after the date of this Agreement any change in applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender or shall impose on such Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or Fixed Rate Loan, or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the Borrower will pay to such Lender upon demand such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender shall have determined that the adoption after the date hereof of any law, rule, regulation, agreement or guideline regarding capital adequacy, or any change after the date hereof in any such law, rule, regulation, agreement or guideline (whether such law, rule, regulation, agreement or guideline has been adopted) or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any Governmental Authority has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time the

Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company (including the calculation thereof) as specified in paragraph (a) or (b) above shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate delivered by it within 10 days after its receipt of the same.

(d) Failure or delay on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital shall not constitute a waiver of such Lender's right to demand such compensation. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, agreement, guideline or other change or condition that shall have occurred or been imposed. Notwithstanding any other provision of this Section, no Lender shall be entitled to demand compensation hereunder in respect of any Competitive Loan if it shall have been aware of the event or circumstance giving rise to such demand at the time it submitted the Competitive Bid pursuant to which such Loan was made.

SECTION 2.15. Change in Legality. (a) Notwithstanding any other provision of this Agreement, if, after the date hereof, any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent:

(i) such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods and ABR Loans will not thereafter (for such duration) be converted into Eurodollar Loans), whereupon such Lender shall not submit a Competitive Bid in response to a request for a Eurodollar Competitive Loan and any request for a Eurodollar Borrowing (or to convert an ABR Borrowing to a Eurodollar Borrowing or to continue a Eurodollar Borrowing for an additional Interest Period) shall, as to such Lender only, be deemed a request for an ABR Loan unless such declaration shall be subsequently withdrawn (or a request to continue an ABR Loan as such for an additional Interest Period or to convert a Eurodollar Loan into an ABR Loan, as the case may be); and

(ii) such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.15, a notice to the Borrower by any Lender shall be effective as to each Eurodollar Loan made by such Lender, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

SECTION 2.16. Indemnity. The Borrower shall indemnify each Lender against any loss or expense that such Lender may sustain or incur as a consequence of any event, other than a default by such Lender in the performance of its obligations hereunder, that results in (i) such Lender receiving or being deemed to receive any amount on account of the principal of any Fixed Rate Loan or Eurodollar Loan prior to the end of the Interest Period in effect therefor, (ii) the conversion of any Eurodollar Loan to an ABR Loan, or the conversion of the Interest Period with respect to any Eurodollar Loan, in each case prior to the end of the Interest Period in effect therefor or (iii) any Fixed Rate Loan or Eurodollar Loan to be made by such Lender (including any Eurodollar Loan to be made pursuant to a conversion or continuation under Section 2.11) not being made after notice of such Loan shall have been given by the Borrower hereunder (any of the events referred to in this sentence being

called a "Breakage Event"). In the case of any Breakage Event, such loss shall include an amount equal to the excess, as reasonably determined by such Lender, of (i) its cost of obtaining funds for the Eurodollar Loan or Fixed Rate Loan that is the subject of such Breakage Event for the period from the date of such Breakage Event to the last day of the Interest Period in effect (or that would have been in effect) for such Loan over (ii) the amount of interest likely to be realized by such Lender in redeploying the funds released or not utilized by reason of such Breakage Event for such period. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section 2.16 shall be delivered to the Borrower and shall be conclusive absent manifest error.

SECTION 2.17. Pro Rata Treatment. Except as provided in the two succeeding sentences with respect to Competitive Borrowings and as required under Section 2.15, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of the Facility Fees, each reduction of the Commitments and each continuation or conversion of any Borrowing to a Borrowing of any Type shall be allocated pro rata among the Lenders in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans). Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining the available Commitments of the Lenders at any time, each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Lenders (including those Lenders that shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole Dollar amount.

SECTION 2.18. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the Borrower, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Revolving Loan or Loans as a result of which the unpaid principal portion of its Revolving Loans shall be proportionately less than the unpaid principal portion of the Revolving Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Revolving Loans of such other Lender, so that the aggregate unpaid principal amount of the Revolving Loans and participations in Revolving Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Revolving Loans then outstanding as the principal amount of its Revolving Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Revolving Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Revolving Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower to such Lender by reason thereof as fully as if such Lender had made a Revolving Loan directly to the Borrower in the amount of such participation.

SECTION 2.19. Payments. (a) The Borrower shall make each payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder not later than 12:00 (noon), New York City time, on the date when due in immediately available Dollars, without defense, setoff or counterclaim. Each such payment shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder shall become due, or otherwise would occur, on a day that is not a

Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.20. Taxes. (a) Any and all payments by the Borrower hereunder shall be made, in accordance with Section 2.19, free and clear of and without deduction for any and all current or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding (i) income taxes imposed on the net income of the Administrative Agent or any Lender (or any transferee or assignee thereof, including a participation holder (any such entity a "Transferee")) and (ii) franchise taxes imposed on the net income of the Administrative Agent or any Lender (or Transferee), in each case by the jurisdiction under the laws of which the Administrative Agent or such Lender (or Transferee) is organized or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, being called "Taxes"). If the Borrower shall be required to deduct any Taxes from or in respect of any sum payable hereunder to the Administrative Agent or any Lender (or any Transferee), (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.20) the Administrative Agent or such Lender (or Transferee), as the case may be, shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay to the relevant Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement ("Other Taxes").

(c) The Borrower will indemnify the Administrative Agent and each Lender (or Transferee) for the full amount of Taxes and Other Taxes paid by the Administrative Agent or such Lender (or Transferee), as the case may be, and any liability (including penalties, interest and expenses (including reasonable attorney's fees and expenses)) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability prepared by the Administrative Agent or a Lender (or Transferee), or the Administrative Agent on its behalf, absent manifest error, shall be final, conclusive and binding for all purposes. Such indemnification shall be made within 30 days after the date the Administrative Agent or any Lender (or Transferee), as the case may be, makes written demand therefor.

(d) If the Administrative Agent or a Lender (or Transferee) receives a refund in respect of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.20, it shall within 30 days from the date of such receipt pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.20 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender (or Transferee) and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund); provided, however, that the Borrower, upon the request of the Administrative Agent or such Lender (or Transferee), shall repay the amount paid over to the Borrower (plus penalties, interest or other charges) to the Administrative Agent or such Lender (or Transferee) in the event the Administrative Agent or such Lender (or Transferee) is required to repay such refund to such Governmental Authority.

(e) As soon as practicable after the date of any payment of Taxes or Other Taxes by the Borrower to the relevant Governmental Authority, the Borrower will deliver to the Administrative Agent, at its address referred to in Section 10.01, the original or a certified copy of a receipt issued by such Governmental Authority evidencing payment thereof.

(f) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.20 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(g) Each Lender (or Transferee) that is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") shall deliver to each of the Borrower and the Administrative Agent two copies of either United States Internal Revenue Service Form 1001 or Form 4224, or, in the case of a Non-U.S. Lender claiming exemption from U.S.

Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8, or any subsequent versions thereof or successors thereto (and, if such Non-U.S. Lender delivers a Form W-8, a certificate representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code)), properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or reduced rate of, U.S. Federal withholding tax on payments by the Borrower under this Agreement. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a participation holder, on or before the date such participation holder becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S. Lender changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this Section 2.20(g), a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.20(g) that such Non-U.S. Lender is not legally able to deliver.

(h) The Borrower shall not be required to indemnify any Non-U.S. Lender or to pay any additional amounts to any Non-U.S. Lender, in respect of United States Federal withholding tax pursuant to paragraph (a) or (c) above to the extent that (i) the obligation to withhold amounts with respect to United States Federal withholding tax existed on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a Transferee that is a participation holder, on the date such participation holder became a Transferee hereunder) or, with respect to payments to a New Lending Office, the date such Non-U.S. Lender designated such New Lending Office with respect to a Loan; provided, however, that this paragraph (h) shall not apply (x) to any Transferee or New Lending Office that becomes a Transferee or New Lending Office as a result of an assignment, participation, transfer or designation made at the request of the Borrower and (y) to the extent the indemnity payment or additional amounts any Transferee, or any Lender (or Transferee), acting through a New Lending Office, would be entitled to receive (without regard to this paragraph (h)) do not exceed the indemnity payment or additional amounts that the person making the assignment, participation or transfer to such Transferee, or Lender (or Transferee) making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation or (ii) the obligation to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Lender to comply with the provisions of paragraph (g) above.

(i) Nothing contained in this Section 2.20 shall require any Lender (or any Transferee) or the Administrative Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

SECTION 2.21. Assignment of Commitments Under Certain Circumstances; Duty to Mitigate. (a) In the event (i) any Lender delivers a certificate requesting compensation pursuant to Section 2.14, (ii) any Lender delivers a notice described in Section 2.15 or (iii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender pursuant to Section 2.20, the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to transfer and assign, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all of its interests, rights and obligations under this Agreement to an assignee which shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (x) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority having jurisdiction, (y) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, and (z) the Borrower or such assignee shall have paid to the affected Lender in immediately available funds an amount equal to the sum of the principal of and interest accrued to the date of such payment on the outstanding Loans of such Lender plus all Fees and other amounts accrued for the account of such Lender hereunder (including any amounts under Section 2.14 and Section 2.16); provided further that if prior to any such transfer and assignment the circumstances or event that resulted in such Lender's claim for compensation under Section 2.14 or notice under Section 2.15 or the amounts paid pursuant to Section 2.20, as the case may be, cease to cause such Lender to suffer increased costs or reductions in amounts received or receivable or reduction in return on capital, or cease to have the consequences specified in Section 2.15, or cease to result in amounts being payable under Section 2.20, as the case may be (including as a result of any action taken by such Lender pursuant to paragraph (b) below), or if such Lender shall waive its right to claim further compensation under Section 2.14 in respect of such circumstances or event or shall withdraw its notice under Section 2.15 or shall waive its right to further

payments under Section 2.20 in respect of such circumstances or event, as the case may be, then such Lender shall not thereafter be required to make any such transfer and assignment hereunder.

(b) If (i) any Lender shall request compensation under Section 2.14, (ii) any Lender delivers a notice described in Section 2.15 or (iii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender, pursuant to Section 2.20, then, such Lender shall use reasonable efforts (which shall not require such Lender to incur an unreimbursed loss or unreimbursed cost or expense or otherwise take any action inconsistent with its internal policies or legal or regulatory restrictions or suffer any disadvantage or burden deemed by it to be significant) (x) to file any certificate or document reasonably requested in writing by the Borrower or (y) to assign its rights and delegate and transfer its obligations hereunder to another of its offices, branches or affiliates, if such filing or assignment would reduce its claims for compensation under Section 2.14 or enable it to withdraw its notice pursuant to Section 2.15 or would reduce amounts payable pursuant to Section 2.20, as the case may be, in the future. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such filing, assignment, delegation and transfer.

ARTICLE III

Representations and Warranties

The Borrower represents and warrants to the Administrative Agent and each of the Lenders that:

SECTION 3.01. Organization; Powers. The Borrower and each of the Significant Subsidiaries (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted and (c) is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where the failure so to qualify could not reasonably be expected to result in a Material Adverse Effect. The Borrower has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and to borrow hereunder. Schedule 3.01 sets forth each Significant Subsidiary of the Borrower in existence on the Closing Date.

SECTION 3.02. Authorization. The execution, delivery and performance by the Borrower of this Agreement and the borrowings hereunder (collectively, the "Transactions") (a) have been duly authorized by all requisite corporate and, if required, stockholder action and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, or of the certificate or articles of incorporation or other constitutive documents or by-laws of the Borrower or any Significant Subsidiary, (B) any order of any Governmental Authority or (C) any material provision of any material indenture, agreement or other instrument to which the Borrower or any Significant Subsidiary is a party or by which any of them or any of their property is or may be bound, (ii) be in material conflict with, result in a material breach of or constitute (alone or with notice or lapse of time or both) a material default under, or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under any such material indenture, agreement or other instrument or (iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by the Borrower or any Significant Subsidiary.

SECTION 3.03. Enforceability. This Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

SECTION 3.04. Governmental Approvals. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Transactions, except those which have been made or obtained.

SECTION 3.05. Financial Statements. The Borrower has heretofore furnished to the Lenders the consolidated balance sheet, statement of income and statement of cash flows of the Defense Business as of and for the fiscal year ended December 31, 1996, audited by and accompanied by the opinion of Deloitte & Touche LLP, independent public accountants. Such financial statements present fairly the financial condition and results of operations of the Defense Business as of such date and for such period and were prepared in accordance with GAAP applied on a consistent basis. Such financial

statements and the notes thereto, and Schedule 3.05, when taken together, disclose all material liabilities, direct or contingent, of the Borrower and its consolidated Restricted Subsidiaries as of the date thereof.

SECTION 3.06. No Material Adverse Change. There has been no material adverse change in the business, assets, operations or condition, financial or otherwise, of the Borrower and the Subsidiaries, taken as a whole, since December 31, 1996.

SECTION 3.07. Litigation; Compliance with Laws. (a) Except as set forth on Schedule 3.07, there are not any actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any Subsidiary or any business, property or rights of any such person (i) that involve this Agreement or the Transactions or (ii) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(b) None of the Borrower or any of the Subsidiaries or any of their respective material properties or assets is in violation of, nor will the continued operation of their material properties and assets as currently conducted violate, any law, rule or regulation, or is in default with respect to any judgment, writ, injunction, decree or order of any Governmental Authority (including any of the foregoing relating to the environment), where such violation or default could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.08. Federal Reserve Regulations. (a) Neither the Borrower nor any of the Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately for any purpose that entails a violation of, or that is inconsistent with, the provisions of the Regulations of the Board, including Regulation G, U or X. Margin Stocks do not constitute 25% or more of the fair market value of the assets of the Borrower and the Subsidiaries subject to the restrictions of Section 6.01.

SECTION 3.09. Investment Company Act; Public Utility Holding Company Act. Neither the Borrower nor any Subsidiary is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.10. Tax Returns. Each of the Borrower and the Subsidiaries has filed or caused to be filed all Federal and all material state, local and foreign tax returns or materials required to have been filed by it and has paid or caused to be paid all taxes shown to be due and payable by it on such returns and all assessments received by it, except taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiaries, as applicable, shall have set aside on its books adequate reserves in accordance with GAAP.

SECTION 3.11. No Material Misstatements. Neither (a) the Confidential Information Memorandum nor (b) any other information, report, financial statement, exhibit or schedule furnished in writing by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or included herein or delivered pursuant hereto contained, contains or will contain any material misstatement of fact or omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading; provided that to the extent any such information, report, financial statement, exhibit or schedule was based upon or constitutes a forecast or projection, the Borrower represents only that it acted in good faith and utilized reasonable assumptions and due care in the preparation of such information, report, financial statement, exhibit or schedule.

SECTION 3.12. Employee Benefit Plans. Each of the Borrower and its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect. The present value of all benefit liabilities under each Plan (based on those assumptions used to fund such Plan) did not, as of the last annual valuation date applicable thereto before the Closing Date, exceed the fair market value of the assets of such Plan as

of such date, and the present value of all benefit liabilities of all underfunded Plans (based on those assumptions used to fund each such Plan) did not, as of the last annual valuation dates applicable thereto before the Closing Date, exceed by more than \$280 million the fair market value of the assets of all such underfunded Plans as of such dates.

ARTICLE IV

Conditions of Lending

The obligations of the Lenders to make Loans hereunder are subject to the satisfaction of the following conditions:

SECTION 4.01. All Borrowings. On the date of each Borrowing (other than, in the case of paragraph (b) below, a Borrowing that does not increase the aggregate principal amount of Loans outstanding of any Lender):

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03 or 2.04, as applicable.

(b) The representations and warranties set forth in Article III hereof shall be true and correct in all material respects on and as of the date of such Borrowing with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) At the time of and immediately after such Borrowing, no Event of Default or Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date of such Borrowing as to the matters specified in paragraphs (b) (except as aforesaid) and (c) of this Section 4.01.

SECTION 4.02. First Borrowing. On the date of the initial Borrowing:

(a) The Administrative Agent shall have received, on behalf of itself and the Lenders and the Agents, the favorable written opinions of (i) Robert M. Hall, Esq., Secretary of the Borrower and (ii) Weil, Gotshal & Manges LLP, special counsel for the Borrower, substantially to the effect set forth in Exhibits E and F, respectively, each (A) dated the date of the initial Borrowing, (B) addressed to the Administrative Agent, the Lenders and the Agents, and (C) covering such other matters relating to this Agreement and the transactions contemplated hereby as the Administrative Agent and the Syndication Agent may reasonably request as a result of any change in law or regulation after the Closing Date relating to such transactions or any material change in facts previously disclosed to the Lenders, or disclosure of facts not previously disclosed to the Lenders, and the Borrower hereby requests such counsel deliver such opinions.

(b) All legal matters incident to this Agreement, the Borrowings and extensions of credit hereunder shall be reasonably satisfactory to the Lenders and to Cravath, Swaine & Moore, counsel for the Administrative Agent and the Syndication Agent.

(c) The Administrative Agent and the Syndication Agent shall have received (i) a copy of the certificate of incorporation, including all amendments thereto, of the Borrower and the Guarantor, each certified as of a recent date by the Secretary of State of the State of Delaware, and a certificate as to the good standing of the Borrower and the Guarantor as of a recent date, from such Secretary of State; (ii) a certificate of the Secretary or Assistant Secretary of each of the Borrower and the Guarantor, each dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Borrower or the Guarantor, as applicable, as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Borrower or the Guarantor, as applicable, authorizing the execution, delivery and performance of this Agreement and, in the case of the Borrower, the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect,

(C) that the certificate of incorporation of the Borrower or the Guarantor, as applicable, has not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of the Borrower or the Guarantor, as applicable; (iii) a certificate of another officer of the Borrower or the Guarantor, as applicable, as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or Cravath, Swaine & Moore, counsel for the Administrative Agent and the Syndication Agent, may reasonably request.

(d) The Administrative Agent and the Syndication Agent shall each have received (i) a certificate, dated the date of the initial Borrowing and signed by a Financial Officer of the Borrower, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.01, (ii) a Ratio Certificate, calculating the ratio of Total Debt to Total Capitalization on the Closing Date and on the date of the initial Borrowing and (iii) a certificate, dated the date of the initial Borrowing, and signed by a Financial Officer of the Borrower, setting forth all Asset Sales as of such date made after the Closing Date, and the amount of Net Cash Proceeds received by the Borrower or any of its Restricted Subsidiaries in connection therewith.

(e) The consummation of the Raytheon Merger shall have been approved by the shareholders of Raytheon and the shareholders of each class of common stock of GM shall have approved the GM Transactions (as defined in the Hughes Distribution Agreement) and those related transactions submitted for the approval of such shareholders.

(f) All requisite Governmental Authorities shall have approved or consented to the Raytheon Merger and the transactions contemplated hereby to the extent required, all applicable waiting periods (including under the Hart-Scott-Rodino Antitrust Improvements Act of 1976) shall have expired and there shall be no governmental or judicial action, actual or overtly threatened, restraining, preventing or imposing burdensome conditions on the Raytheon Merger or the transactions contemplated hereby.

(g) There shall be no litigation or administrative proceedings or other legal or regulatory developments, actual or overtly threatened, that, in the judgment of the Lenders, involve a reasonable possibility of prohibiting or imposing burdensome conditions on the Raytheon Merger or the transactions contemplated hereby.

(h) The Administrative Agent and the other Agents and their Affiliates shall have received all Fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(i) The Borrower shall have provided to the Lenders an opinion of Weil, Gotshal & Manges LLP, special counsel to the Borrower, to the effect that the Raytheon Merger shall qualify as a "reorganization" within the meaning of Section 368 of the Code and either (A) a copy of a ruling by the Internal Revenue Service confirming the tax-free status of certain related transactions (including the distribution of HNS stock by the Borrower to GM, the distribution of the Borrower's stock by GM to its shareholders and the liquidation of Hughes Electronics Corporation into GM and HAC into the Borrower prior to the Raytheon Merger) or (B) an opinion of Kirkland & Ellis, special counsel to GM to such effect (which opinion shall be substantially identical to the opinion of such counsel delivered to GM), the conclusion of which shall be substantially in the form set forth as Exhibit G.

(j) The HAC Merger shall have occurred.

(k) The 5-year Agreement shall have been, or shall simultaneously be, executed and delivered by the parties thereto and shall be in full force and effect.

(l) The subordination provisions attached as a rider to the Delco Notes shall have been incorporated into and made a part of the Delco Notes.

ARTICLE V

Affirmative Covenants

The Borrower covenants and agrees with each Lender that so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement shall have been paid in full, unless the Required Lenders shall otherwise consent in writing, the Borrower will, and will cause each of the Restricted Subsidiaries to:

SECTION 5.01. Existence; Businesses and Properties. In the case of the Borrower and the Significant Subsidiaries:

(a) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises, except as otherwise expressly permitted under Section 6.03 and

(b) comply in all material respects with all applicable laws, rules, regulations and decrees and orders of any Governmental Authority, whether now in effect or hereafter enacted; and at all times maintain, preserve and protect all property material to the conduct of its business.

SECTION 5.02. Insurance. Keep its insurable properties adequately insured at all times by financially sound and reputable insurers; and maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses, provided that nothing in this Section 5.02 shall preclude the Borrower or any Subsidiary from being self-insured (to the extent deemed prudent by the Borrower or such Subsidiary and customary with companies in the same or similar business).

SECTION 5.03. Taxes. Pay and discharge promptly when due all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise that, if unpaid, might give rise to a Lien upon such properties or any part thereof unless and to the extent the same are being contested in good faith by appropriate proceedings and adequate reserves with respect thereto shall, to the extent required by GAAP, have been set aside.

SECTION 5.04. Financial Statements, Reports, etc. In the case of the Borrower, furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year, a consolidated balance sheet, statement of income and statement of cash flows showing the financial condition and results of operations of the Defense Business and, after the consummation of the Raytheon Merger, the Borrower and its consolidated Subsidiaries as of and for the fiscal year then ended, all audited by Deloitte & Touche LLP or other independent public accountants of recognized national standing and accompanied by an opinion of such accountants (which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of the Defense Business or the Borrower and its consolidated Subsidiaries, as the case may be, on a consolidated basis in accordance with GAAP;

(b) within 45 days (or, in the case of the fiscal quarter ending March 31, 1997, 60 days) after the end of each of the first three fiscal quarters of each fiscal year, a consolidated balance sheet, statement of income and statement of cash flows showing the financial condition and results of operations of the Defense Business and, after the consummation of the Raytheon Merger, the Borrower and its consolidated Subsidiaries as of and for the fiscal quarter then ended and the then elapsed portion of the fiscal year, all certified by a Financial Officer of the Borrower as fairly presenting the financial condition and results of operations of the Defense Business or the Borrower, as the case may be, on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments;

(c) concurrently with any delivery of financial statements under paragraph (a) or (b) above, (i) a certificate of a Financial Officer of the Borrower certifying that no Event of

Default or Default has occurred or, if such an Event of Default or Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto and (ii) if the Raytheon Merger has not occurred, (x) a Ratio Certificate, calculating the ratio of Total Debt to Total Capitalization as of the last day of the preceding fiscal quarter and (y) a certificate of a Financial Officer of the Borrower certifying that such financial statements and the notes thereto, and Schedule 3.05 (as modified, if necessary, by an updated schedule attached to such certificate), when taken together, disclose all material liabilities, direct or contingent, of the Borrower and its consolidated Restricted Subsidiaries as of the date thereof;

(d) no later than May 30, 1997, a consolidated balance sheet, statement of income and statement of cash flows showing the financial condition of the Borrower and its consolidated Subsidiaries as of December 31, 1996, all certified by a Financial Officer of the Borrower as fairly presenting the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP;

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed to its shareholders, as the case may be; and

(f) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of the Borrower or any Significant Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.05. Litigation and Other Notices. Promptly upon any Responsible Officer of the Borrower obtaining knowledge of any of the following, furnish to the Administrative Agent and each Lender written notice of the following:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto;

(b) the filing or commencement of, or any notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Borrower or any Affiliate thereof that could reasonably be expected to result in a Material Adverse Effect or materially impair the Borrower's ability to perform its obligations under this Agreement;

(c) any change in the ratings by S&P or Moody's of the Index Debt; and

(d) any development that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect.

SECTION 5.06. Employee Benefits. (a) Comply in all material respects with the applicable provisions of ERISA and the Code and (b) furnish to the Administrative Agent and each Lender as soon as possible after, and in any event within 30 days after any Responsible Officer of the Borrower or any ERISA Affiliate knows that, any ERISA Event has occurred that, alone or together with any other ERISA Event known to have occurred, could reasonably be expected to result in liability of the Borrower in an aggregate amount exceeding \$75,000,000 in any year, a statement of a Financial Officer of the Borrower setting forth details as to such ERISA Event and the action, if any, that the Borrower proposes to take with respect thereto

SECTION 5.07. Maintaining Records; Access to Properties and Inspections. Maintain financial records in accordance with GAAP and, upon reasonable notice, permit any representatives designated by the Administrative Agent or any Lender to visit and inspect the financial records and the properties of the Borrower or any Significant Subsidiary during normal business hours and to discuss the affairs, finances and condition of the Borrower or any Significant Subsidiary with the officers thereof and independent accountants therefor.

SECTION 5.08. Use of Proceeds. Use the proceeds of the Loans only for the purposes set forth in the preamble to this Agreement.

ARTICLE VI

Negative Covenants

The Borrower covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement have been paid in full, unless the Required Lenders shall otherwise consent in writing, the Borrower will not, and will not cause or permit any of the Restricted Subsidiaries to:

SECTION 6.01. Liens. Create, incur, assume or permit to exist any Lien on any property or assets (including stock or other securities of any person, including any Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except:

(a) Liens on property or assets of the Borrower or any of its Restricted Subsidiaries existing on the date hereof except, in the case of the Borrower, any such Lien securing Indebtedness for borrowed money in excess of \$5,000,000 that is not set forth in Schedule 6.01, provided that all Liens permitted by this paragraph (a) shall secure only those obligations which they secure on the date hereof;

(b) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Restricted Subsidiary (or, in the case of any property or asset of Raytheon or any of its subsidiaries, prior to consummation of the Raytheon Merger), provided that (i) such Lien is not created in contemplation of or in connection with such acquisition (or the Raytheon Merger) and (ii) such Lien does not apply to any other property or assets of the Borrower or any Restricted Subsidiary;

(c) Liens for taxes not yet past due or which are being contested in compliance with Section 5.03;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business and securing obligations that are not due and payable or which are being contested in compliance with Section 5.03;

(e) pledges and deposits made in the ordinary course of business in compliance with workmen's compensation, unemployment insurance and other social security laws or regulations;

(f) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases (other than capital leases), statutory obligations, surety and appeal bonds, advance payment bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) zoning restrictions, easements, rights-of-way, restrictions on use of real property and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Borrower or any of its Restricted Subsidiaries;

(h) Liens upon any property acquired, constructed or improved by the Borrower or any Restricted Subsidiary which are created or incurred within 360 days of such acquisition, construction or improvement to secure or provide for the payment of any part of the purchase price of such property or the cost of such construction or improvement, including carrying costs (but no other amounts), provided that any such Lien shall not apply to any other property of the Borrower or any Subsidiary;

(i) Liens on the property or assets of any Restricted Subsidiary in favor of the Borrower;

(j) extensions, renewals and replacements of Liens referred to in paragraphs (a) through (i) of this Section 6.01, provided that any such extension, renewal or replacement Lien shall be limited to the property or assets covered by the Lien extended, renewed or replaced

and that the obligations secured by any such extension, renewal or replacement Lien shall be in an amount not greater than the amount of the obligations secured by the Lien extended, renewed or replaced;

(k) any Lien of the type described in clause (c) of the definition of the term "Lien" on securities imposed pursuant to an agreement entered into for the sale or disposition of such securities pending the closing of such sale or disposition; provided such sale or disposition is otherwise permitted hereunder;

(l) Liens arising in connection with any Permitted Receivables Program (to the extent the sale by the Borrower or the applicable Restricted Subsidiary of its accounts receivable is deemed to give rise to a Lien in favor of the purchaser thereof in such accounts receivable or the proceeds thereof); and

(m) Liens to secure Indebtedness if, immediately after the grant thereof, the aggregate amount of all Indebtedness secured by Liens that would not be permitted but for this clause (m), when aggregated with the amount of Indebtedness permitted by Section 6.04(h), does not exceed the greater of (i) \$100,000,000 or (ii) 15% of Consolidated Net Tangible Assets as shown on the most recent consolidated balance sheet delivered pursuant to Section 3.05 or 5.04(a) or (b), as the case may be.

SECTION 6.02. Sale and Lease-Back Transactions. Enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease back such property; provided, however, that the Borrower and the Restricted Subsidiaries may enter into any such transaction to the extent the Lien on any such property would be permitted by Section 6.01(m).

SECTION 6.03. Mergers, Consolidations and Sales of Assets. In the case of the Borrower, merge into or consolidate with any other person, or permit any other person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of, or permit the sale, transfer, lease or other disposition of (in one transaction or in a series of transactions) all or substantially all of its assets, or agree to do any of the foregoing; provided, however, that (i) any person may merge into or consolidate with the Borrower in a transaction in which the Borrower is the surviving corporation if no Event of Default or Default shall have occurred and be continuing or would occur immediately after giving effect thereto, (ii) the Borrower may consummate the HAC Merger and the Raytheon Merger; and (iii) the Borrower may consummate the transactions contemplated by the Merger Agreement and the Separation Agreement.

SECTION 6.04. Subsidiary Indebtedness. Permit any Restricted Subsidiary to create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness existing on the date hereof and set forth in Schedule 6.04 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(b) Indebtedness issued to the Borrower or any other Restricted Subsidiary;

(c) Indebtedness incurred to finance the acquisition, construction or improvement of any fixed or capital assets, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement;

(d) Indebtedness of any person that becomes a Restricted Subsidiary after the date hereof; provided that such Indebtedness exists at the time such person becomes a Restricted Subsidiary and is not created in contemplation of or in connection with such Person becoming a Restricted Subsidiary;

(e) Indebtedness as an account party in respect of trade letters of credit;

(f) Indebtedness arising in connection with any Permitted Receivables Program (to the extent the sale by the applicable Subsidiary of its accounts receivable is deemed to be Indebtedness of such Subsidiary);

(g) performance, advance payment, warranty and bid guarantees and other similar guarantees of payment (other than in respect of Indebtedness for borrowed money) made by a Restricted Subsidiary in the ordinary course of business; and

(h) other Indebtedness in an aggregate principal amount, when aggregated with the amount of all Indebtedness secured by Liens permitted by Section 6.01(m), not exceeding the greater of (i) \$100,000,000 or (ii) 15% of Consolidated Net Tangible Assets as shown on the most recent consolidated balance sheet delivered pursuant to Section 3.05 or 5.04(a) or (b), as the case may be.

SECTION 6.05. Debt to Capitalization. (a) Permit Total Debt at any time up to but excluding the date of the Raytheon Merger to exceed 60% of Total Capitalization at such time.

(b) Permit Total Debt to exceed (i) 65% of Total Capitalization at any time after the consummation of the Raytheon Merger to but excluding July 2, 1999, (ii) 60% of Total Capitalization from and including July 2, 1999 to but excluding January 1, 2002, and (iii) 55% of Total Capitalization from and after January 1, 2002.

SECTION 6.06. Amendment to Agreements. Amend (a) the Merger Agreement, (b) the Separation Agreement or (c) the Tax Sharing Agreement in any manner adverse to the interests of the Lenders.

ARTICLE VII

Events of Default

In case of the happening of any of the following events ("Events of Default"):

(a) any representation or warranty made or deemed made in or in connection with this Agreement or the borrowings hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to this Agreement, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(b) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or any Fee or any other amount (other than an amount referred to in (b) above) due under this Agreement, when and as the same shall become due and payable, and such default shall continue unremedied for a period of three Business Days following notice thereof;

(d) default shall be made in the due observance or performance by the Borrower or any Subsidiary of any covenant, condition or agreement contained in Section 5.01(a), 5.05(a) or 5.08 or in Article VI;

(e) default shall be made in the due observance or performance by the Borrower or any Subsidiary of any covenant, condition or agreement contained in this Agreement (other than those specified in (b), (c) or (d) above) and such default shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent or any Lender to the Borrower;

(f) the Borrower or any Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness in a principal amount in excess of \$50,000,000, when and as the same shall become due and payable, or (ii) fail to make any payment under any guarantee, if the aggregate amount of the guaranteed obligations is in excess of \$50,000,000, except to the extent the Borrower or such Subsidiary is contesting in good faith the requirement to make such payment, or (iii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Indebtedness if the effect of any failure referred to in this clause (iii) is to cause such Indebtedness to become due prior to its stated maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Borrower or any Significant Subsidiary, or of a substantial part of the property or assets of the Borrower or a Significant Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Significant Subsidiary or for a substantial part of the property or assets of the Borrower or a Significant Subsidiary or (iii) the winding-up or liquidation of the Borrower or any Significant Subsidiary; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the Borrower or any Significant Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Significant Subsidiary or for a substantial part of the property or assets of the Borrower or any Significant Subsidiary, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more judgments for the payment of money in an aggregate amount in excess of \$50,000,000 (to the extent not adequately covered by insurance as to which the insurance company has acknowledged coverage in writing) shall be rendered against the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of the Borrower or any Subsidiary to enforce any such judgment;

(j) an ERISA Event shall have occurred that, in the reasonable opinion of the Required Lenders, when taken together with all other such ERISA Events that have occurred could reasonably be expected to result in a Material Adverse Effect; or

(k) there shall have occurred a Change in Control;

then, and in every such event (other than an event with respect to the Borrower described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding; and in any event with respect to the Borrower described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding.

ARTICLE VIII

The Administrative Agent

In order to expedite the transactions contemplated by this Agreement, The Chase Manhattan Bank is hereby appointed to act as Administrative Agent on behalf of the Lenders. Each of the Lenders and each assignee of any such Lender hereby irrevocably authorizes the Administrative Agent to take

such actions on behalf of such Lender or assignee and to exercise such powers as are specifically delegated to the Administrative Agent by the terms and provisions hereof, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders all payments of principal of and interest on the Loans and all other amounts due to the Lenders hereunder, and promptly to distribute to each Lender its proper share of each payment so received; (b) to give notice on behalf of each of the Lenders to the Borrower of any Event of Default specified in this Agreement of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices, financial statements and other materials delivered by the Borrower pursuant to this Agreement as received by the Administrative Agent.

Neither the Administrative Agent nor any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its or his own gross negligence or wilful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower of any of the terms, conditions, covenants or agreements contained in this Agreement. The Administrative Agent shall not be responsible to the Lenders for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement or any other instruments or agreements. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders (or, when expressly required hereunder, all the Lenders) and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall have any responsibility to the Borrower on account of the failure of or delay in performance or breach by any Lender of any of its obligations hereunder or to any Lender on account of the failure of or delay in performance or breach by any other Lender or the Borrower of any of their respective obligations hereunder or in connection herewith. The Administrative Agent may execute any and all duties here under by or through agents or employees and shall be entitled to rely upon the advice of legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (which consent shall not be unreasonably withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, having a combined capital and surplus of at least \$500,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans made by it hereunder, the Administrative Agent in its individual capacity and not as Administrative Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not the Administrative Agent, and the Administrative Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent.

Each Lender agrees (a) to reimburse the Administrative Agent, on demand, in the amount of its pro rata share (based on its Commitment hereunder) of any expenses incurred for the benefit of the Lenders by the Administrative Agent, including counsel fees, that shall not have been reimbursed by the Borrower and (b) to indemnify and hold harmless the Administrative Agent and any of its directors, officers, employees or agents, on demand, in the amount of such pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against it in its capacity as the Administrative Agent or any of them in any way relating to or arising out of this Agreement or any action taken or omitted by it or any of them under this Agreement, to the extent the same shall not have been reimbursed by the Borrower, provided that no Lender shall be liable to the Administrative Agent or any such other indemnified person for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of the Administrative Agent or any of its directors, officers, employees or agents.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder. Each Lender further acknowledges that the Syndication Agent and the Documentation Agents have no duties or obligations as such under this Agreement.

ARTICLE IX

Guarantee

In order to induce the Lenders to extend credit hereunder and in consideration therefor, the Guarantor hereby unconditionally and irrevocably guarantees, as a primary obligor and not merely as a surety, the Obligations. The Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its Guarantee hereunder notwithstanding any such extension or renewal of any Obligation.

The Guarantor waives presentment to, demand of payment from and protest to the Borrower of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of the Guarantor hereunder shall not be affected by the failure of any Lender or the Administrative Agent to assert any claim or demand or to enforce any right or remedy against the Borrower under the provisions of this Agreement or otherwise, or, except as specifically provided therein, by any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement or any other agreement.

The Guarantor further agrees that its Guarantee hereunder constitutes a promise of payment when due and not merely of collection, and waives any right to require that any resort be had by any Lender to any balance of any deposit account or credit on the books of any Lender in favor of the Borrower or any other person.

The obligations of the Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of the Obligations, any impossibility in the performance of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any remedy under this Agreement or any other agreement, by any waiver or modification in respect of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Obligations, or by any other act or omission which may or might in any manner or to any extent vary the risk of the Guarantor or otherwise operate as a discharge of the Guarantor as a matter of law or equity.

The Guarantor further agrees that its obligations hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest

on any Obligation is rescinded or must otherwise be restored by the Administrative Agent or any Lender upon the bankruptcy or reorganization of the Borrower or otherwise.

In furtherance of the foregoing and not in limitation of any other right which the Administrative Agent or any Lender may have at law or in equity against the Guarantor by virtue hereof, upon the failure of the Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, the Guarantor hereby promises to and will, upon receipt of written demand by the Administrative Agent, forthwith pay, or cause to be paid, in immediately available Dollars the amount of such unpaid Obligation.

Upon payment by the Guarantor of any sums as provided above, all rights of the Guarantor against the Borrower arising as a result thereof by way of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full of all the Obligations.

ARTICLE X

Miscellaneous

SECTION 10.01. Notices. Unless otherwise specified herein, notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower, to it at 7200 Hughes Terrace, MS B189, Los Angeles, CA 90045 Attention of Ms. Roxanne S. Austin (Telecopy No. (310) 568-7652); with a copy to Edward B. Clarkson at the same address;

(b) if to the Administrative Agent, to The Chase Manhattan Bank, One Chase Manhattan Plaza, 8th Floor, New York, New York 10017, Attention of Sandra Miklave (Telecopy No. (212) 552-5658), with a copy to The Chase Manhattan Bank, at 270 Park Avenue, New York, New York 10017, Attention of Mr. [] (Telecopy No. []); and

(c) if to a Lender, to it at its address (or telecopy number) set forth in Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy or on the date five Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 10.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 10.01.

SECTION 10.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not been terminated. The provisions of Sections 2.14, 2.16, 2.20 and 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement, or any investigation made by or on behalf of the Administrative Agent or any Lender.

SECTION 10.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

SECTION 10.04. Successors and Assigns. (a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower, the Administrative Agent or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, however, that (i) except in the case of an assignment to a Lender or an Affiliate of such Lender, (x) the Borrower and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld) and (y) the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$25,000,000 (or the entire remaining amount of the assigning Lender's Commitment), unless such Lender is making a substantially simultaneous assignment to the same assignee pursuant to Section 10.04(b) of the 5-year Agreement in which case the aggregate of the amount of the Commitment of the assigning Lender subject to the assignment under this Agreement and the amount of the commitment of the assigning Lender subject to the assignment under the 5-year Agreement shall not be less than \$25,000,000, (ii) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500 and (iii) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (e) of this Section 10.04, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.14, 2.16, 2.20 and 10.05, as well as to any Fees accrued for its account and not yet paid).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Commitment, and the outstanding balances of its Revolving Loans and Competitive Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto, or the financial condition of the Borrower or any Subsidiary or the performance or observance by the Borrower or any Subsidiary of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in Section 3.05 or delivered pursuant to Section 5.04 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the

Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The Borrower, the Administrative Agent and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary, and such entries in the Register shall be conclusive absent manifest error. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of the Borrower and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Lenders and the Borrower. No assignment shall be effective unless it has been recorded in the Register as provided in this paragraph (e).

(f) Each Lender may without the consent of the Borrower or the Administrative Agent sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.14, 2.16 and 2.20 (and shall have the duty to mitigate under Section 2.21) to the same extent as if they were Lenders and (iv) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any fees payable hereunder or the amount of principal of or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans or increasing or extending the Commitments).

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure of information designated by the Borrower as confidential, "Company Private" or "Proprietary", each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information on terms no less restrictive than those applicable to the Lenders pursuant to Section 10.16.

(h) Any Lender may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank without the consent of the Borrower or the Administrative Agent to secure extensions of credit by such Federal Reserve Bank to such Lender; provided that no such assignment shall release a Lender from any of its obligations hereunder or substitute any such Bank for such Lender as a party hereto. In order to facilitate such an assignment to a Federal Reserve Bank, the Borrower shall, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing the Loans made to the Borrower by the assigning Lender hereunder.

(i) The Borrower shall not assign or delegate any of its rights or duties hereunder without the prior written consent of the Administrative Agent and each Lender, and any attempted assignment without such consent shall be null and void.

(j) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") of such Granting Lender, identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to Section 2.01 or 2.03(e), provided that (i) nothing herein shall constitute a commitment to make any Loan by any SPC and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the

Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender (and, if such Loan is a Competitive Loan, shall be deemed to utilize the Commitments of all the Lenders) to the same extent, and as if, such Loan were made by the Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the related Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 10.04 or in Section 10.16, any SPC may (i) with notice to, but without the prior written consent of, the Borrower or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to its Granting Lender or to any financial institutions providing liquidity and/or credit facilities to or for the account of such SPC to fund the Loans made by such SPC or to support the securities (if any) issued by such SPC to fund such Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit or liquidity enhancement to such SPC.

SECTION 10.05. Expenses; Indemnity. (a) The Borrower agrees to pay all out-of-pocket expenses incurred by the Agents in connection with the syndication of the credit facilities provided for herein and the preparation and administration of this Agreement or in connection with any amendments, modifications or waivers of the provisions hereof (whether or not the transactions hereby or thereby contemplated shall be consummated) or incurred by any Agent or any Lender in connection with the enforcement or protection of its rights in connection with this Agreement or in connection with the Loans made hereunder, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Agents, and, in connection with any such enforcement or protection, the reasonable fees, charges and disbursements of any other counsel (including the allocated charges of in-house counsel) for any Agent or any Lender. The Borrower shall not be obligated to reimburse out-of-pocket legal expenses pursuant to the preceding sentence for more than one law firm for the Agents incurred in connection with the preparation of this Agreement or in connection with any particular amendment, modification or waiver of the provisions hereof.

(b) The Borrower agrees to indemnify each Agent and each Lender, each Affiliate of any of the foregoing persons and each of their respective directors, officers, employees and agents (each such person being called an "Indemnitee") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated hereby, (ii) the use of the proceeds of the Loans or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses result from the gross negligence or wilful misconduct of such Indemnitee.

(c) The provisions of this Section 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement, or any investigation made by or on behalf of any Agent or any Lender. All amounts due under this Section 10.05 shall be payable on written demand therefor.

SECTION 10.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.07. APPLICABLE LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 10.08. Waivers; Amendment. (a) No failure or delay of the Administrative Agent or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan or the payment of any Facility Fee, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan, without the prior written consent of each Lender affected thereby, (ii) change or extend the Commitment or decrease the Facility Fees of any Lender without the prior written consent of such Lender, (iii) reduce or terminate the obligations of the Guarantor or (iv) amend or modify the provisions of Section 2.17, the provisions of Section 10.04(i), the provisions of this Section or the definition of the term "Required Lenders", without the prior written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

SECTION 10.09. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 10.10. Entire Agreement. This Agreement and the Fee Letter constitute the entire contract among the parties relative to the subject matter hereof. Any other previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement. Nothing in this Agreement, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 10.11. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.11.

SECTION 10.12. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and

enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 10.13. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 10.03. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually signed counterpart of this Agreement.

SECTION 10.14. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 10.15. Jurisdiction; Consent to Service of Process. (a) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(b) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 10.16. Confidentiality. The Administrative Agent and each of the Lenders agrees to keep confidential (and to use its best efforts to cause its respective agents and representatives to keep confidential) the Information (as defined below) and all copies thereof, extracts therefrom and analyses or other materials based thereon, except that the Administrative Agent or any Lender shall be permitted to disclose Information (a) to such of its respective officers, directors, employees, agents, affiliates and representatives as need to know such Information, (b) to the extent requested by any regulatory authority or examining authority, (c) to the extent otherwise required by applicable laws and regulations or by any subpoena or similar legal process, (d) in connection with any suit, action or proceeding relating to the enforcement of its rights hereunder, (e) to the extent permitted by Section 10.04(g), or (f) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Agreement or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section, "Information" shall mean all financial statements, certificates, reports, agreements and information (including all analyses, compilations and studies prepared by the Administrative Agent or any Lender based on any of the foregoing) that are received from the Borrower or any Subsidiary and related to the Borrower, any Subsidiary or any employee, customer or supplier of the Borrower, other than any of the foregoing that were available to the Administrative Agent or any Lender on a nonconfidential

basis prior to its disclosure thereto by the Borrower, and which are in the case of Information provided after the date hereof, clearly identified at the time of delivery as confidential, "Company Private" or "Proprietary". The provisions of this Section 10.16 shall remain operative and in full force and effect regardless of the expiration and term of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

HE HOLDINGS, INC.

by
 /s/ Roxanne S. Aust

 Roxanne S. Aust

HUGHES AIRCRAFT COMPANY, as
Guarantor

by
 /s/ Charles S. Ream

 Charles S. Ream
 Vice President and
 Chief Financial Officer

THE CHASE MANHATTAN BANK,
individually and as Administrative Agent,

by
 /s/ B. Joseph Lillis

 B. Joseph Lillis
 Managing Director

CHASE SECURITIES, INC., as Arranger,

by
 /s/ B. Joseph Lillis

 B. Joseph Lillis
 Managing Director

BANCAMERICA SECURITIES, INC., as
Arranger and as Syndication Agent,

by
 /s/ John A. Finan

 John A. Finan
 Managing Director

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,

by
 /s/ Deborah J. Graziano

 Deborah J. Graziano
 Vice President

CITICORP USA, INC., individually and as
Documentation Agent,

by /s/ Marjorie Futornick

Marjorie Futornick
Vice President

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, individually and as
Documentation Agent,

by /s/ Diana H. Imhof

Diana H. Imhof
Vice President

CREDIT SUISSE FIRST BOSTON,

by /s/ Lynn Allegaert

Lynn Allegaert
Vice President

by /s/ Edward E. Barr

Edward E. Barr
Associate

ABN AMRO BANK N.V.,

by /s/ Carol A. Levine

Carol A. Levine
Senior Vice President

by /s/ James E. Davis

James E. Davis
Group Vice President

ARAB BANK PLC, GRAND CAYMAN
BRANCH,

by /s/ Nofal S. Barbar

Nofal S. Barbar
EVP & Regional Manager

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED,

by /s/ Christine S. Pomeranz

Christine S. Pomeranz
Vice President

BANCA COMMERCIALE ITALIANA, NEW
YORK BRANCH,

by /s/ Karen Purelis

Karen Purelis
Vice President

by /s/ Charles Dougherty

Charles Dougherty
Vice President

BANCA NAZIONALE DEL LAVORO S.P.A
NEW YORK BRANCH,

by /s/ Giuliano Violetta

Giuliano Violetta
First Vice President

by /s/ Miguel J. Medida

Miguel J. Medida
Vice President

BANCA POPOLARE DI MILANO,

by /s/ Anthony Franco

Anthony Franco
Executive Vice President &
General Manager

by /s/ Fulvio Montanari

Fulvio Montanari
First Vice President

BANKBOSTON N.A.,

by /s/ Roberta F. Keeler

Roberta F. Keeler
Vice President

BANK BRUSSELL LAMBERT, NEW YORK BRANCH,

by
/s/ John Kippax

John Kippax
Vice President & Manager

by
/s/ Dominick H. J. Vangaever

Dominick H. J. Vangaever
Senior Vice President
Credit

BANK OF MONTREAL,

by
/s/ R. J. McClorey

R. J. McClorey
Director

THE BANK OF NEW YORK,

by
/s/ David C. Judge

David C. Judge
Vice President

THE BANK OF NOVA SCOTIA,

by
/s/ Tom Sterling

Tom Sterling
Authorized Signatory

BANKERS TRUST COMPANY,

by
/s/ Gina S. Thompson

Gina S. Thompson
Vice President

BANQUE FRANCAISE DU COMMERCE EXTERIEUR,

by
/s/ Pieter J. van Tulder

Pieter J. van Tulder
Vice President And Manager
Multinational Group

BANQUE NATIONALE DE PARIS,

by /s/ Richard L. Sted

Richard L. Sted
Senior Vice President

by /s/ Richard Pace

Richard Pace
Senior Vice President
Corporate Banking Division

BANQUE PARIBAS,

by /s/ John J. McCormick, III

John J. McCormick, III
Vice President

by /s/ Mary T. Finnegan

Mary T. Finnegan
Group Vice President

BAYERISCHE LANDESBANK
GIROZENTRALE, CAYMAN ISLANDS
BRANCH,

by /s/ Peter Obermann

Peter Obermann
Senior Vice President
Managing, Lending Division

by /s/ Alexander Kohnert

Alexander Kohnert
Vice President

BAYERISCHE VEREINSBANK AG, NEW
YORK BRANCH,

by /s/ Marianne Weinzinger

Marianne Weinzinger
Vice President

by /s/ Pamela J. Gillons

Pamela J. Gillons
Assistant Treasurer

CITIBANK, N.A.,

by /s/ Name

Name
Title

COMMERZBANK AKTIENGESELLSCHAFT,
NEW YORK BRANCH,

by /s/ Robert J. Donohue

Robert J. Donohue
Vice President

by /s/ Peter T. Doyle

Peter T. Doyle
Assistant Treasurer

CORESTATES BANK, N.A.,

by /s/ John D. Brady

John D. Brady
Assistant Vice President

CREDIT LYONNAIS NEW YORK BRANCH,

by /s/ Robert Ivosevich

Robert Ivosevich
Senior Vice President

THE DAI-ICHI KANGYO BANK, LTD.,
NEW YORK BRANCH,

by /s/ Kim P. Leary

Kim P. Leary
Vice President

DEN DANSKE BANK AKTIESELSKAB,

by /s/ Peter L. Hargraves

Peter L. Hargraves
Vice President

by /s/ John O'Neill

John O'Neill
Vice President

DEUTSCHE BANK AG NEW YORK AND/OR
CAYMAN ISLANDS BRANCHES,

by /s/ Andreas Neumeter

Andreas Neumeter
Vice President

by /s/ Robert Wood

Robert Wood
Director

THE FIRST NATIONAL BANK OF CHICAGO,

by /s/ Jeffrey Lubatkin

Jeffrey Lubatkin
Acting Vice President

THE FIRST NATIONAL BANK OF MARYLAND,

by /s/ Robert M. Beaver

Robert M. Beaver
Vice President

FIRST UNION BANK OF NORTH CAROLINA,

by /s/ Mark M. Harden

Mark M. Harden
Vice President

FLEET NATIONAL BANK,

by /s/ Lisa S. Coney

Lisa S. Coney
Senior Vice President

FUJI BANK, LIMITED,

by /s/ Nobuhiro Umemura

Nobuhiro Umemura
Joint General Manager

GULF INTERNATIONAL BANK B.S.C.,

by /s/ Thomas E. Fitzherbert

Thomas E. Fitzherbert
Vice President

by /s/ Abdel-Fattah Tahoun

Abdel-Fattah Tahoun
Senior Vice President

THE INDUSTRIAL BANK OF JAPAN,
LIMITED,

by /s/ John V. Veltri

John V. Veltri
Senior Vice President

ISTITUTO BANCARIO SAN PAOLO DI
TORINO SPA,

by /s/ Gerard M. McKenna

Gerard M. McKenna
Vice President

by /s/ Robert S. Wurster

Robert S. Wurster
First Vice President

KREDIETBANK N.V., GRAND CAYMAN
BRANCH,

by /s/ Robert M. Surdam, Jr.

Robert M. Surdam, Jr.
Vice President

by /s/ Robert Snauffer

Robert Snauffer
Vice President

THE LONG-TERM CREDIT BANK OF JAPAN,
LIMITED, NEW YORK BRANCH,

by /s/ Masanori Shoji

Masanori Shoji
Deputy General Manager

MELLON BANK, N.A.,

by /s/ Joseph H. Bond, Jr.

Joseph H. Bond, Jr.
Vice President

MERITA BANK LTD, NEW YORK BRANCH,

by /s/ Frank Maffei

Frank Maffei
Vice President

by /s/ John Kehnle

John Kehnle
Vice President

THE MITSUBISHI TRUST AND BANKING
CORPORATION,

by /s/ Scott J. Paige

Scott J. Paige
Senior Vice President

BANK OF TOKYO MITSUBISHI LIMITED,

by /s/ Friedrich N. Wilms

Friedrich N. Wilms
Attorney-In-Fact

NATIONAL BANK OF KUWAIT S.A.K.,

by /s/ Muhannad Kamal

Muhannad Kamal
Executive Manager

by /s/ Stephen A. Larson

Stephen A. Larson
Executive Manager

NATIONSBANK, N.A.,

by /s/ Marcus A. Boyer

Marcus A. Boyer
Senior Vice President

NORTHERN TRUST COMPANY,

by /s/ James F. Minhart

James F. Minhart
Vice President

SAKURA BANK, LIMITED,
NEW YORK BRANCH,

by /s/ Yasumasa Kikuchi

Yasumasa Kikuchi
Senior Vice President

THE SANWA BANK LIMITED,
NEW YORK BRANCH,

by /s/ Joseph E. Leo

Joseph E. Leo
Vice President
and Area Manager

SOCIETE GENERALE,

by /s/ Robert Petersen

Robert Petersen
Vice President

STATE STREET BANK AND TRUST
COMPANY,

by /s/ L. Dan Lobdell

L. Dan Lobdell
Vice President

THE SUMITOMO BANK, LIMITED, NEW
YORK BRANCH,

by /s/ John C. Kissinger

John C. Kissinger
Joint General Manager

SUMMIT BANK,

by /s/ Arty C. Zulawski

Arty C. Zulawski
Senior Vice President

SWISS BANK CORPORATION, NEW YORK BRANCH,

by /s/ Gary Riddell

Gary Riddell
Credit Risk Management

by /s/ James J. Diaz

James J. Diaz
Banking Finance Support, N.A.

TORONTO DOMINION (NEW YORK), INC.,

by /s/ Jorge Garcia

Jorge Garcia
Vice President

THE TOYO TRUST & BANKING CO., LTD.,

by /s/ Takashi Mikumo

Takashi Mikumo
Vice President

UNION BANK OF SWITZERLAND, NEW
YORK BRANCH,

by /s/ Samuel Azizo

Samuel Azizo
Vice President

by /s/ Dieter Hoeppli

Dieter Hoeppli
Vice President

WACHOVIA BANK OF GEORGIA, N.A.,

by /s/ Terence A. Snellings

Terence A. Snellings
Senior Vice President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE,

by /s/ Cynthia M. Niesen

Cynthia M. Niesen
Managing Director

by /s/ James Veneau

James Veneau
Senior Analyst

WESTPAC BANKING CORPORATION,

by /s/ Kate Perry

Kate Perry
Assistant Vice President

CANADIAN IMPERIAL BANK OF
COMMERCE,

by /s/ William J. Koslo, Jr.

William J. Koslo, Jr.
Director

[LETTERHEAD OF WEIL, GOTSHAL & MANGES LLP]

October 17, 1997

HE Holdings, Inc.
7200 Hughes Terrace
Los Angeles, California 90045

Re: HE Holdings, Inc.
Registration Statement on Form S-4
(No. 333-37223)

Ladies and Gentlemen:

We have acted as counsel to HE Holdings, Inc. (the "Company") in connection with the proposed public offering of 102,630,503 shares (the "Shares") of Class A Common Stock, par value \$.01 per share pursuant to a Registration Statement on Form S-4, File No. 333-37223 (as amended, the "Registration Statement") under the Securities Act of 1933, as amended.

In so acting, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the Registration Statement, the form of Agreement and Plan of Merger (the "Merger Agreement") between General Motors Corporation, a Delaware corporation ("GM"), and GM Mergeco Corporation, a Delaware corporation and a wholly-owned subsidiary of GM, pursuant to which the Shares will be issued, and such corporate records, agreements, documents and other instruments, and such certificates or comparable documents of public officials and of officers and representatives of the Company, and have made such inquiries of such officers and representatives as we have deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as

certified or photostatic copies and the authenticity of the originals of such latter documents. As to all questions of fact material to this opinion that have not been independently established, we have relied upon certificates or comparable documents of officers and representatives of the Company.

Based on the foregoing, and subject to the qualifications stated herein, we are of the opinion that the Shares to be distributed pursuant to the Merger Agreement have been duly authorized and, when distributed thereunder will be validly issued, fully paid and non-assessable.

The opinions expressed herein are limited to the laws of the State of Delaware and the federal laws of the United States, and we express no opinion as to the effect on the matters covered by this opinion of the laws of any other jurisdiction.

The opinions expressed herein are rendered solely for your benefit in connection with the transactions described herein. Those opinions may not be used or relied upon by any other person, nor may this letter or any copies thereof be furnished to a third party, filed with a governmental agency, quoted, cited or otherwise referred to without our prior written consent. We hereby consent to the use of this opinion as an exhibit to the Registration Statement. We further consent to any and all references to our firm in the Prospectus which is a part of said Registration Statement.

Very truly yours,

/s/ Weil, Gotshal & Manges LLP

INDEPENDENT AUDITORS' CONSENT

We consent to: (a) the incorporation by reference in this Registration Statement of HE Holdings, Inc. on Form S-4 of our reports dated January 28, 1997 on the consolidated financial statements and financial statement schedule of General Motors Corporation and subsidiaries and on the consolidated financial statements of Hughes Electronics Corporation and subsidiaries appearing in the Annual Report on Form 10-K of General Motors Corporation for the year ended December 31, 1996 and (b) the use of our report dated March 21, 1997 on the combined financial statements of the Defense Business of Hughes Electronics Corporation and our reports dated October 3, 1997 on the combined financial statements of the Delco Electronics Corporation and Related Entities and on the combined financial statements of the Telecommunications and Space Business of Hughes Electronics Corporation appearing in the Solicitation Statement/Prospectus, which is part of this Registration Statement. We also consent to the references to us under the headings "Hughes Defense Selected Combined Historical Financial Data," "Delco Selected Combined Historical and Pro Forma Financial Data," "Hughes Telecom Selected Combined Historical and Pro Forma Financial Data" and "Experts" in such Solicitation Statement/Prospectus.

Detroit, Michigan
October 16, 1997

/s/ Deloitte & Touche

[LETTERHEAD OF COOPERS & LYBRAND]

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this registration statement of HE Holdings Inc. on Form S-4 of our report dated January 20, 1997, except as to the information presented in note R for which the date is February 23, 1997 on our audits of the consolidated financial statements and financial statement schedule of Raytheon Company and Subsidiaries Consolidated. We also consent to the reference to our firm under the caption "Experts."

/s/ Coopers & Lybrand L.L.P.

Boston, Massachusetts
October 17, 1997

EXHIBIT 23(c)

We consent to the reference to our firm under the caption "Experts" in the Solicitation Statement/Prospectus in the registration statement of HE Holdings, Inc. relating to The Hughes Transactions and to the incorporation by reference therein of our report dated February 18, 1997, with respect to financial statements of the Defense Business of Texas Instruments Incorporated for the years ended December 31, 1996, 1995, and 1994.

/s/ Ernst & Young LLP

Dallas, Texas
October 14, 1997

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Solicitation Statement/Prospectus on Form S-4 (File No. 333-37223) filed by HE Holdings, Inc. of our report dated January 27, 1997 accompanying the consolidated financial statements of PanAmSat Corporation and subsidiaries and predecessor entity as of December 31, 1996 and 1995, and for the years ended December 31, 1996, 1995 and 1994, included in or made a part of the Registration Statement on Form S-4 (File No. 333-25293) of PanAmSat Corporation.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Stamford, Connecticut
October 15, 1997

October 17, 1997

Board of Directors
HE Holdings, Inc.
7200 Hughes Terrace
Los Angeles, CA 90045

Re: Registration Statement filed October 17, 1997 of HE Holdings, Inc. relating to Class A Common Stock, par value \$0.01 per share, being registered in connection with the spin-off of Hughes Electronics Corporation

Ladies and Gentlemen:

Reference is made to our opinion letter dated January 16, 1997 with respect to the fairness to (i) HE Holdings, Inc., a Delaware corporation ("Hughes"), (ii) Hughes Electronics Corporation, a Delaware corporation ("HEC"), and the holder of the outstanding shares of Common Stock, par value \$0.01 per share, of Hughes, (iii) General Motors Corporation, a Delaware corporation and the parent of HEC ("GM"), (iv) the holders of GM's Common Stock, par value \$1 2/3 per share, and (v) the holders of GM's Class H Common Stock, par value \$0.10 per share, of the Aggregate Consideration (as defined in such opinion) as contemplated by the Agreement and Plan of Merger dated as of January 16, 1997 by and between Raytheon Company, a Delaware corporation, and Hughes.

The foregoing opinion letter is provided for the information and assistance of the Board of Directors of HE Holdings, Inc. (the "Company") in connection with its consideration of the transaction contemplated therein and is not to be used, circulated, quoted or otherwise referred to for any other purpose, nor is it to be filed with, included in or referred to in whole or in part in any registration statement, proxy statement or any other document, except in accordance with our prior written consent. We understand that the Company

has determined to include our opinion in the above-referenced Registration Statement.

In that regard, we hereby consent to the reference to the opinion of our Firm under the caption "Introduction--Raytheon Merger Fairness Opinion: Goldman Sachs" and "Description of the Raytheon Merger--Raytheon Merger Fairness Opinion: Goldman Sachs" and to the inclusion of the foregoing opinion in the Solicitation Statement included in the above-mentioned Registration Statement. In giving such consent, we do not hereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933 or the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

/s/ Goldman, Sachs & Co.

(GOLDMAN, SACHS & CO.)

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 15, 1997

/s/ Ferdinand Colloredo-Mansfeld

Ferdinand Colloredo-Mansfeld

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 16, 1997

/s/ Steven D. Dorfman

Steven D. Dorfman

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 15, 1997

/s/ Theodore L. Eliot, Jr.

Theodore L. Eliot, Jr.

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 16, 1997

/s/ Thomas E. Everhart

Thomas E. Everhart

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 17, 1997

/s/ John R. Galvin

John R. Galvin

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 15, 1997

/s/ Barbara B. Hauptfuhrer

Barbara B. Hauptfuhrer

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 15, 1997

/s/ Richard D. Hill

Richard D. Hill

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 15, 1997

/s/ L. Dennis Kozlowski

L. Dennis Kozlowski

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 15, 1997

/s/ James N. Land, Jr.

James N. Land, Jr.

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 15, 1997

/s/ A. Lowell Lawson

A. Lowell Lawson

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 15, 1997

/s/ Thomas L. Phillips

Thomas L. Phillips

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 16, 1997

/s/ Dennis J. Picard

Dennis J. Picard

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 15, 1997

/s/ Warren B. Rudman

Warren B. Rudman

CONSENT OF PROSPECTIVE DIRECTOR

The undersigned hereby consents to the naming of the undersigned as a person expected to become a director of HE Holdings, Inc., a Delaware corporation ("HE Holdings"), in the registration statements on Form S-4 to be filed by HE Holdings in connection with the proposed spin-off of HE Holdings from General Motors Corporation and in connection with the proposed merger of HE Holdings with Raytheon Company.

Date: October 15, 1997

/s/ Alfred M. Zeien

Alfred M. Zeien