UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

/X/ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 1999.

/ / Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from..... to .....

Commission File Number 1-13699

RAYTHEON COMPANY
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	95-1778500
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

141 SPRING STREET, LEXINGTON, MASSACHUSETTS 02421
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (781) 862-6600

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, $.01 par value	New York Stock Exchange
Class B Common Stock, $.01 par value	Chicago Stock Exchange
Series A Junior Participating Preferred Stock purchase rights	Pacific Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes .X. No ...

A disclosure of one delinquent filer pursuant to Item 405 of Regulation S-K will be contained in the Registrant's definitive proxy statement incorporated by reference in Part III of this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the Registrant, as of February 27, 2000, was approximately $6,621,599,169. For purposes of this disclosure, non-affiliates are deemed to be all persons other than members of the Board of Directors of the Registrant.

Number of shares of Common Stock outstanding as of February 27, 2000: 337,647,682, consisting of 100,778,310 shares of Class A Common Stock and 236,869,372 shares of Class B Common Stock.

Documents incorporated by reference and made a part of this Form 10-K:

Portions of Raytheon's Annual Report to Stockholders for the fiscal year ended December 31, 1999	Part I, Part II, Part IV
Portions of the Proxy Statement for Raytheon's 2000 Annual Meeting which will be filed with the Commission within 120 days after the close of Raytheon's fiscal year	Part III

PART I

Item 1. Business

GENERAL

Raytheon Company ("Raytheon" or the "Company") is a global technology leader, with worldwide 1999 sales of $19.8 billion. The Company provides products and services in the areas of defense and commercial electronics, engineering and construction, and business and special mission aircraft. Raytheon has operations throughout the United States and serves customers in more than 80 countries around the world.

The Company, formerly known as HE Holdings, Inc. ("HE Holdings"), is the surviving company of the December 17, 1997 merger (the "Hughes Merger") of HE Holdings, Inc. and Raytheon Company, a Delaware corporation ("Former Raytheon"). At the effective time of the Hughes Merger, the separate legal existence of Former Raytheon ceased and HE Holdings was renamed "Raytheon Company." Although, from a legal point of view, HE Holdings, Inc. is the surviving company of the Hughes Merger, the Company's business is largely conducted in the same manner as and under the senior management of Former Raytheon. Accordingly, the historical disclosures in this Form 10-K for years prior to 1998 and any year-to-year comparisons contained herein for years prior to 1998, unless otherwise specifically noted, relate to the operations of Former Raytheon, as a predecessor to the Company by merger, and not to HE Holdings, Inc. as it existed prior to the Hughes Merger.

BUSINESS SEGMENTS

Electronics

Defense Electronics. Raytheon's defense electronics businesses represent the combination and consolidation of four legacy defense organizations--Raytheon Electronic Systems, Raytheon E-Systems, Raytheon TI Systems and the defense electronics business of Hughes Electronics Corporation. Raytheon's defense electronics businesses are engaged in the design, manufacture and service of advanced electronic devices, equipment and systems for both government and commercial customers. In addition to defense electronics systems, Raytheon has been successful in the conversion of certain defense electronics technologies to commercial and non-defense applications such as air traffic control, environmental monitoring and communications. In 1999 the Company's defense electronics business was conducted through the following business segments: Defense Systems; Sensors and Electronics Systems; Command, Control, Communication and Information Systems; Aircraft Integration Systems; and Training and Services.

See "Business Segments - Consolidations and Reorganizations" regarding the reorganization of the Company's defense electronics businesses.

Defense Systems. The Defense Systems segment ("DSS") focuses on anti-ballistic missile systems; air defense; air-to-air, surface-to-air, and air-to-surface missiles; naval and maritime systems; ship self-defense systems; torpedoes; strike, interdiction and cruise missiles; and advanced munitions.

DSS produces the Patriot ground-based air defense missile system, which is capable of tracking and intercepting enemy aircraft, cruise missiles, and tactical ballistic missiles. In addition to the U.S., eight nations have selected Patriot as an integral part of their air defense systems. Since the end of the Gulf War in 1991, Raytheon has received approximately $3.5 billion in international orders for Patriot equipment and services. In addition, DSS leads Raytheon's efforts as the prime contractor for the Hawk ground-launched missile, which is in service with the U.S. and 18 allied nations.

DSS develops ground-based phased-array radars, including the X-Band Radar (XBR) and Upgrade Early Warning Radar (UEWR) for National Missile Defense, as well as the Ground-Based Radar (GBR) for the Theater High Altitude Area Defense (THAAD) system, part of the U.S. Army's Theater Missile Defense Program. It also is developing next-generation theater missile interceptors for the Navy Area Defense (NAD) and Navy Theater Wide (NTW) systems and the Exoatmospheric Kill Vehicle (EKV) for National Missile Defense.

DSS manufactures the primary air-to-air missile for the U.S. Air Force and Navy fighter aircraft - the Advanced Medium Range Air-to-Air Missile (AMRAAM), and is developing the AIM-9X (short-range air-to-air missile). Other missiles produced by DSS include Tomahawk, TOW, Stinger, Maverick, Standard, the High Speed Anti-Radiation Missile (HARM), Paveway laser-guided bombs, Extended Range Guided Munitions (ERGM), XM-982, Joint Stand Off Weapon (JSOW), and Javelin (pursuant to a joint venture with Lockheed Martin Corporation).

DSS also leads Raytheon's efforts as the prime contractor for the NATO Sea-Sparrow Surface to Air Missile System (NSSMS), as well as producing the air- and surface-launched versions of the Sparrow missile for both the U.S. and foreign Navies. DSS produces Phalanx and the Rolling Airframe Missile (RAM), which the U.S. and foreign Navies use as part of the ship self-defense system. DSS develops sonars, combat control systems, minehunting equipment and torpedoes for submarines and ships in U.S. and allied fleets, in addition to designing unmanned underwater vehicles and laser sensors. DSS produces a variety of shipboard radar systems. DSS also leads Raytheon's development efforts on the U.S. Navy's next generation of surface combatant ships, the DD-21.

Sensors and Electronic Systems. The Sensors and Electronic Systems segment ("SES") specializes in radar, electronic warfare, infrared, laser, and GPS technologies. Its programs focus on land, naval, airborne and spaceborne systems used for surveillance, reconnaissance, targeting, navigation, commercial and scientific applications.

SES airborne radars are deployed on four operational tactical fighter aircraft operated by U.S. forces (the F-14, F-15, F/A-18, and the AV-8B) and international customers, as well as radars for the AC-130U gunship and the B-2 Stealth Bomber. SES is also part of a joint venture with Northrop Grumman Corporation providing the next generation airborne radar for the F-22 aircraft. The segment provides the Forward Looking Infrared (FLIR) and designation system for the F-117 Stealth Fighter, the infrared subsystem for the F/A-18 targeting pod, and is developing the Advanced Targeting FLIR for the F/A-18.

SES supplies integrated sensor suites for applications such as the U.S. Department of Defense's ("DoD") Global Hawk Unmanned Aerial Vehicle Reconnaissance System, which includes a synthetic aperture radar and electro-optical/infrared sensors. SES surveillance and reconnaissance systems are used on a variety of aircraft, such as the British Tornado, the U.S. Air Force U-2 and the U.S. Navy P-3 Orion. SES also provides space sensors for defense and scientific applications.

SES night vision and fire control systems equip combat vehicles like the M1 Abrams tank, Bradley Fighting Vehicle and a host of light armored vehicles, ships and submarines, and aircraft. The segment also puts state of the art technology in the hands of the infantry. Its sensor and electronic systems are used for law enforcement, security, oil spill response, search and rescue and many other commercial and industrial applications. One commercial night vision application is a night driving safety option on the model year 2000 Cadillac(R) DeVille(R)(1).

The segment's surface radar products include radars for intelligence/data collection, spacetrack, deep space surveillance, missile warning and imaging and command and control radars. Tactical radars include battlefield radars for Forward Area Air Defense Systems and hostile weapons locating radars.

Command, Control, Communication and Information Systems. The Command, Control, Communication and Information Systems segment ("C3I") is involved in command, control and communication systems; air traffic control systems; tactical radios; satellite communication ground control terminals; wide area surveillance systems; advanced transportation systems; simulators and simulation systems; ground-based information processing systems; image processing; large scale information retrieval, processing and distribution systems; and global broadcast systems.

An example of C3I's capabilities in the area of advanced information integration is the U.S. Navy's Cooperative Engagement Capability (CEC) program. CEC integrates sensor information from multiple sources to provide ships, aircraft and land-based installations an integrated air picture. The system has now successfully completed more than eight years of comprehensive at-sea testing, including several live fire tests, and is now facing the challenges of integration into the fleet.

C3I led Raytheon's role as the prime contractor for the Brazilian System for the Vigilance of the Amazon (SIVAM) program, which calls for the delivery of an integrated information network linking numerous sensors to regional and national coordination centers. Information will be used to enable the Brazilian Government to protect the environment, improve air safety and weather forecasts, help control epidemics, manage land occupation and usage and ensure effective law enforcement and border control.

C3I also designs and installs air traffic control (ATC) and weather systems at airports worldwide. One example is the Federal Aviation Administration (FAA)/DoD's Standard Terminal Automation Replacement System (STARS) program, which will modernize and upgrade approximately 370 air traffic control sites across the United States. Some of the countries Raytheon is providing ATC systems and radars for include: Australia, Canada, Cyprus, Germany, Hong Kong, India, Jamaica, The Netherlands, Norway, Oman, the People's Republic of China, Switzerland and Taiwan.

(1) Cadillac and DeVille are registered trademarks of General Motors Corporation.

Aircraft Integration Systems. The Aircraft Integration Systems segment ("AIS") focuses on integration of airborne surveillance and intelligence systems and aircraft modifications.

AIS specializes in developing and integrating complex electronic systems for airborne Intelligence, Surveillance, and Reconnaissance (ISR) missions. AIS provides signals intelligence, air-ground surveillance, maritime surveillance, and airborne command post systems to both U.S. Government and foreign customers. In addition, AIS modernizes aging aircraft through structural refurbishment and avionics upgrades including completely new "glass" cockpits with the latest display technologies and FAA-required air traffic management systems that enhance air safety. The segment also designs and installs interiors for executive aircraft and performs Special Operations Forces Support Activity (SOFSA).

Training and Services. The Training and Services segment operates under Raytheon Technical Services Company ("RTSC"). RTSC provides technical services; training programs; and logistics and base operations support throughout the U.S. and in 22 other countries.

RTSC performs complete engineering and depot-level cradle-to-grave support to Raytheon-manufactured equipment and to various commercial and military customers. Services provided include installation and test of upgrades to deployed systems; engineering design, planning, and testing; repair and refurbishment of DoD equipment; software engineering support; data management; preparation of technical manuals; training for allied forces; system and facility installations; field testing and evaluation; field engineering; and system operation and maintenance.

RTSC is a world leader in providing and supporting range instrumentation systems and bases worldwide for the DoD. It also provides missile range calibration services for the U.S. Air Force, trains U.S. Army personnel in battlefield tactics and supports undersea testing and evaluation for the U.S. Navy. RTSC provides operations and engineering support to the Atlantic Underwater Test and Evaluation Center, range technical support at Cape Canaveral, and facilities maintenance at several DoD facilities, including the U.S. Army's missile testing range in the Kwajalein Atoll. It also provides base operations support to DoD facilities on Guam, Johnston Atoll and other locations.

RTSC supplies professional services to a broad range of customers in the areas of space and earth sciences, scientific data management, transportation management, remote sensing, and computer networking. RTSC also supports the U.S. Government's demilitarization activities in countries of the former Soviet Union and the development and operation of Space Shuttle and Space Station simulators for NASA's Johnson Space Center. It also provides logistics and science support for the National Science Foundation's Antarctica program.

RTSC is a leader in commercial training, managing corporate universities for General Motors and Raytheon, as well as providing instructor and computer-based training to a number of commercial clients. The work for General Motors ranges from dealer enthusiasm training in more than twenty languages in Europe to factory floor training in plants around the world and training for engineering support in North America. As part of the reorganization of the Company's commercial businesses, RTSC's commercial training business was moved to Commercial Electronics.

See "Business Segments - Consolidations and Reorganizations" regarding the reorganization of the Company's commercial electronics businesses.

Commercial Electronics. Raytheon's commercial electronics businesses produce, among other things, marine radars and other marine electronics, transmit/receive modules for satellite communications projects, and other electronic components for a wide range of applications.

Raytheon Marine supplies marine radars, depth sounders, radiotelephones, autopilots, fish finders, ECDIS and navigation aids, GPS and Loran receivers and other marine electronics under the Raytheon, Apelco and Autohelm labels in the U.S. and abroad. Raytheon Anschutz GmbH, located in Kiel, Germany, manufactures gyro compasses, autopilots, steering control systems, and integrated bridge systems for the commercial and military marine market.

Raytheon is using its gallium arsenide MMIC technology to develop direct broadcast satellite television receivers and is currently delivering high volumes of gallium arsenide power amplifiers to Motorola for use in the digital StarTAC(R)2 phone for the cellular market.

For financial reporting purposes, certain operating segments within Electronics have been aggregated as they exhibit similar long-term financial performance characteristics. All material intercompany transactions have been eliminated. During 1999 the reportable segments within Electronics included the following: Defense Systems; Sensors and Electronic Systems; Command, Control, Communication and Information Systems; and a combined group made up of Aircraft Integration Systems, Training and Services, Commercial Electronics and Other.

See "Business Segments - Consolidations and Reorganizations" regarding the reorganization of the Company's defense and commercial electronics businesses.

Aircraft

Raytheon Aircraft offers a broad product line 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 airlines and military aircraft markets.

Raytheon Aircraft's piston-powered aircraft line includes the single-engine Beech Bonanza and the twin-engine Beech Baron aircraft for business and personal flying. The segment's King Air jetprop series includes the Beech King Air C90, B200, and 350. The jet line includes the Beechjet 400A and the Hawker 800XP midsize business jet. Raytheon Aircraft is the leading producer of 19-passenger regional airliners, selling the Beech 1900D stand-up cabin aircraft to commuter airlines and corporate customers. The Raytheon Premier I entry-level business jet is currently in a certification test program. To date, approximately 200 firm orders have been received for the Premier I, with an anticipated certification by mid-year 2000 and deliveries to begin in the second half of 2000. A new super midsize business jet, the Hawker Horizon, is currently in development, leading to anticipated airplane certification and delivery in 2001.

(2) StarTAC is a registered trademark of Motorola, Inc.

The segment supplies aircraft training systems for the military, including the T-6A trainer selected as the next-generation trainer for the U.S. Air Force and Navy under the Joint Primary Aircraft Training (JPATS) contract. Raytheon Aircraft produces special mission aircraft, including a C-12 militarized version of the King Air B200 and the U-125 search-and-rescue variant of the Hawker 800.

Raytheon Aerospace manages approximately 1,500 aircraft at over 250 sites around the world and provides contractor logistics and training support for military and other government aircraft and missile target systems. Raytheon Aircraft Services operates a network of business aviation service operations at airports across the U.S.

Raytheon Travel Air sells fractional shares in aircraft and provides aircraft management and transportation services for the owners of the shares. The Travel Air program includes the Hawker 800XP, Beechjet 400A and the King Air 200. At year end 1999, Raytheon Travel Air had more than 400 fractional share owners.

Engineering and Construction

Raytheon Engineers & Constructors ("RE&C") is a major full-service engineering and construction firm serving customers worldwide. RE&C's major product lines are Power, Infrastructure, Operations & Maintenance, Government, Industrial Products, and Petroleum and Chemicals. Its range of capabilities includes master planning, project financing, proprietary process technology, environmental assessment, engineering and design, procurement, construction and construction management, operations and maintenance, quality programs, and systems integration.

RE&C undertakes some engineering and construction projects on a firm fixed price basis ("lump sum turnkey") and as a result, benefits from cost savings and carries the burden of cost overruns. RE&C is focusing on optimizing its mix of ongoing services work and lump sum turnkey projects.

Examples of projects in which RE&C is currently engaged include: (i) a $1.1 billion Sithe Energies award for two power plant projects in Massachusetts; (ii) a $1.1 billion project to design, build, operate, and maintain a light rail line in New Jersey; (iii) a project valued at more than $700 million to build a dam and power plant at San Roque in the Philippines; (iv) projects valued at a total of more than $1 billion to build and operate chemical weapons destruction facilities in Umatilla, Oregon and Pine Bluff, Arkansas; (v) projects valued at more than $120 million to design and build petrochemical facilities at two BASF sites in Europe; (vi) major expansions of two Corning optical fiber manufacturing plants in North Carolina; and (vii) operations and maintenance services at the Motiva Refinery in Delaware, where the company has been performing such work for more than 40 years.

Financial information about Operations by Business Segments and Operations by Geographic Areas is contained in Note N to Raytheon's Financial Statements for the years ended December 31, 1999, 1998 and 1997 and is incorporated herein by reference.

Consolidations and Reorganizations

In November 1999, the Company announced a reorganization of its defense electronics businesses. The reorganization will be reflected in the Company's 2000 financial statements. In the new structure, Raytheon Systems Company has been phased out; a new Electronic Systems business has been created by combining the Company's former Defense Systems and Sensors and Electronic Systems segments; and domestic and international business development has been combined in one organization to provide focused customer solutions worldwide. The Company also reorganized its Commercial Electronics business to put all commercial electronics businesses, plus certain commercializable products and technologies from Raytheon Systems Company, into one operating unit.

Divestitures

Consistent with Raytheon's strategy of divesting non-core assets to focus and streamline core businesses and pay down debt, the Company divested a number of business units in 1999. Cash proceeds from divestitures and sales of investments totaled $267 million after tax.

SALES TO THE UNITED STATES GOVERNMENT

Sales to the United States Government (the "Government"), principally to the Department of Defense ("DoD"), were $12.1 billion in 1999 and $12.8 billion in 1998, representing 60.8% of total sales in 1999 and 66.1% in 1998. Of these sales, $1.0 billion in 1999 and $1.7 billion in 1998 represented purchases made by the Government on behalf of foreign governments.

GOVERNMENT CONTRACTS

The Company and various subsidiaries act as a prime contractor or major subcontractor for many different Government programs, including those that involve the development and production of new or improved weapons or other types of electronics systems or major components of such systems. Over its lifetime, a program may be implemented by the award of many different individual contracts and subcontracts. The funding of Government programs is subject to congressional appropriations. Although multi-year contracts may be authorized in connection with major procurements, Congress generally appropriates funds on a fiscal year basis even though a program may continue for many years. Consequently, programs are often only partially funded initially, and additional funds are committed only as Congress makes further appropriations. The Government is required to adjust equitably a contract price for additions or reductions in scope or other changes ordered by it.

Generally, Government contracts are subject to oversight audits by Government representatives, and, in addition, they include provisions permitting termination, in whole or in part, without prior notice at the Government's convenience upon the payment of compensation only for work done and commitments made at the time of termination. In the event of termination, the contractor will receive some allowance for profit on the work performed. The right to terminate for convenience has not had any significant effect upon Raytheon's business in light of its total Government business.

The Company's Government business is performed under both cost reimbursement and fixed price prime contracts and subcontracts. Cost reimbursement contracts provide for the reimbursement of allowable costs plus the payment of a fee. These contracts fall into three basic types: (i) cost plus fixed fee contracts which provide for the payment of a fixed fee irrespective of the final cost of performance; (ii) cost plus incentive fee contracts which provide for increases or decreases in the fee, within specified limits, based upon actual results as compared to contractual targets relating to such factors as cost, performance and delivery schedule; and (iii) cost plus award fee contracts which provide for the payment of an award fee determined at the discretion of the customer based upon the performance of the contractor against pre-established criteria. Under cost reimbursement type contracts, Raytheon is reimbursed periodically for allowable costs and is paid a portion of the fee based on contract progress. Some costs incident to performing contracts have been made partially or wholly unallowable by statute or regulation. Examples are charitable contributions, travel costs in excess of Government rates and certain litigation defense costs.

The Company's fixed-price contracts are either firm fixed-price contracts or fixed-price incentive contracts. Under firm-fixed price contracts, Raytheon agrees to perform the contract for a fixed price and as a result benefits from cost savings and carries the burden of cost overruns. Under fixed-price incentive contracts, Raytheon shares with the Government savings accrued from contracts performed for less than target costs and costs incurred in excess of targets up to a negotiated ceiling price (which is higher than the target cost) and carries the entire burden of costs exceeding the negotiated ceiling price. Accordingly under such incentive contracts, the Company's profit may also be adjusted up or down depending upon whether specified performance objectives are met. Under firm-fixed price and fixed-price incentive type contracts, the Company usually receives progress payments monthly from the Government generally in amounts equaling 75% and 80% of costs incurred under (i) DoD contracts and (ii) all other Government contracts, respectively. The remaining amount, including profits or incentive fees, is billed upon delivery and final acceptance of end items under the contract.

The Company's Government business is subject to specific procurement regulations and a variety of socio-economic and other requirements. Failure to comply with such regulations and requirements could lead to suspension or debarment, for cause, from Government contracting or subcontracting for a period of time. Among the causes for debarment are violations of various statutes, including those related to procurement integrity, export control, government security regulations, employment practices, the protection of the environment, the accuracy of records and the recording of costs.

Under many Government contracts, the Company is required to maintain facility and personnel security clearances complying with DoD requirements.

Companies which are engaged in supplying defense-related equipment to the Government are subject to certain business risks, some of which are peculiar to that industry. Among these are: the cost of obtaining trained and skilled employees; the uncertainty and instability of prices for raw materials and supplies; the problems associated with advanced designs, which may result in unforeseen technological difficulties and cost overruns; and the intense competition and the constant necessity for improvement in facilities and personnel training. Sales to the Government may be affected by changes in procurement policies, budget considerations, changing concepts of national defense, political developments abroad and other factors.

See "Item 1. Sales to the United States Government" for information regarding the percentage of the Company's revenues generated from sales to the Government.

BACKLOG

The Company's backlog of orders at December 31, 1999 was $28.4 billion compared with $24.0 billion at the end of 1998. The 1999 amount includes funded backlog of $16.1 billion from the Government compared with $14.6 billion at the end of 1998.

Approximately $4.4 billion of the overall backlog figure represents the unperformed portion of direct orders from foreign governments. Approximately $3.1 billion of the overall backlog represents non-government foreign backlog.

Aircraft segment backlog was $4.3 billion at the end of 1999 versus $2.5 billion at the end of 1998. The increase was primarily due to the receipt of orders for general aviation aircraft including Horizon, Premier I and Hawker 800XP.

Backlog in the Engineering and Construction segment was $3.4 billion at the end of 1999 compared with $3.9 billion at the end of 1998. Design and construction contracts in this segment typically take from eighteen months to several years to perform.

Approximately $15.5 billion of the $28.4 billion 1999 year-end backlog is not expected to be filled during the following twelve months.

RESEARCH AND DEVELOPMENT

During 1999, Raytheon expended $508.5 million on research and development efforts compared with $582.1 million in 1998 and $415.1 million in 1997. These expenditures principally have been for product development for the Government and for aircraft products. In addition, Raytheon conducts funded research and development activities under Government contracts which is included in net sales.

SUPPLIERS

Delivery of raw materials and supplies to Raytheon is generally satisfactory. Raytheon is sometimes dependent, for a variety of reasons, upon sole-source suppliers for procurement requirements. However, Raytheon has experienced no significant difficulties in meeting production and delivery obligations because of delays in delivery or reliance on such suppliers.

See Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 26 through 31 of the Company's Annual Report to Stockholders for the year ended December 31, 1999 for information regarding the "Year 2000" issue as it relates to the Company and the Company's suppliers.

COMPETITION

The Electronics business is a direct participant in most major areas of development in the defense, space, information gathering, data reduction and automation fields. Technical superiority and reputation, price, delivery schedules, financing, and reliability are among the principal competitive factors considered by electronics customers. The on-going consolidation of the U.S. and global defense, space and aerospace industries continues to intensify competition. Consolidation among U.S. defense, space and aerospace companies has resulted in three principal prime contractors for the DoD, including the Company. As a result of this consolidation, the Company frequently partners on various programs with its major suppliers, some of whom are, from time to time, competitors on other programs.

The Aircraft segment competes primarily with four other companies in the business aviation industry. The principal factors for competition in the industry are price, financing, operating costs, product reliability, cabin size and comfort, product quality, travel range and speed, and product support. The Company believes we possess competitive advantages in the breadth of our product line, the performance of our product line, and the strength of our product support.

Competition in the Engineering and Construction segment is intense and comes from a number of domestic and foreign firms, competing for major business opportunities worldwide. In addition to numerous small and specialty firms, there are nine large competitors to the Company in this industry. Competition is based primarily upon performance, technical skills, experience, reliability, financing, and price. The ability to recruit and maintain highly skilled and experienced professionals has a critical impact on the Company's competitiveness in this industry. The industry's intense competition, particularly on contracts that are competitively bid, can negatively impact price and margins. The Company believes that the diversity of our customer base is a competitive strength.

PATENTS AND LICENSES

Raytheon has long been an innovative leader in the development of new products and manufacturing technologies. Raytheon and its subsidiaries own a large intellectual property portfolio which includes, by way of example, United States and foreign patents, unpatented know-how, trademarks and copyrights, all of which contribute significantly to the preservation of the Company's strong competitive position in the market. In certain instances, Raytheon has augmented its technology base by licensing the proprietary intellectual property of others. Although these patents and licenses are, in the aggregate, important to the operation of the Company's business, no existing patent, license, or similar intellectual property right is of such importance that its loss or termination would, in the opinion of management, have a material effect on the Company's business.

Raytheon's patent position and intellectual property portfolio is deemed adequate for the conduct of its businesses. It is Raytheon's policy to enforce its own intellectual property rights and to respect the rights of others. Incidental to the normal course of business, infringement claims may arise or may be threatened both by and against Raytheon. In the opinion of management, these claims will not have a material adverse effect on the Company's operations.

EMPLOYMENT

As of December 31, 1999, Raytheon had approximately 105,300 employees compared with approximately 108,200 employees at the end of 1998. The decrease is mainly due to layoffs within defense electronics and RE&C. Subsidiaries of Raytheon Engineers & Constructors International, Inc. and certain other subsidiaries have craft employees engaged for individual projects not included in Raytheon's employee count.

Raytheon considers its union-management relationships to be satisfactory. Raytheon has successfully negotiated labor agreements without any work stoppages during 1999. Raytheon currently has collective bargaining relationships with 11 different U.S. labor organizations and 5 different non-U.S. labor organizations involving 36 and 7 separate labor agreements, respectively.

INTERNATIONAL SALES

Of total sales, Raytheon's sales to customers outside the United States (including foreign military sales) were 27%, 26% and 29% in 1999, 1998 and 1997, respectively. These sales were principally in the fields of air defense systems, air traffic control systems, sonar systems, aircraft products, petrochemical, power and industrial plant design and construction, electronic equipment, computer software and systems, personnel training, equipment maintenance and microwave communication. Foreign subsidiary working capital requirements generally are financed in the countries concerned. Sales and income from international operations are subject to changes in currency values, domestic and foreign government policies (including requirements to expend a portion of program funds in-country) and regulations, embargoes and international hostilities. Exchange restrictions imposed by various countries could restrict the transfer of funds between countries and between Raytheon and its subsidiaries. Raytheon generally has been able to protect itself against most undue risks through insurance, foreign exchange contracts, contract provisions, government guarantees or progress payments.

Raytheon utilizes the services of sales representatives and distributors in connection with foreign sales. Normally representatives are paid commissions and distributors are granted resale discounts in return for services rendered.

The export from the U.S. of many of Raytheon's products may require the issuance of a license by the Department of State under the Arms Export Control of 1976, as amended (formerly the Foreign Military Sales Act); or by the Department of Commerce under the Export Administration Act as kept in force by the International Emergency Economic Powers Act of 1977, as amended ("IEEPA"); or by the Treasury Department under IEEPA or the Trading with the Enemy Act of 1917, as amended. Such licenses may be denied for reasons of U.S. national security or foreign policy. In the case of certain exports of defense equipment and services, the Department of State must notify Congress at least 15 or 30 days (depending on the identity of the country that will utilize the equipment and services) prior to authorizing such exports. During that time, Congress may take action to block a proposed export by joint resolution which is subject to Presidential veto.

FACTORS THAT COULD AFFECT FUTURE RESULTS

This filing and the information we are incorporating by reference contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts included in this filing and the information incorporated by reference, that we expect or anticipate will or may occur in the future, including statements regarding our financial position, business strategy and measures to implement that strategy, such as changes to operations, competitive strengths, goals, expansion and growth of our business and operations, plans, references to future success and other such matters, are forward-looking statements. These statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties, including the factors discussed below, as well as other factors which might be described from time to time in our filings with the Securities and Exchange Commission.

All of the forward-looking statements we make in this filing and the information we are incorporating by reference are qualified by these cautionary statements. There can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to or effects on our business and operations. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. The following are some of the factors we think could cause our actual results to differ materially from expected and historical results. Other factors besides those listed here could also adversely affect the Company. All subsequent forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the factors described below and in the documents containing such forward-looking statements.

If the cost-cutting efforts currently being undertaken at two of our core business units are not successful, our financial results may not improve, which may result in more volatility in the price of our stock in the future.

During 1998, we announced plans to reduce the workforce and close facilities in conjunction with the consolidation and reorganization of two of our business units, Raytheon Systems Company, our major defense electronics operation, and Raytheon Engineers & Constructors, our engineering and construction unit. Significant progress has been made to date in completing these actions. As part of this effort, we have closed several facilities in the United States while transferring the operations previously conducted at those facilities to other Company sites. In addition, several of Raytheon Systems Company's operations were consolidated. Both units' workforces have also been significantly reduced. In September 1999, we announced plans to further reduce costs at Raytheon Systems Company and Raytheon Engineers & Constructors. In October 1999, we announced pretax charges totaling $599 million, including $147 million for restructuring charges for additional employment and facility space reductions primarily at Raytheon Systems Company and Raytheon Engineers & Constructors.

These cost-cutting actions have been taken in an effort to improve these units' competitive position in their markets and ultimately, our results of operations. There can be no assurance that these actions will ultimately be successful in improving our results of operations. The results of operations of these two units are affected by a wide variety of factors, including factors that affect their industries generally. A failure to improve these important business units' results of operations, which constitute a vital part of our results of operations, could result in more volatility in the price of our stock.

The restructuring charges resulting from these cost-cutting efforts have had a negative impact on our earnings in 1999. There can be no assurance that additional reductions and associated restructuring charges will not be required in the future to improve one or both of these units' operations. Any additional reductions and associated restructuring charges could negatively impact future financial results.

Because we have recently sold a number of our business units, our business is less diversified, which could reduce our earnings and might make us more susceptible to negative conditions in our remaining businesses.

Consistent with our strategy of focusing on and streamlining our core businesses and paying down our debt, during 1998 and 1999 we divested several non-core business units. We also sold three business units that we agreed to divest when we acquired the defense operations of Hughes Electronics Corporation and the defense assets of Texas Instruments Incorporated in 1997. As a result of these divestitures, we no longer receive revenues from these operations and, without offsetting increases in revenues in our other businesses, our overall revenues would decrease, which would have a negative affect on our financial condition.

In addition, as a result of these divestitures, our business is now less diversified and thus more dependent on our remaining businesses. As a result, we are now more sensitive to conditions and trends in the remaining industries in which we operate. Negative conditions and trends in these remaining industries could cause our financial condition and results of operations to suffer more heavily than would occur when our business lines were more diversified. Our inability to overcome these negative conditions and trends could have a negative impact on our financial condition.

We heavily depend on our government contracts, which are only partially funded, subject to immediate termination and heavily regulated and audited, and the termination or failure to fund one or more of these contracts could have a negative impact on our operations.

We act as prime contractor or major subcontractor for many different government programs. Over its lifetime, a program may be implemented by the award of many different individual contracts and subcontracts. The funding of government programs is subject to congressional appropriations. Although multi-year contracts may be authorized in connection with major procurements, Congress generally appropriates funds on a fiscal year basis even though a program may continue for several years. Consequently, programs are often only partially funded initially, and additional funds are committed only as Congress makes further appropriations. The termination of funding for a government program would result in a loss of anticipated future revenues attributable to that program. That could have a negative impact on our operations. In addition, the termination of a program or failure to commit additional funds to a program already started could increase our overall costs of doing business.

Generally, government contracts are subject to oversight audits by government representatives and contain provisions permitting termination, in whole or in part, without prior notice at the government's convenience upon the payment of compensation only for work done and commitments made at the time of termination. We can give no assurance that one or more of our government contracts will not be terminated under these circumstances. Also, we can give no assurance that we would be able to procure new government contracts to offset the revenues lost as a result of any termination of our contracts. As our revenues are dependent on our procurement, performance and payment under our contracts, the loss of one or more critical contracts could have a negative impact on our financial condition.

Our government business is also subject to specific procurement regulations and a variety of socio-economic and other requirements. These requirements, although customary in government contracts, increase our performance and compliance costs. These costs might increase in the future, reducing our margins, which could have a negative effect on our financial condition. Failure to comply with these regulations and requirements could lead to suspension or debarment, for cause, from government contracting or subcontracting for a period of time. Among the causes for debarment are violations of various statutes, including those related to:

- procurement integrity
- export control
- government security regulations
- employment practices
- protection of the environment
- accuracy of records and the recording of costs

The termination of a government contract or relationship as a result of any of these acts would have a negative impact on our operations and could have a negative effect on our reputation and ability to procure other government contracts in the future.

In addition, sales to the government may be affected by:

- changes in procurement policies
- budget considerations
- changing concepts of national defense
- political developments abroad

The influence of any of these factors, which are largely beyond our control, could also negatively impact our financial condition. We also may experience problems associated with advanced designs required by the government which may result in unforeseen technological difficulties and cost overruns. Failure to overcome these technological difficulties and the occurrence of cost overruns would have a negative impact on our results.

We depend on the U.S. Government for a significant portion of our sales, and the loss of this relationship or a shift in Government funding could have severe consequences on the financial condition of Raytheon.

Approximately 61% of our net sales in 1999 were to the U.S. Government. Therefore, any significant disruption or deterioration of our relationship with the U.S. Government would significantly reduce our revenues. Our U.S. Government programs must compete with programs managed by other defense contractors for a limited number of programs and for uncertain levels of funding. Our competitors continuously engage in efforts to expand their business relationships with the U.S. Government at our expense and are likely to continue these efforts in the future. The U.S. Government may choose to use other defense contractors for its limited number of defense programs. In addition, the funding of defense programs also competes with non-defense spending of the U.S. Government. Budget decisions made by the U.S. Government are outside of our control and have long-term consequences for the size and structure of Raytheon. A shift in government defense spending to other programs in which we are not involved or a reduction in U.S. Government defense spending generally could have severe consequences for our results of operations.

We derive a significant portion of our revenues from international sales and are subject to the risks of doing business in foreign countries.

In 1999, sales to international customers accounted for approximately 27% of our net sales. We expect that international sales will continue to account for a substantial portion of our net sales for the foreseeable future. As a result, we are subject to risks of doing business internationally, including:

- changes in regulatory requirements
- domestic and foreign government policies, including requirements to expend a portion of program funds locally and governmental industrial cooperation requirements
- fluctuations in foreign currency exchange rates
- delays in placing orders

- the complexity and necessity of using foreign representatives and consultants
- the uncertainty of adequate and available transportation
- the uncertainty of the ability of foreign customers to finance purchases
- uncertainties and restrictions concerning the availability of funding credit or guarantees
- imposition of tariffs or embargoes, export controls and other trade restrictions
- the difficulty of management and operation of an enterprise spread over various countries
- compliance with a variety of foreign laws, as well as U.S. laws affecting the activities of U.S. companies abroad
- general economic and geopolitical conditions, including international hostilities, inflation, trade relationships and military and political alliances

While these factors or the impact of these factors are difficult to predict, any one or more of these factors could adversely affect our operations in the future.

We may not be successful in obtaining the necessary licenses to conduct operations abroad, and Congress may prevent proposed sales to foreign governments.

Licenses are required from government agencies under the Export Administration Act, the Trading with the Enemy Act of 1917 and the Arms Export Control Act of 1976 for export of many of our products. We can give no assurance that we will be successful in obtaining these necessary licenses in order to conduct business abroad. In the case of certain sales of defense equipment and services to foreign governments, the U.S. Government's Executive Branch must notify Congress at least 15 to 30 days, depending on the location of the sale, prior to authorizing these sales. During that time, Congress may take action to block the proposed sale.

We may suffer problems relating to Year 2000 date conversion.

The Year 2000 problem concerns the inability of information systems to properly recognize and process date-sensitive information beyond January 1, 2000. In January 1998, we initiated a formal comprehensive enterprise-wide program to identify and to resolve Year 2000 related issues. The scope of the program included the investigation of all Raytheon functions and products and all internally used hardware and software systems, including embedded systems in what are not traditionally considered information technology systems. We followed an eight-step risk management process grouped into two major phases: detection, including planning and awareness, inventory, triage, and detailed assessment; and correction, including resolution, test planning, test execution, and deployment.

Through the first two months of calendar year 2000, we completed the transition from calendar year 1999 to 2000 with no reported significant impact to our operations. We will continue to evaluate Year 2000 related exposures at our suppliers and customers over the next several months. We will also continue to monitor our systems, facilities and products to ensure that latent defects do not manifest themselves over the next few months. Although our Year 2000 conversion efforts were successful, there are some remaining Year 2000-related risks. These risks include potential product supply issues and other non-operational issues.

Since January 1998, we have spent approximately $116 million to resolve Year 2000 related issues. These costs included costs related to employees, inside and outside consultants and services, system replacements and other equipment requirements.

Competition within our markets may reduce our procurement of future contracts and our sales.

The military and commercial industries in which we operate are highly competitive. Our competitors range from highly resourceful small concerns, which engineer and produce specialized items, to large, diversified firms. Several established and emerging companies offer a variety of products for applications similar to those of our products. Our competitors may have more extensive or more specialized engineering, manufacturing and marketing capabilities than we do in some areas. There can be no assurance that we can continue to compete with these firms. In addition, some of our largest customers could develop the capability to manufacture products similar to products that we manufacture. This would result in these customers supplying their own products and competing directly with us for sales of these products, all of which could significantly reduce our revenues and seriously harm our business.

Furthermore, we are facing increased international competition and cross-border consolidation of competition. There can be no assurance that we will be able to compete successfully against our current or future competitors or that the competitive pressures we face will not result in reduced revenues and market share or seriously harm our business.

Our future success will depend on our ability to develop new technologies that achieve market acceptance.

Both our commercial and defense markets are characterized by rapidly changing technologies and evolving industry standards. Accordingly, our future performance depends on a number of factors, including our ability to:

- identify emerging technological trends in our target markets
- develop and maintain competitive products
- enhance our products by adding innovative features that differentiate our products from those of our competitors
- manufacture and bring products to market quickly at cost-effective prices

Specifically, at Raytheon Aircraft Company, our future success is dependent on: (1) our ability to meet scheduled timetables for the certification and delivery of new product offerings; (2) our ability to achieve the efficiencies necessary to control product costs; and (3) continued market acceptance of, and government regulations affecting, 19-seat turboprop commuter aircraft. Any additional cost overruns at Raytheon Aircraft, similar to those experienced in 1999, would have an adverse effect, potentially material, on our financial results.

We believe that, in order to remain competitive in the future, we will need to continue to develop new products, which will require the investment of significant financial resources in new product development. The need to make these expenditures could divert our attention and resources from other projects, and we cannot be sure that these expenditures will ultimately lead to the timely development of new technology. Due to the design complexity of our products, we may in the future experience delays in completing development and introduction of new products. Any delays could result in increased costs of development or deflect resources from other projects. In addition, there can be no assurance that the market for our products will develop or continue to expand as we currently anticipate. The failure of our technology to gain market acceptance could significantly reduce our revenues and harm our business. Furthermore, we cannot be sure that our competitors will not develop competing technology which gains market acceptance in advance of our products. The possibility that our competitors might develop new technology or products might cause our existing technology and products to become obsolete. If we fail in our new product development efforts or our products fail to achieve market acceptance more rapidly than our competitors', our revenues will decline and our business, financial condition and results of operations will be negatively affected.

Our financial performance is significantly dependent on the timely and successful conversion of our defense products into commercial markets.

In order to leverage technology that we develop for defense applications, we frequently strive to adapt existing defense technology for commercial markets. We may not be successful, however, in converting our defense systems and devices into commercially viable products, and the market for such products may be limited. Any of these results could have a negative impact on our future revenues.

We enter into fixed-price contracts which could subject us to losses in the event that we have cost overruns.

Sometimes we enter into contracts on a firm, fixed-price basis. This allows us to benefit from cost savings, but carries the burden of cost overruns. If our initial estimates are incorrect, we can lose money on these contracts. In addition, some of our contracts have provisions relating to cost controls and audit rights, and if we fail to meet the terms specified in those contracts then we may not realize their full benefits. Our financial condition is dependent on our ability to maximize our earnings from our contracts. Lower earnings caused by cost overruns and cost controls would have a negative impact on our financial results.

In 1998 and 1999, we experienced significant cost overruns at Raytheon Engineers & Constructors, Raytheon Aircraft Company and our Aircraft Integration Systems segment. Raytheon Engineers & Constructors also experienced project delays and cancellations. There may be further cost overruns and losses as we move to close out older contracts at Raytheon Engineers & Constructors, particularly four large, international turnkey contracts. Many of the fixed-price, turnkey contracts entered into prior to 1999 contain exposures and obligations that are not entirely within the control of the Company (e.g., subcontractor performance or labor disputes). Any related cost overruns or losses would have an adverse effect, potentially material, on our financial results.

We depend on the recruitment and retention of qualified personnel, and our failure to attract and retain personnel could seriously harm our business.

Due to the specialized nature of our businesses, our future performance is highly dependent upon the continued services of our key engineering personnel and executive officers. Our prospects depend upon our ability to attract and retain qualified engineering, manufacturing, marketing, sales and management personnel for our operations. Competition for personnel is intense, and we may not be successful in attracting or retaining qualified personnel. Our failure to compete for these personnel could seriously harm our business, results of operations and financial condition.

A significant portion of our labor force is unionized, and our failure to maintain stable relationships with our unions could seriously harm our business.

Approximately 16,000 of our employees are unionized, which represented approximately 15% of our employees at December 31, 1999. As a result, we may experience work stoppages from time to time, and we are vulnerable to the demands imposed by our collective bargaining relationships. We cannot predict how stable these relationships, currently with 11 different U.S. labor organizations and 5 different non-U.S. labor organizations, will be or whether we will be able to meet the requirements of these unions without impacting the financial condition of Raytheon. In addition, the presence of unions may limit our flexibility in dealing with our workforce. Work stoppages and instability in our union relationships could negatively impact our ability to manufacture our products on a timely basis, resulting in strain on our relationships with our customers, as well as a loss of revenues. That would adversely affect our results of operations.

We may be unable to adequately protect our intellectual property rights, which could affect our ability to compete.

Protecting our intellectual property rights is critical to our ability to compete and succeed as a company. We own a large number of United States and foreign patents and patent applications, as well as trademark, copyright and semiconductor chip mask work registrations which are necessary and contribute significantly to the preservation of our competitive position in the market. There can be no assurance that any of these patents and other intellectual property will not be challenged, invalidated or circumvented by third parties. In some instances, we have augmented our technology base by licensing the proprietary intellectual property of others. In the future, we may not be able to obtain necessary licenses on commercially reasonable terms. We enter into confidentiality and invention assignment agreements with our employees, and enter into non-disclosure agreements with our suppliers and appropriate customers so as to limit access to and disclosure of our proprietary information. These measures may not suffice to deter misappropriation or independent third party development of similar technologies. Moreover, the protection provided to our intellectual property by the laws and courts of foreign nations may not be as advantageous to us as the remedies available under United States law.

Our operations expose us to the risk of material environmental liabilities.

Because we use and generate large quantities of hazardous substances and wastes in our manufacturing operations, we are subject to potentially material liabilities related to personal injuries or property damages that may be caused by hazardous substance releases and exposures. For example, we are investigating and remediating contamination related to our current or past practices at numerous properties and, in some cases, have been named as a defendant in related personal injury or "toxic tort" claims.

We are also subject to increasingly stringent laws and regulations that impose strict requirements for the proper management, treatment, storage and disposal of hazardous substances and wastes, restrict air and water emissions from our manufacturing operations, and require maintenance of a safe workplace. These laws and regulations can impose substantial fines and criminal sanctions for violations, and require the installation of costly pollution control equipment or operational changes to limit pollution emissions and/or decrease the likelihood of accidental hazardous substance releases. We incur, and expect to continue to incur, substantial capital and operating costs to comply with these laws and regulations. In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require us to incur costs in the future that would have a negative effect on our financial condition or results of operations.

Provisions in our charter documents and rights agreement could make it more difficult to acquire Raytheon and may reduce the market price of our stock.

Our certificate of incorporation and 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 our Board of Directors to consider factors other than stockholders' short-term interests in evaluating an offer involving a change in control. Also, we have a rights plan, which limits the ability of anyone to acquire more than 15% of our Class A or Class B Common Stock. These provisions could have the effect of delaying or preventing a change in control of Raytheon or the removal of Raytheon management, of deterring potential acquirers from making an offer to our stockholders and of limiting any opportunity to realize premiums over prevailing market prices for Raytheon common stock. Provisions of the Shareholder Rights Agreement and the Hughes Separation Agreement, both of which are incorporated as exhibits to this filing, could also have the effect of deterring changes of control of Raytheon.

We depend on component availability, subcontractor performance and our key suppliers to manufacture and deliver our products and services.

Our manufacturing operations are highly dependent upon the delivery of materials by outside suppliers in a timely manner. In addition, we depend in part upon subcontractors to assemble major components and subsystems used in our products in a timely and satisfactory manner. Raytheon Engineers & Constructors relies upon the performance of subcontractors in many of its fixed-price contracts. While we enter into long-term or volume purchase agreements with a few of our suppliers, we cannot be sure that materials, components, and subsystems will be available in the quantities we require, if at all. We are dependent for some purposes on sole-source suppliers. If any of them fails to meet our needs, we may not have readily available alternatives. Our inability to fill our supply needs would jeopardize our ability to satisfactorily and timely complete our obligations under government and other contracts. This might result in reduced sales, termination of one or more of these contracts and damage to our reputation and relationships with our customers. All of these events could have a negative effect on our financial condition.

Our dual class capital structure may depress the value of your Class B Common Stock.

We have two distinct classes of common stock - Class A Common Stock and Class B Common Stock. With respect to all actions other than the election or removal of directors, holders of Class A Common Stock and Class B Common Stock have equal voting rights. With respect to the election or removal of directors only, holders of Class A Common Stock have 80.1% of the total voting power. Holders of Class B Common Stock have the remaining 19.9% of the voting power. If you hold Class B Common Stock, the value of your securities may be depressed by the disparity in voting power. Furthermore, while shares of both our Class A and Class B Common Stock currently trade on the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Exchange, the listing policies of each of these exchanges with respect to corporations with dual-class capitalizations may change in the future, and in the future such policies may not allow for the continued listing of both our Class A and Class B Common Stock.

The unpredictability of our results may harm the trading price of our securities, or contribute to volatility.

Our operating results may vary significantly over time for a variety of reasons, many of which are outside of our control, and any of which may harm our business. The value of our securities may fluctuate as a result of considerations that are difficult to forecast, such as:

- volume and timing of product orders received and delivered
- levels of product demand
- consumer and government spending patterns
- the timing of contract receipt and funding
- our ability and the ability of our key suppliers to respond to changes in customer orders
- timing of our new product introductions and the new product introductions of our competitors
- changes in the mix of our products
- cost and availability of components and subsystems
- price erosion
- adoption of new technologies and industry standards
- competitive factors, including pricing, availability and demand for competing products
- fluctuations in foreign currency exchange rates
- conditions in the capital markets and the availability of project financing
- the impact on recourse obligations at Raytheon Aircraft due to changes in the collateral value of financed aircraft
- regulatory developments
- general economic conditions, particularly the cyclical nature of the general aviation and engineering and construction markets in which we participate

Item 2. Properties

The Company and its subsidiaries operate in a number of plants, laboratories, warehouses and office facilities in the United States and abroad.

At December 31, 1999, the Company utilized approximately 48 million square feet of floor space for manufacturing, engineering, research, administration, sales and warehousing, approximately 96% of which was located in the United States. Of such total, approximately 34% was owned, approximately 61% was leased, and approximately 5% was made available under facilities contracts for use in the performance of U. S. Government contracts. At December 31, 1999, the Company had approximately 3.2 million square feet of additional floor space that was not in use, including approximately 1.6 million square feet in Company-owned facilities.

There are no major encumbrances on any of the Company's plants or equipment other than financing arrangements which, in the aggregate, are not material. In the opinion of management, the Company's properties have been well maintained, are in sound operating condition and contain all equipment and facilities necessary to operate at present levels.

At December 31, 1999, our business segments had major operations at the following locations:

- Electronic Systems -- E. Camden, AR; Tucson, AZ; El Segundo, CA; Fullerton, CA; Goleta, CA; Newport Beach, CA; Danbury, CT; Louisville, KY; Andover, MA; Bedford, MA; Quincy, MA; Sudbury, MA; Tewksbury, MA; Portsmouth, RI; Mukilteo, WA; Dallas, TX; Plano, TX; and Sherman, TX;

- Command, Control, Communication and Information Systems -- Fullerton, CA; Aurora, CO; St. Petersburg, FL; Ft. Wayne, IN; Landover, MD; Townson, MD; Marlboro, MA; Binghamton, NY; State College, PA; Garland, TX; and Falls Church, VA;

- Aircraft Integration Systems -- Lexington, KY; Greenville, TX; and Waco, TX;

- Training and Services -- Long Beach, CA; Indianapolis, IN; and Norfolk, VA;

- Commercial Electronics -- Andover, MA; Kiel, Germany; Portsmouth, UK; and Malaga, Spain;

- Aircraft -- Selma, AL; Little Rock, AR; Salina, KS and Wichita, KS;

- Engineers and Constructors -- Birmingham, AL; Philadelphia, PA; and Princeton, NJ; and

- Corporate -- Lexington, MA.

A summary of the utilized floor space at December 31, 1999, by business segment, follows:

(in square feet with 000's omitted)

	Leased	Owned	Gov't. Owned	Total
Electronic Systems	10,482	8,453	1,601	20,536
Command, Control, Communication & Information Systems	4,853	2,964	0	7,817
Aircraft Integration Systems	4,472	216	1,004	5,692
Training & Services	3,111	76	0	3,187
Commercial Electronics	269	613	0	882
Aircraft	3,276	3,827	0	7,103
Engineers & Constructors	2,290	21	0	2,311
Corporate (includes domestic and international sales offices)	410	258	0	668
Total	29,163	16,428	2,605	48,196

See "Item 1. Factors That Could Affect Future Results" above, "Item 3. Legal Proceedings", and Note K to Raytheon's Financial Statements in the Company's Annual Report to Stockholders for the year ended December 31, 1999 for information regarding the effect of compliance with environmental protection requirements and the resolution of environmental claims against the Company and its operations.

Item 3. Legal Proceedings

The Company is primarily engaged in providing products and services under contracts with the U.S. Government and, to a lesser degree, under direct foreign sales contracts, some of which are funded by the U.S. Government. These contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the U.S. Government investigate whether the Company's operations are being conducted in accordance with these requirements. U.S. Government investigations of the Company, whether relating to these contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon the Company, or could lead to suspension or debarment from future U.S. Government contracting. U.S. Government investigations often take years to complete and many result in no adverse action against the Company.

New Matters

During October, November and December 1999, the Company and two of its officers were named as defendants in purported class action lawsuits filed in the United States District Court for the District of Massachusetts on October 14, 1999 by Merrill Roth (No. 99-12143NG), on October 15, 1999 by Robert Johnson (No. 99-12146PBS) and Jeffrey Gelfand (No. 99-121954JLT), on October 18, 1999 by Sidney Meisel (No. 99-12142PBS) and A. Richard Albrecht (No. 99-12178PBS), on October 19, 1999 by Barbara Rice (No. 99-12185NG), on October 26, 1999 by David DeForrest (No. 99-12222PBS) and Maureen Rocks (No. 99-12225PBS), on November 3, 1999 by Deborah Isaac (99-12297PBS), on November 8, 1999 by Jay Fleishman (No. 99-12339PBS), on December 1, 1999 by Lasensky Paper Stock PSP (No. 99-12463NG), and on December 10, 1999 by Osprey Partners Investment Management, LLC (99-12539-PB); in the United States District Court for the Southern District of New York on October 25, 1999 by Raymond Masri (No. 99-10789); and in the United States District Court for the District of Maryland on October 21, 1999 by Edwin Hankin (No. S-99-3211) (collectively the "Complaints"). The Complaints principally allege that the defendants violated federal securities laws by purportedly making false and misleading statements and by failing to disclose material information concerning the Company's financial performance, thereby allegedly causing the value of the Company's stock to be artificially inflated. The purported class periods for which damages are allegedly sought include March 30, 1998 to October 11, 1999 for the Rocks, Isaac and Osprey Partners actions; January 28, 1999 to October 12, 1999 for the Roth, Rice, Masri, Hankin, Fleishman and Lasensky Paper Stock actions; August 18, 1999 to October 11, 1999 for the Johnson, Gelfand, Albrecht and DeForrest actions; and September 16, 1999 to October 11, 1999 for the Meisel action. The Complaints have been consolidated in the United States District Court for the District of Massachusetts (the "Court"). The Court has appointed a lead plaintiff and lead counsel and has directed that an amended, consolidated complaint be filed in early May, 2000. The Company will have 45 days after it is served with a copy of the amended complaint to answer or file a motion to dismiss.

The Company was also named as a nominal defendant and all of its directors (except one) were named as defendants in purported derivative lawsuits filed on October 25, 1999 in the Court of Chancery of the State of Delaware in and for New Castle County by Ralph Mirarchi and others (No. 17495-NC), and on November 24, 1999 in Middlesex County, Massachusetts, Superior Court by John Chevedden (No. 99-5782) (collectively, the "Derivative Complaints"). The Derivative Complaints contain allegations similar to those included in the Complaints and further allege that the defendants purportedly breached fiduciary duties to the Company and allegedly failed to exercise due care and diligence in the management and administration of the affairs of the Company.

Although the Company believes that it and the other defendants have meritorious defenses to the claims made in both the Derivative Complaints and the other Complaints and intends to contest the lawsuits vigorously, an adverse resolution of the lawsuits could have a material adverse effect on the Company's financial position or results of operations in the period in which the lawsuits are resolved. The Company is not presently able to reasonably estimate potential losses, if any, related to the lawsuits.

The U.S. Customs Service has concluded its investigation of the contemplated sale by Raytheon Canada Ltd., a subsidiary of the Company, of troposcatter radio equipment to a customer in Pakistan. The Company has produced documents in response to grand jury subpoenas, and grand jury appearances have taken place. The Company has cooperated fully with the investigation. The Government has not reached a final decision with respect to this matter. An adverse decision relating to this matter could ultimately have a material adverse effect on the Company's results of operations or financial condition.

In November 1999, the Company filed a complaint against Towers, Perrin, Forster & Crosby (TPF&C) in the U.S. District Court for the District of Massachusetts. The complaint arises out of a series of events concerning certain Hughes Electronics pension plans (the "Hughes Plans"), portions of which were acquired by the Company in connection with the merger with Hughes Defense. Specifically, the complaint alleges that the Company was damaged by (i) false representations made to the Company by TPF&C regarding the amount of surplus in the Hughes Plans and (ii) errors committed by TPF&C in providing administrative services to the Hughes Plans. The complaint seeks damages in an amount to be determined at trial.

See Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 26 through 31 of the Company's Annual Report to Stockholders for the year ended December 31, 1999 for a description of the Company's disputes with Hughes Electronics regarding the following matters: (i) the determination of the final purchase price for Hughes Defense and (ii) a claim by the Company against Hughes Electronics concerning the accuracy and completeness of disclosures made by Hughes Electronics prior to the merger of Raytheon Company and HE Holdings, Inc.

Previously Reported Matters

Prior to the Hughes Merger, the business of Hughes Defense was conducted by Hughes Aircraft Company ("HAC"), an indirect subsidiary of Hughes Electronics Corporation. Since 1985, several actions seeking compensatory and punitive damages in unspecified amounts have been filed against HAC by plaintiffs alleging that they suffered injuries as a result of the migration of alleged toxic substances into the Tucson, Arizona, water supply. These substances were disposed of at a facility owned by the U.S. Government which HAC operated and Raytheon now leases under a contract with the U.S. Air Force.

In 1991, HAC settled with the approximately 2,000 plaintiffs in one of these cases, Valenzuela v. Hughes Aircraft Company. HAC's primary and excess insurance carriers made substantial contributions toward this settlement. Several of these carriers are seeking reimbursement of the amounts they paid. If the insurers prevail in the insurance coverage litigation, the Company may ultimately bear responsibility for a portion of the Valenzuela settlement.

Several other actions arising out of migration of alleged toxic substances into the Tucson water supply have been settled or resolved in the Company's favor, including:

1. Cordova v. Hughes Aircraft Company, et al., which was filed on January 13, 1992 with the Arizona Superior Court, Pima County by an estimated 90,000 member class against HAC, McDonnell Douglas Corporation, General Dynamics Corporation and the Tucson Airport Authority as co-defendants. The court denied class certification in 1996. Settlement was reached with all but 3 claimants in 1998. The remaining claims were dismissed. The claimants appealed the dismissal of the claims, and the Arizona Court of Appeals affirmed the trial court's entry of summary judgment on March 7, 2000.

2. Yslava v. Hughes Aircraft Company, an action filed on August 7, 1992 in U.S. District Court for the District of Arizona by approximately 250 individual plaintiffs, alleging injury claims (inclusive of loss of consortium claims). HAC filed third party claims against McDonnell Douglas Corporation, General Dynamics Corporation, the Tucson Airport Authority and the City of Tucson. A settlement has been effectuated and monies paid out. This matter is now closed.

3. Lanier v. Hughes Aircraft Company, et al., a class action filed on September 30, 1991 in U.S. District Court for the District of Arizona, seeking medical monitoring for an estimated class of 50,000 residents from the south side of Tucson. A court-approved settlement has been reached with all of the plaintiffs, and the matter is now closed.

In addition, the Company has obtained state and federal court decisions requiring its insurers to pay defense costs in these actions. Although the Company believes that it has good bases for seeking indemnity coverage from its carriers, it cannot reasonably estimate what, if any, coverage may, in fact, be available.

The Company is also involved in various stages of investigation and cleanup relative to remediation of various other sites. All appropriate costs incurred in connection therewith have been accrued. Due to the complexity of environmental laws and regulations, the varying costs and effectiveness of alternative cleanup methods and technologies, the uncertainty of insurance coverage and the unresolved extent of the Company's responsibility, it is difficult to determine the ultimate outcome of these matters. However, in the opinion of management, any liability will not have a material effect on the Company's financial position, liquidity or results of operations after giving effect to provisions already recorded.

Accidents involving personal injuries and property damage occur in general aviation travel. When permitted by appropriate government agencies, Raytheon Aircraft investigates accidents related to its products involving fatalities or serious injuries. Through a relationship with FlightSafety International, Raytheon Aircraft provides initial and recurrent pilot and maintenance training services to reduce the frequency of accidents involving its products.

Raytheon Aircraft is a defendant in a number of product liability lawsuits which allege personal injury and property damage and seek substantial recoveries including, in some cases, punitive and exemplary damages. Raytheon Aircraft maintains partial insurance coverage against such claims and maintains a level of uninsured risk determined by management to be prudent. (See Note J to Raytheon's Financial Statements for the years ended December 31, 1998, 1997 and 1996.)

The insurance policies for product liability coverage held by Raytheon Aircraft do not exclude punitive damages, and it is the position of Raytheon Aircraft and its counsel that punitive damage claims are therefore covered. Historically, the defense of punitive damage claims has been undertaken and paid by insurance carriers. Under the law of some states, however, insurers are not required to respond to judgments for punitive damages. Nevertheless, to date no judgments for punitive damages have been sustained.

Defense contractors are subject to many levels of audit and investigation. Agencies which oversee contract performance include: the Defense Contract Audit Agency, the Department of Defense Inspector General, the General Accounting Office, the Department of Justice and Congressional Committees. The Department of Justice from time to time has convened grand juries to investigate possible irregularities by the Company in governmental contracting.

Various claims and legal proceedings generally incidental to the normal course of business are pending or threatened against the Company. While the Company cannot predict the outcome of these matters, in the opinion of management, any liability arising from them will not have a material effect on the Company's financial position, liquidity or results of operations after giving effect to provisions already recorded.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 4(A). Executive Officers of the Registrant

The executive officers of the Company are listed below. Each executive officer was elected by the Board of Directors to serve for a term of one year and until his or her successor is elected and qualified or until his or her earlier removal, resignation or death.

Shay D. Assad: Executive Vice President and Chairman and Chief Executive Officer of Raytheon Engineers & Constructors since December 1998. Prior to assuming his present position, Mr. Assad was Senior Vice President and President and Chief Operating Officer of Raytheon Engineers & Constructors from April 1998; Senior Vice President - Contracts of the Company from January 1998; Vice President - Contracts from July 1994 and Manager - Contracts, Missile Systems Division from 1985. Age: 49

Daniel P. Burnham: Chairman and Chief Executive Officer of the Company since July 31, 1999. Prior thereto, Mr. Burnham served as President and Chief Executive Officer of the Company from December 1, 1998 to July 31, 1999 and as President and Chief Operating Officer from July 1, 1998 until December 1, 1998. Prior to joining the Company, Mr. Burnham was Vice Chairman of AlliedSignal, Inc. from October 1997 and President of AlliedSignal Aerospace and an Executive Vice President of AlliedSignal, Inc. from 1992. Age: 53

Franklyn A. Caine: Senior Vice President and Chief Financial Officer since April 1999. Prior to assuming his present position, Mr. Caine was Executive Vice President and Chief Financial Officer of Wang Laboratories, Inc. from 1994. Age: 50

Philip W. Cheney: Vice President - Engineering since May 1998. Prior to assuming his present position, Dr. Cheney was Vice President - Commercial Electronics from July 1994. Prior thereto, Dr. Cheney was Vice President - Engineering from February 1990. Age: 64

Kenneth C. Dahlberg: Executive Vice President - Business Development and President, Raytheon International, Inc. since January 2000. Prior to assuming his present positions, Mr. Dahlberg was Executive Vice President and President and Chief Operating Officer of Raytheon Systems Company since December 1997. Prior thereto, Mr. Dahlberg was Senior Vice President of Hughes Aircraft Company from September 1994 and Vice President of Hughes Electronics Corporation from May 1993. Age: 55

Dennis M. Donovan: Senior Vice President - Human Resources since October 1998. Prior to assuming his present position, Mr. Donovan was Vice President - Human Resources of GE Power Systems from 1991. Age: 51

Richard A. Goglia: Vice President and Treasurer since January 1999. Prior to assuming such position, Mr. Goglia was Director, International Finance from March 1997; and Senior Vice President--Corporate Finance, GE Capital Corporation from 1989. Age: 48

Michele C. Heid: Vice President and Corporate Controller since February 1999. Prior to assuming her present position, Ms. Heid was Vice President - Corporate Controller and Investor Relations from April, 1997; Vice President - Investor Relations from September 1995; and Vice President - Investor Relations & Strategic Planning, Cummins Engine Company from 1993. Age: 45

Thomas D. Hyde: Senior Vice President and General Counsel since January 2000. Prior to assuming his present position, Mr. Hyde was Senior Vice President, Secretary and General Counsel from September 1998; Senior Vice President and General Counsel from February 1998; and Vice President and General Counsel from February 1994. Age: 51

James L. Infinger: Vice President and Chief Information Officer since October 1997. Prior to assuming his present position Mr. Infinger was Senior Vice President and Chief Information Officer of CompUSA, Inc. from June 1994. Age: 42

William H. Swanson: Executive Vice President and President of Electronic Systems since January 2000. Prior to assuming his present position, Mr. Swanson was Executive Vice President and Chairman and Chief Executive Officer of Raytheon Systems Company from December 1997; Executive Vice President and General Manager - - Raytheon Electronic Systems Division from March 1995; and Senior Vice President and General Manager - Missile Systems Division from 1990. Age: 51

Hansel E. Tookes, II: Senior Vice President and President and Chief Executive Officer of Raytheon Aircraft Company since January 2000. Prior to assuming his present position, Mr. Tookes was President and Chief Operating Officer of Raytheon Aircraft Company from September 1999 and President of Pratt & Whitney's Large Military Engines group from 1996. Prior thereto, Mr. Tookes held various leadership positions at Norden Systems and Hamilton Standard Division of United Technologies Corp. from 1980, including Executive Vice President of Aircraft Products and Vice President of Business Planning. Age: 52

Arthur E. Wegner: Executive Vice President and Chairman of Raytheon Aircraft Company since January 2000. Prior to assuming his present position, Mr. Wegner was Executive Vice President and Chairman and Chief Executive Officer of Raytheon Aircraft Company from March 1995; and Senior Vice President and Chairman and Chief Executive Officer of Raytheon Aircraft Company from July 1993. Age: 62

PART II

Item 5. Market For Registrant's Common Equity and Related Stockholder Matters

At December 31, 1999, there were 264,364 record holders of the Company's Class A common stock and 18,334 record holders of the Company's Class B common stock. Additional information required by this Item 5 is contained on page 52 of Raytheon's Annual Report to Stockholders for the year ended December 31, 1999 and in Note O to Raytheon's Financial Statements for the years ended December 31, 1999, 1998 and 1997 and is incorporated herein by reference.

On December 14, 1998, the Company issued an aggregate $250 million principal face amount 6% Debentures due 2010 (the "6% Debentures") and an aggregate $550 million principal face amount 6.40% Debentures due 2018 (the "6.40% Debentures"; collectively, the 6% Debentures and the 6.40% Debentures may be referred to as the "Debentures"). The group of underwriters of the Debentures was lead by Credit Suisse First Boston and Morgan Stanley Dean Witter. The offering price of the 6% Debentures was 100% ($250 million), resulting in proceeds to the Company of 99.325% ($248,312,500) after underwriting discounts and commissions of .675% ($1,687,500). The offering price of the 6.40% Debentures was 99.587% ($547,728,500), resulting in proceeds to the Company of 98.712% ($542,916,000) after underwriting discounts and commissions of .875% ($4,812,500).

The Debentures were offered and sold to (i) Qualified Institutional Buyers as defined in Rule 144A ("Rule 144A") of the Securities Act of 1933 ("Securities Act") in transactions exempt from registration pursuant to Rule 144A, (ii) a limited number of other institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) and (7) under Regulation D of the Securities Act in private sales exempt from registration under the Securities Act in minimum denominations of $100,000, and/or (iii) to non-U.S. persons outside the United States in reliance on Regulation S of the Securities Act ("Regulation S") in transactions meeting the requirements of Regulation S. The proceeds of the Debentures were used to refinance commercial paper borrowings with various maturities and bearing interest at various rates.

Pursuant to the terms of a Registration Rights Agreement executed in connection with the issuance of the Debentures, the Company filed an exchange offer registration statement on Form S-4 in May 1999 covering the offer by the Company to exchange 6% exchange debentures due 2010 and 6.40% exchange debentures due 2018 registered under the Securities Act of 1933 for the outstanding 6% Debentures and 6.40% Debentures.

After the close of the year, on March 7, 2000 the Company issued an aggregate $2.25 billion of notes consisting of the following: $200 million principal face amount floating rate notes due 2002 (the "Floating Rate Notes"); an aggregate $800 million principal face amount notes due 2003 (the "7.90% Notes"); an aggregate $850 million principal face amount notes due 2006 (the "8.20% Notes"); an aggregate $400 million principal face amount notes due 2010 (the "8.30% Notes" and, together with the Floating Rate Notes, 7.90% Notes and 8.20% Notes the "Notes"). The group of underwriters of the Notes was lead by Credit Suisse First Boston and Morgan Stanley Dean Witter. The offering price of the Floating Rate Notes was 100%, resulting in proceeds to the Company of 99.75% ($199,500,000) after underwriting discounts and commissions of .250% ($500,000). The offering price of the 7.90% Notes was 99.830%, resulting in proceeds to the Company of 99.480% ($795,840,000) after underwriting discounts and commissions of .520% ($4,160,000). The offering price of the 8.20% Notes was 99.979%, resulting in proceeds to the Company of 99.379% ($844,721,500) after underwriting discounts and commissions of .621% ($5,278,500). The offering price of the 8.30% Notes was 99.862%, resulting in proceeds to the Company of 99.212% ($396,848,000) after underwriting discounts and commissions of .788% ($3,152,000).

The Notes were offered and sold to (i) Qualified Institutional Buyers as defined in Rule 144A ("Rule 144A") of the Securities Act of 1933 ("Securities Act") in transactions exempt from registration pursuant to Rule 144A, (ii) a limited number of other institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) and (7) under Regulation D of the Securities Act in private sales exempt from registration under the Securities Act in minimum denominations of $100,000, and/or (iii) to non-U.S. persons outside the United States in reliance on Regulation S of the Securities Act ("Regulation S") in transactions meeting the requirements of Regulation S. The proceeds of the Notes were used to reduce commercial paper and bank borrowings with various maturities and bearing interest at various rates.

Item 6. Selected Financial Data

The information required by this Item 6 is included in the "Five Year Statistical Summary" contained in the Company's Annual Report to Stockholders for the year ended December 31, 1999 on page 25 and is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this Item 7 is contained in the Company's Annual Report to Stockholders for the year ended December 31, 1999 on pages 26 through 31 and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this Item 7A is contained in the Company's Annual Report to Stockholders for the year ended December 31, 1999 on page 31 and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Selected quarterly financial data and the financial statements and supplementary data of the Registrant are contained in the Company's Annual Report to Stockholders for the year ended December 31, 1999 in Note O and on pages 32 through 51, respectively, and are incorporated herein by reference. Schedules required under Regulation S-X are filed as "Financial Statement Schedules" pursuant to Item 14 hereof.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information regarding the directors of the Company is contained in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on April 26, 2000 under the captions "The Board of Directors and Certain of its Committees" and "Election of Directors" and is incorporated herein by reference. Information regarding the executive officers of the Company is contained in Part I, Item 4(A) of this Form 10-K.

Item 11. Executive Compensation

This information is contained in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on April 26, 2000 under the caption "Executive Compensation" and, except for the information required by Items 402(k) and 402(l) of Regulation S-K, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

This information is contained in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on April 26, 2000 under the caption "Stock Ownership" and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

This information is contained in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on April 26, 2000 under the caption "Certain Relationships and Related Transactions" and is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Financial Statements and Schedules

(1) The following financial statements of Raytheon Company and Subsidiaries Consolidated, as contained in Raytheon's 1999 Annual Report to Stockholders, are hereby incorporated by reference:

Balance Sheets at December 31, 1999 and 1998

Statements of Income for the Years Ended December 31, 1999, 1998 and 1997

Statements of Stockholders' Equity for the Years Ended December 31, 1999, 1998 and 1997

Statements of Cash Flows for the Years Ended December 31, 1999, 1998 and 1997

(2) The following financial statement schedule is included herein:

Schedule II, Reserves for the Three Years Ended December 31, 1999

Schedules I, III and IV are omitted because they are not required, not applicable or the information is otherwise included.

(b) Reports on Form 8-K

During the first quarter of 2000, the Company made the following filing on Form 8-K:

Raytheon Company Current Report on Form 8-K filed with the Securities and Exchange Commission on February 25, 2000

(c) Exhibits

(The Exhibits without an asterisk (*) have been filed with previous reports.)

2.1 Agreement and Plan of Merger dated as of January 16, 1997 by and between Raytheon Company and HE Holdings, Inc., filed as an exhibit to Former Raytheon's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 17, 1997, is hereby incorporated by reference.

2.2 Hughes Spin-Off Separation Agreement dated as of December 17, 1997 by and between HE Holdings, Inc. and General Motors Corporation filed as an exhibit to the Company's Registration Statement on Form S-3, File No. 333-44321, is hereby incorporated by reference.

3.1 Raytheon Company Restated Certificate of Incorporation, restated as of February 11, 1998 filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1997, is hereby incorporated by reference.

3.2 Raytheon Company Amended and Restated By-Laws, as amended through January 28, 1998 filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1997, is hereby incorporated by reference.

4.1 Indenture dated as of July 3, 1995 between Raytheon Company and The Bank of New York, Trustee, filed as an exhibit to Former Raytheon's Registration Statement on Form S-3, File No. 33-59241, is hereby incorporated by reference.

4.2 Supplemental Indenture dated as of December 17, 1997 between Raytheon Company and The Bank of New York, Trustee filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1997, is hereby incorporated by reference.

4.3 Rights Agreement dated as of December 15, 1997 between the Company and State Street Bank and Trust Company, as Rights Agent, filed as an exhibit to the Company's Registration Statement on Form 8-A, File No. 1-13699, is hereby incorporated by reference.

10.1 Raytheon Company 1976 Stock Option Plan, as amended, filed as an exhibit to the Company's Registration Statement on Form S-8, File No. 333-45629, is hereby incorporated by reference.

10.2 Raytheon Company 1991 Stock Plan, as amended, filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended July 4, 1999, is hereby incorporated by reference.

10.3 Raytheon Company 1995 Stock Option Plan, as amended, filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended July 4, 1999, is hereby incorporated by reference.

10.4 Plan for Granting Stock Options in Substitution for Stock Options Granted by Texas Instruments Incorporated, filed as an exhibit to the Company's Registration Statement on Form S-8, File No. 333-45629, is hereby incorporated by reference.

10.5 Plan for Granting Stock Options in Substitution for Stock Options Granted by Hughes Electronics Corporation, filed as an exhibit to the Company's Registration Statement on Form S-8, File No. 333-45629, is hereby incorporated by reference.

10.6 Raytheon Company 1997 Nonemployee Directors Restricted Stock Plan, filed as an exhibit to the Company's Registration Statement on Form S-8, File No. 333-45629, is hereby incorporated by reference.

10.7 Raytheon Company Deferral Plan for Directors, filed as an exhibit to Former Raytheon's Registration Statement on Form S-8, File No. 333-22969, is hereby incorporated by reference.

10.8 Form of Raytheon Company Change in Control Severance Agreement, filed as an exhibit to Former Raytheon's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996, is hereby incorporated by reference. The Company has entered into Change in Control Severance Agreements in the form of Agreement filed as Exhibit 10.8 with each of the following executives: Shay D. Assad, Franklyn A. Caine, William H. Swanson and Arthur E. Wegner. 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. The Company has also entered into Change in Control Severance Agreements in the form of Agreement filed as Exhibit 10.8 with nineteen other executives, but which are immaterial to the Company. 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.

10.9 Restricted Unit Award Agreement between the Company and Dennis J. Picard, filed as an exhibit to Former Raytheon's Quarterly Report on Form 10-Q for the quarter ended June 29, 1997, is hereby incorporated by reference.

10.10 Form of Executive Change in Control Severance Agreement, filed as an exhibit to the Company's Registration Statement on Form S-4, File No. 333-37223, is incorporated herein by reference. The Company has entered into Executive Change in Control Severance Agreements in the form of Agreement filed as Exhibit 10.10 with each of the following executives: Kenneth C. Dahlberg, Louise L. Francesconi, Robert L. Horowitz, Charles S. Ream, Donald R. Infante, David P. Molfenter and Jack O. Pearson. Such agreements are designed to provide the executive with certain payments if still employed by the Company at the end of the second and third years after the Spin-Off Merger Effective Time, all as more fully described in the form of Agreement.

10.11 Form of Executive Retention Agreement, filed as an exhibit to the Company's Registration Statement on Form S-4, File No. 333-37223, is incorporated herein by reference. The Company has entered into Executive Retention Agreements in the form of Agreement filed as Exhibit 10.11 with each of the following executives: Kenneth C. Dahlberg, Louise L. Francesconi, Robert L. Horowitz, Charles S. Ream, Donald R. Infante, David P. Molfenter and Jack O. Pearson. Such agreements are designed to provide the executive with certain payments if still employed by the Company at the end of the second and third years after the Spin-Off Merger Effective Time, all as more fully described in the form of Agreement.

10.12 Agreement dated as of June 15, 1998 between Raytheon Company and Daniel P. Burnham, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 is hereby incorporated by reference.

10.13 Agreement dated February 22, 1999 between Raytheon Company and Franklyn A. Caine, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended April 4, 1999, is hereby incorporated by reference.

10.14 Amendment dated December 17, 1999 to William H. Swanson's Change in Control Severance Agreement.*

10.15 Agreement dated December 17, 1999 between Raytheon Company and Arthur E. Wegner.*

10.16 Consulting Agreement dated October 14, 1999 between Raytheon Company and Warren B. Rudman.*

10.17 Consulting Agreement dated April 1, 1999 between Raytheon Company and John M. Deutch.*

10.18 Raytheon Company $4 billion Credit Facility -- Five Year Competitive Advance and Revolving Credit Facility, filed as an exhibit to Former Raytheon's Quarterly Report on Form 10-Q for the quarter ended March 30, 1997, is hereby incorporated by reference.

10.19 HE Holdings, Inc. $3 billion Credit Facility - Five Year Competitive Advance and Revolving Credit Facility, filed as an exhibit to the Company's Registration Statement on Form S-4, File No. 333-37223, is hereby incorporated by reference.

10.20 Amended and Restated Purchase and Sale Agreement dated as of March 18, 1999 among Raytheon Aircraft Credit Corporation, Raytheon Aircraft Receivables Corporation and the Purchasers named therein, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1998, is hereby incorporated by reference.

10.21 Amendment and Restatement dated as of November 9, 1999 to the Amended and Restated Purchase and Sale Agreement dated as of March 18, 1999 among Raytheon Aircraft Credit Corporation, Raytheon Aircraft Receivables Corporation and the Purchasers named therein.*

10.22 Amended and Restated Guarantee dated as of March 18, 1999, made by Raytheon Company in favor of the Purchasers named therein and Bank of America National Trust and Savings Association, as Managing Facility Agent, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1998, is hereby incorporated by reference.

10.23 Raytheon Savings and Investment Plan, as amended and restated effective January 1, 1999.*

10.24 Raytheon Employee Savings and Investment Plan, as amended and restated effective January 1, 1999.*

10.25 Raytheon Excess Savings Plan, filed as an exhibit to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-8, File No. 333-56117, is hereby incorporated by reference.

10.26 Raytheon Deferred Compensation Plan, filed as an exhibit to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-8, File No. 333-56117, is hereby incorporated by reference.

13 Raytheon Company 1999 Annual Report to Stockholders (furnished for the information of the Commission and not to be deemed "filed" as part of this Report except to the extent that portions thereof are expressly incorporated herein by reference).

21 Subsidiaries of Raytheon Company.*

23.1 Consent of Independent Accountants.*

23.2 Report of Independent Accountants.*

24 Powers of Attorney.*

27 Financial Data Schedule.*

(Exhibits marked with an asterisk (*) are filed electronically herewith.)

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RAYTHEON COMPANY

/s/ Thomas D. Hyde
Thomas D. Hyde

Senior Vice President and General Counsel
for the Registrant

Dated: March 27, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
/s/ Daniel P. Burnham Daniel P. Burnham	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 22, 2000
/s/ Barbara M. Barrett Barbara M. Barrett	Director	March 22, 2000
/s/ Ferdinand Colloredo-Mansfeld Ferdinand Colloredo-Mansfeld	Director	March 22, 2000
/s/ John M. Deutch John M. Deutch	Director	March 22, 2000
/s/ Thomas E. Everhart Thomas E. Everhart	Director	March 22, 2000
/s/ John R. Galvin John R. Galvin	Director	March 22, 2000
/s/ L. Dennis Kozlowski L. Dennis Kozlowski	Director	March 22, 2000
/s/ Henrique de Campos Meirelles Henrique de Campos Meirelles	Director	March 22, 2000
/s/ Thomas L. Phillips Thomas L. Phillips	Director	March 22, 2000
/s/ Dennis J. Picard Dennis J. Picard	Director	March 22, 2000
/s/ Warren B. Rudman Warren B. Rudman	Director	March 22, 2000
/s/ William R. Spivey William R. Spivey	Director	March 22, 2000
/s/ Alfred M. Zeien Alfred M. Zeien	Director	March 22, 2000
/s/ Franklyn A. Caine Franklyn A. Caine	Senior Vice President and Chief Financial Officer	March 22, 2000
/s/ Michele C. Heid Michele C. Heid	Vice President - Corporate Controller (Chief Accounting Officer)	March 22, 2000

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

SCHEDULE II - RESERVES
FOR THE THREE YEARS ENDED DECEMBER 31, 1999

(In thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions Note (1)	Balance at end of period
Year ended December 31, 1999:					
Allowance for doubtful accounts receivable	$20,771	$8,799	-	$2,994	$26,576
Year ended December 31, 1998:					
Allowance for doubtful accounts receivable	$21,763	$3,720	-	$4,712	$20,771
Year ended December 31, 1997:					
Allowance for doubtful accounts receivable	$20,260	$7,122	-	$5,619	$21,763

Note (1) - Uncollectible accounts and adjustments, less recoveries

EXHIBIT 99

EXHIBIT LIST

2.1 Agreement and Plan of Merger dated as of January 16, 1997 by and between Raytheon Company and HE Holdings, Inc., filed as an exhibit to Former Raytheon's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 17, 1997, is hereby incorporated by reference.

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4.3 Rights Agreement dated as of December 15, 1997 between the Company and State Street Bank and Trust Company, as Rights Agent, filed as an exhibit to the Company's Registration Statement on Form 8-A, File No. 1-13699, is hereby incorporated by reference.

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10.9 Restricted Unit Award Agreement between the Company and Dennis J. Picard, filed as an exhibit to Former Raytheon's Quarterly Report on Form 10-Q for the quarter ended June 29, 1997, is hereby incorporated by reference.

10.10 Form of Executive Change in Control Severance Agreement, filed as an exhibit to the Company's Registration Statement on Form S-4, File No. 333-37223, is incorporated herein by reference. The Company has entered into Executive Change in Control Severance Agreements in the form of Agreement filed as Exhibit 10.10 with each of the following executives: Kenneth C. Dahlberg, Louise L. Francesconi, Robert L. Horowitz, Charles S. Ream, Donald R. Infante, David P. Molfenter and Jack O. Pearson. Such agreements are designed to provide the executive with certain payments if still employed by the Company at the end of the second and third years after the Spin-Off Merger Effective Time, all as more fully described in the form of Agreement.

10.11 Form of Executive Retention Agreement, filed as an exhibit to the Company's Registration Statement on Form S-4, File No. 333-37223, is incorporated herein by reference. The Company has entered into Executive Retention Agreements in the form of Agreement filed as Exhibit 10.11 with each of the following executives: Kenneth C. Dahlberg, Louise L. Francesconi, Robert L. Horowitz, Charles S. Ream, Donald R. Infante, David P. Molfenter and Jack O. Pearson. Such agreements are designed to provide the executive with certain payments if still employed by the Company at the end of the second and third years after the Spin-Off Merger Effective Time, all as more fully described in the form of Agreement.

10.12 Agreement dated as of June 15, 1998 between Raytheon Company and Daniel P. Burnham filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 is hereby incorporated by reference.

10.13 Agreement dated February 22, 1999 between Raytheon Company and Franklyn A. Caine filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended April 4, 1999 is hereby incorporated by reference.

10.14 Amendment dated December 17, 1999 to William H. Swanson's Change in Control Severance Agreement.*

10.15 Agreement dated December 17, 1999 between Raytheon Company and Arthur E. Wegner.*

10.16 Consulting Agreement dated October 14, 1999 between Raytheon Company and Warren B. Rudman.*

10.17 Consulting Agreement dated April 1, 1999 between Raytheon Company and John M. Deutch.*

10.18 Raytheon Company $4 billion Credit Facility -- Five Year Competitive Advance and Revolving Credit Facility, filed as an exhibit to Former Raytheon's Quarterly Report on Form 10-Q for the quarter ended March 30, 1997, is hereby incorporated by reference.

10.19 HE Holdings, Inc. $3 billion Credit Facility - Five Year Competitive Advance and Revolving Credit Facility, filed as an exhibit to the Company's Registration Statement on Form S-4, File No. 333-37223, is hereby incorporated by reference.

10.20 Amended and Restated Purchase and Sale Agreement dated as of March 18, 1999 among Raytheon Aircraft Credit Corporation, Raytheon Aircraft Receivables Corporation and the Purchasers named therein, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1998, is hereby incorporated by reference.

10.21 Amendment and Restatement dated as of November 9, 1999 to the Amended and Restated Purchase and Sale Agreement dated as of March 18, 1999 among Raytheon Aircraft Credit Corporation, Raytheon Aircraft Receivables Corporation and the Purchasers named therein.*

10.22 Amended and Restated Guarantee dated as of March 18, 1999, made by Raytheon Company in favor of the Purchasers named therein and Bank of America National Trust and Savings Association, as Managing Facility Agent, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1998, is hereby incorporated by reference.

10.23 Raytheon Savings and Investment Plan as amended and restated effective January 1, 1999.*

10.24 Raytheon Employee Savings and Investment Plan as amended and restated effective January 1, 1999.*

10.25 Raytheon Excess Savings Plan, filed as an exhibit to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-8, File No. 333-56117, is hereby incorporated by reference.

10.26 Raytheon Deferred Compensation Plan, filed as an exhibit to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-8, File No. 333-56117, is hereby incorporated by reference.

13 Raytheon Company 1999 Annual Report to Stockholders (furnished for the information of the Commission and not to be deemed "filed" as part of this Report except to the extent that portions thereof are expressly incorporated herein by reference).

21 Subsidiaries of Raytheon Company.*

23.1 Consent of Independent Accountants.*

23.2 Report of Independent Accountants.*

24 Powers of Attorney.*

27 Financial Data Schedule.*

(Exhibits marked with an asterisk (*) are filed electronically herewith.)

EXHIBIT 10.14

RAYTHEON COMPANY

CHANGE IN CONTROL SEVERANCE AGREEMENT

AMENDMENT NO. 2

This agreement amends the Change in Control Severance Agreement ("CIC Agreement") by and between Raytheon Company (the "Company") and William H. Swanson (the "Executive"), dated as of November 22, 1995, as amended by letter agreement dated February 5, 1997 (Amendment No. 1).

The CIC Agreement provides in Paragraph 1.8: "Qualifying Termination" that the Executive is entitled to certain Severance Benefits following events occurring within twenty-four (24) months after a Change in Control. This amendment hereby substitutes the word "sixty (60)" for the words "twenty-four (24)."

Therefore, the parties agree that the Executive is entitled to Severance Benefits if he experiences a Qualifying Termination in his current capacity as President, Electronic Systems prior to December 17, 2002.

Dated: 12/17/99

William H. Swanson
President, Electronic Systems

RAYTHEON COMPANY

Dated: 12/17/99

By /s/ Dennis M. Donovan
Dennis M. Donovan
Senior Vice President,
Human Resources

cc: K. J. Peden
G. F. Gasperini

EXHIBIT 10.15
December 17, 1999

Mr. Arthur E. Wegner
Chief Executive Officer
Raytheon Aircraft Company
9709 East Central
Wichita, KS 67026

Dear Art:

Please accept this letter confirming the understandings we have reached with respect to your resignation from Raytheon Company and your retirement. This letter also incorporates your entitlements under the Change in Control Severance Agreement dated November 22, 1995, as amended.

1. Resignation Date: Your resignation will be effective July 31, 2000.

2. Retirement Date: The effective date of your retirement will be August 1, 2000, at which time you will be seen by the plan as having ten (10) years of service.

3. 2000 Results Based Incentive ("RBI") Bonus: You shall receive a 2000 RBI Bonus based on established performance standards.

4. Long Term Achievement Program ("LTAP"): You will be entitled to a pay-out, if any, concerning the 1999 Transition, 2000 Transition and 1999-2000 LTAP plans, pursuant to their terms, including pro-ration as provided by the plans.

5. Severance Compensation: Pursuant to Section 2.2(a)(i) of the CIC Agreement, you will be paid the following:

(a) Three times Base Salary as of December 1999:	1,563,000
(b) Three times target 2000 Results Based Incentive Bonus	1,260,000
(c) Pro-rata targeted 2000 Results Based Incentive Bonus	210,000
(d) Present value of SERP benefit as of August 1, 2000, including 3 years of additional service and age	1,188,214
	$4,221,214

6. Employee Benefits: You may continue, on an active employee basis, in company-sponsored medical, dental and Senior Executive Life Insurance programs for three (3) years from the effective date of your resignation.

7. Personal Time Off ("PTO"): You will be paid your unused accrued PTO.

8. Stock Options: As a retiree, you will have three years from your last day actually worked as an active employee at Raytheon to exercise outstanding vested stock options.

9. Litigation Cooperation: You agree that, in the event that Raytheon Company becomes a party in any legal or administrative proceeding or asserted claim relating to events which occurred during your employment, you will cooperate to the fullest extent reasonably possible in the preparation and presentation by Raytheon Company in the prosecution or defense, including without limitation the execution of affidavits or other documents providing information requested by Raytheon Company.

10. Ethics Compliance: You hereby represent and warrant that, to the best of your knowledge, you have complied in full with all Raytheon Company policies related to ethics, and have disclosed to Raytheon Company all matters which were required to be disclosed by said policies. In particular, you represent and warrant that, to the best of your knowledge except as so disclosed by you, you have no information which you believe could be the basis for any charge of a violation of law by Raytheon Company or persons associated with Raytheon Company, including but not limited to violations of the False Claims Act or any federal or state environmental statute.

11. Security Clearance: In the course of your employment at Raytheon Company, you may have come into possession of or exposure to matters due to your security clearance. Raytheon Company reminds you that disclosure of any information which came to you as a result of your security clearance, including work product, company plans and other matters, shall not be discussed or revealed in any way, except if required to do so pursuant to a proceeding instituted by an appropriate government agency or at the request of an authorized company agent.

12. Confidential and Proprietary Information: You agree to keep all confidential and proprietary information of the Company, its subsidiaries and affiliated companies, including joint venture partners, strictly confidential except to the extent disclosure is required by law or court order.

13. Confidentiality of This Agreement: You and Raytheon Company mutually agree to keep the terms and conditions of this Agreement confidential and will not disclose the terms hereof to anyone, except to immediate family members, tax accountants, lawyers, and/or others who have a reasonable need to know the terms hereof.

14. Insider Information: In the course of your responsibilities you may constitute an "insider" for securities law purposes. We would like to remind you that any financial plan, program, estimate or matter not readily available to the general public shall be kept in strictest confidence and may not be disclosed or discussed.

15. Arbitration: Any dispute arising under this Agreement shall be settled by arbitration. Such arbitration shall be conducted in accordance with the rules of the American Arbitration Association before a panel of three arbitrators sitting in a city to be determined by mutual agreement. The decision of the arbitration panel shall be final and binding on both parties. Judgment may be entered on the award of the arbitrators in any court having proper jurisdiction.

This Agreement sets forth the entire agreement and understandings of the parties and supersedes all previous discussions, commitments or agreements.

If you have any questions about this Agreement, please contact me.

Sincerely,

Keith J. Peden
Vice President, Deputy Director
Human Resources

cc: D. M. Donovan

ACCEPTED:

Arthur E. Wegner
- ----------

EXHIBIT 10.16

Consulting Agreement Raytheon

Name of Consultant		Date
Warren B. Rudman		14 October 1999
Street Address	State	Zip Code
1250 So. Washington Street - Apt. 224	Alexandria, VA	22314

Raytheon Technical Contact(s)
John D. Harris, II

You are hereby appointed a consultant to Raytheon Company, (hereinafter called "Raytheon") to assist Raytheon in its technical problems, subject to the following terms and conditions:

1. Terms of Agreement

The term of this agreement shall be from 1 September 1999 to 31 August 2000 subject to the right of termination as set forth below.

You agree to provide, and Raytheon agrees to accept at least 36 days of service during the term of this agreement, together with such additional consulting services as may from time to time be requested in writing by Raytheon.

2. Statement of Work: (Use additional pages if necessary and attach.)

Senator Rudman will assist the Company with issues related to all its business areas, particularly those related to the defense electronics business area.

3. Payment:

Raytheon agrees to pay you a retainer of $12,000.00 per month, quarterly in advance. Fractional parts of a day shall be prorated on the basis of an eight (8) hour working day.

Check applicable provision

To the extent authorized, travel expenses including transportation will be reimbursed at actual costs; provided that such expenses shall not exceed those allowed for employees of Raytheon.

No travel expenses are authorized under this agreement.

4. Submission of Invoices

You shall keep accurate records of the time expended by you in performing the services hereunder. Invoices shall be submitted at the end of each month for which services have been requested and performed. Such invoices shall accurately reflect the dates and number of hours worked, shall identify any other authorized expenses incurred accompanied by supporting vouchers, and shall make reference to such agreements and to applicable Government contracts by number.

Applicable Government Contract Numbers

All invoices shall contain the following:

a) "I certify that the above charges are correct and just and that payment therefore has not been received." b) A written report describing the services performed.

5. Standard of Workmanship; Non-Assignment:

All services hereunder shall be performed in accordance with the highest professional standards of workmanship. You shall not, in whole or in part, assign or subcontract any of the services to be performed hereunder without the prior written consent of Raytheon.

6. Security:

The clause set forth in Federal Acquisition Regulation 52.204.2 entitled "Security Requirements," is incorporated by reference herein except that the term "Contractor" shall mean you and the terms "Contracting Officer" and "the Government" shall mean Raytheon.

You agree to keep and maintain an active security clearance commensurate with the degree of security classification designated by Raytheon for the work to be performed hereunder.

7. Compliance with Laws, Regulations and Certifications:

You agree to comply with all Raytheon policies, rules and regulations which may be in effect during the term of this agreement, as well as all Federal, State and Local Laws, Statutes, Ordinances and Regulations.

You also certify that:

a. Neither you nor anyone employed by your firm is in violation of applicable federal statutes such as the Defense Acquisition Improvement Act of 1986, the Post-Employment Restrictions Act of 1988 with regard to the engagement of former government officers and employees, and Section 423, Title 41 of the United States code prohibiting certain activities by competing contractors and Government procurement officials during the conduct of Federal procurements involving soliciting or discussing post-Government employment, offering or accepting a gratuity, or soliciting or disclosing proprietary or source selection information.

b. You have read and understood General Manual "Payments to Government Officials", No. 10 0003 110; "Principles of Business Ethics and Conduct at Raytheon," No. 10 007 110; "Observance of Law," No. 900001 110; and "Conflicts of Interest and Standards of Conduct," No. 90 2001 110.

c. You also certify that the provisions of this paragraph 7 shall be included in any agreement between you as primary consultant and any second - tier consultants or subcontractors you engage under this agreement.

8. Technical Data

For the purpose of this clause, the term "data" means all information, including drawings, prints, specifications, reports and designs.

You agree that all data furnished by Raytheon to you for use in connection with this subcontract, all data required to be delivered to Raytheon under this subcontract, and all data arising out of the work called for under this subcontract shall be and remain the sole property of Raytheon. You further agree that data shall (1) be kept in confidence and not disclosed to third parties without the prior written approval of Raytheon, and (2) shall not be used in the production, manufacture or design of any article or material, without Raytheon's prior written consent. These obligations shall survive the termination of this agreement. You shall deliver all data to Raytheon upon Raytheon's request, and in any event upon the completion or termination of all work hereunder, whichever first occurs, and you shall be fully responsible for the care and protection of data until such delivery.

When assigned a Raytheon Engineering Notebook, the notebook shall remain the property of Raytheon. You agree to maintain a daily log of all calculations, sketches and other data relevant to your consultancy in accordance with the instructions in the Notebook. This Notebook shall be returned to Raytheon upon termination of this Agreement.

9. Copyrights and Mask Works:

You agree that all right, title, and interest in and to all original works of authorship, including mask works fixed in a semiconductor chip product, which you produce or compose in conjunction with the services to be performed by you hereunder for Raytheon or any of its subsidiaries shall belong to Raytheon and Raytheon shall have the right to obtain registrations of copyright or mask work hereon throughout the world. To the extent permitted by The Copyright Act (Title 17, United States Code), all works produced or composed under this agreement shall be considered works made for hire and belong to Raytheon. You agree to assign, and do hereby assign, to Raytheon your rights to all other works of authorship or mask works produced or composed in connection with this agreement. You further agree to cooperate with Raytheon to secure or protect its interest in any copyright or mask work relating to this agreement.

10. Termination and Release

Raytheon may terminate this agreement at any time upon giving of 60 days written notice to you without further liability to you except for those services rendered to the effective date of termination and allowable travel expense hereunder. Prior to and as a condition of final payment, you shall deliver to Raytheon a release in form and substance satisfactory to Raytheon, discharging it and the Government, its officers, agents, and employees of all liabilities, obligations, and claims arising out of this order and the performance thereof.

11. Examination of Records:

You agree that Raytheon Company or, where appropriate, the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of three years after final payment, under this agreement, have access to and the right to examine any of your directly pertinent books, documents, papers, and records involving transactions related to this agreement.

12. Covenant Against Contingent Fees

You warrant that no person or selling agency has been employed or retained to solicit or secure this agreement upon any understanding that a commission, percentage, brokerage, or contingent fee will be paid. For breach or violation of this warranty, Raytheon shall have the right to annul this agreement without liability, or in its discretion, to deduct from the payments due, or recover, the full amount of such commission, percentage, brokerage, or contingent fee.

13. Patents

As a part of this agreement, and without additional compensation, you agree to and do hereby sell, assign, and transfer to Raytheon, its successors and assignees, the entire right, title and interest in and to any and all inventions, discoveries, or improvements which are conceived or first actually reduced to practice in the performance of this agreement, and to all applications for and Letters Patent covering same, as well as any reissues, divisions, and extensions of said applications or Letters Patent. You further agree to furnish Raytheon with complete information on each such invention, discovery, or improvement and to make, execute and deliver to Raytheon any and all patents or patent applications, as well as all papers, documents, affidavits, statements, or other instruments, in such form, terms and contents as required by Raytheon in or incident to the prosecution of any and all applications for patent filled by you or Raytheon with respect to such inventions, discoveries, or improvements or in the adjustment or settlement of any interference's or other actions or proceedings in which such applications may become involved.

Before final payment is made under this agreement, you shall furnish to Raytheon complete information in respect of inventions, discoveries, or improvements conceived or actually reduced to practice in connection with the services performed hereunder; or a statement that no inventions, discoveries, or improvements emanated from such services. Such information or statement shall be forwarded to Raytheon's Patent Department, Office of the General Counsel, Lexington, Massachusetts.

14. Solicitation Prohibition

You agree that unless specifically authorized and approved in writing by Raytheon, you will not solicit, directly or indirectly, the award of any contract, grant, loan or cooperative agreement to Raytheon from any Raytheon customer or potential customer.

(INSERT APPROPRIATE UNIVERSITY CLAUSE IF REQUIRED)

Raytheon Company/Authorized Signature Accepted by Signature Date

You are requested to sign and return two (2) copies of this agreement.

EXHIBIT 10.17

Consulting Agreement Raytheon

Name of Consultant	Date
Dr. John Deutch	1 April 1999

Street Address	City	State	Zip Code
51 Clifton Street,	Belmont,	MA	02178

Raytheon Technical Contact(s)
Robert A. Skelly

You are hereby appointed a consultant to Raytheon Company, (Executive Offices, Lexington) (hereinafter called "Raytheon") to assist Raytheon in its technical problems, subject to the following terms and conditions:

1. Terms of Agreement

The term of this agreement shall be from 1 April 1999 to 31 March 2000 subject to the right of termination as set forth below.

You agree to provide, and Raytheon agrees to accept at least 12 days of service during the first 12 months of this agreement, together with such additional consulting services as may from time to time be requested in writing by Raytheon.

2. Statement of Work: (Use additional pages if necessary and attach.)

Dr. Deutch will consult one day per month and will spend one-half day per month on preparatory work.

3. Payment:

Raytheon agrees to pay you at the rate of $3,000 per day for each day worked. Fractional parts of a day shall be prorated on the basis of an eight (8) hour working day. In addition, Raytheon will pay an annual retainer of $18,000.00 and $10,000.00 annually for administrative support.

Check applicable provision

X To the extent authorized, travel expenses including transportation will be reimbursed at actual costs; provided that such expenses shall not exceed those allowed for employees of Raytheon.

No travel expenses are authorized under this agreement.

4. Submission of Invoices

You shall keep accurate records of the time expended by you in performing the services hereunder. Invoices shall be submitted annually for which services have been requested and performed. Such invoices shall accurately reflect the dates and number of hours worked, shall identify any other authorized expenses incurred accompanied by supporting vouchers, and shall make reference to such agreements.

Applicable Government Contract Numbers

All invoices shall contain the following:

a) "I certify that the above charges are correct and just and that payment therefore has not been received." b) A written report describing the services performed.

5. Standard of Workmanship; Non-Assignment:

All services hereunder shall be performed in accordance with the highest professional standards of workmanship. You shall not, in whole or in part, assign or subcontract any of the services to be performed hereunder without the prior written consent of Raytheon.

6. Security:

The clause set forth in Federal Acquisition Regulation 52.204.2 entitled "Security Requirements," is incorporated by reference herein except that the term "Contractor" shall mean you and the terms "Contracting Officer" and "the Government" shall mean Raytheon.

You agree to keep and maintain an active security clearance commensurate with the degree of security classification designated by Raytheon for the work to be performed hereunder.

7. Compliance with Laws, Regulations and Certifications:

You agree to comply with all Raytheon policies, rules and regulations which may be in effect during the term of this agreement, as well as all Federal, State and Local Laws, Statutes, Ordinances and Regulations.

You also certify that:

a. Neither you nor anyone employed by your firm is in violation of applicable federal statutes such as the Defense Acquisition Improvement Act of 1986, the Post-Employment Restrictions Act of 1988 with regard to the engagement of former government officers and employees, and Section 423, Title 41 of the United States code prohibiting certain activities by competing contractors and Government procurement officials during the conduct of Federal procurements involving soliciting or discussing post-Government employment, offering or accepting a gratuity, or soliciting or disclosing proprietary or source selection information.

b. You have read and understood General Manual "Payments to Government Officials", No. 10 0003 110; "Principles of Business Ethics and Conduct at Raytheon," No. 10 007 110; "Observance of Law," No. 900001 110; and "Conflicts of Interest and Standards of Conduct," No. 90 2001 110.

c. You also certify that the provisions of this paragraph 7 shall be included in any agreement between you as primary consultant and any second - tier consultants or subcontractors you engage under this agreement.

8. Technical Data

For the purpose of this clause, the term "data" means all information, including drawings, prints, specifications, reports and designs.

You agree that all data furnished by Raytheon to you for use in connection with this subcontract, all data required to be delivered to Raytheon under this subcontract, and all data arising out of the work called for under this subcontract shall be and remain the sole property of Raytheon. You further agree that data shall (1) be kept in confidence and not disclosed to third parties without the prior written approval of Raytheon, and (2) shall not be used in the production, manufacture or design of any article or material, without Raytheon's prior written consent. These obligations shall survive the termination of this agreement. You shall deliver all data to Raytheon upon Raytheon's request, and in any event upon the completion or termination of all work hereunder, whichever first occurs, and you shall be fully responsible for the care and protection of data until such delivery.

When assigned a Raytheon Engineering Notebook, the notebook shall remain the property of Raytheon. You agree to maintain a daily log of all calculations, sketches and other data relevant to your consultancy in accordance with the instructions in the Notebook. This Notebook shall be returned to Raytheon upon termination of this Agreement.

9. Copyrights and Mask Works:

You agree that all right, title, and interest in and to all original works of authorship, including mask works fixed in a semiconductor chip product, which you produce or compose in conjunction with the services to be performed by you hereunder for Raytheon or any of its subsidiaries shall belong to Raytheon and Raytheon shall have the right to obtain registrations of copyright or mask work thereon throughout the world. To the extent permitted by The Copyright Act (Title 17, United States Code), all works produced or composed under this agreement shall be considered works made for hire and belong to Raytheon. You agree to assign, and do hereby assign, to Raytheon your rights to all other works of authorship or mask works produced or composed in connection with this agreement. You further agree to cooperate with Raytheon to secure or protect its interest in any copyright or mask work relating to this agreement.

10. Termination and Release

Raytheon may terminate this agreement at any time upon giving of 60 days written notice to you without further liability to you except for those services rendered to the effective date of termination and allowable travel expense hereunder. Prior to and as a condition of final payment, you shall deliver to Raytheon a release in form and substance satisfactory to Raytheon, discharging it and the Government, its officers, agents, and employees of all liabilities, obligations, and claims arising out of this order and the performance thereof.

11. Examination of Records:

You agree that Raytheon Company or, where appropriate, the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of three years after final payment, under this agreement, have access to and the right to examine any of your directly pertinent books, documents, papers, and records involving transactions related to this agreement.

12. Covenant Against Contingent Fees

You warrant that no person or selling agency has been employed or retained to solicit or secure this agreement upon any understanding that a commission, percentage, brokerage, or contingent fee will be paid. For breach or violation of this warranty, Raytheon shall have the right to annul this agreement without liability, or in its discretion, to deduct from the payments due, or recover, the full amount of such commission, percentage, brokerage, or contingent fee.

13. Patents

As a part of this agreement, and without additional compensation, you agree to and do hereby sell, assign, and transfer to Raytheon, its successors and assignees, the entire right, title and interest in and to any and all inventions, discoveries, or improvements which are conceived or first actually reduced to practice in the performance of this agreement, and to all applications for and Letters Patent covering same, as well as any reissues, divisions, and extensions of said applications or Letters Patent. You further agree to furnish Raytheon with complete information on each such invention, discovery, or improvement and to make, execute and deliver to Raytheon any and all patents or patent applications, as well as all papers, documents, affidavits, statements, or other instruments, in such form, terms and contents as required by Raytheon in or incident to the prosecution of any and all applications for patent filled by you or Raytheon with respect to such inventions, discoveries, or improvements or in the adjustment or settlement of any interferences or other actions or proceedings in which such applications may become involved.

Before final payment is made under this agreement, you shall furnish to Raytheon complete information in respect of inventions, discoveries, or improvements conceived or actually reduced to practice in connection with the services performed hereunder; or a statement that no inventions, discoveries, or improvements emanated from such services. Such information or statement shall be forwarded to Raytheon's Patent Department, Office of the General Counsel, Lexington, Massachusetts.

14. Solicitation Prohibition

You agree that unless specifically authorized and approved in writing by Raytheon, you will not solicit, directly or indirectly, the award of any contract, grant, loan or cooperative agreement to Raytheon from any Raytheon customer or potential customer.

(INSERT APPROPRIATE UNIVERSITY CLAUSE IF REQUIRED)

Raytheon Company/Authorized Signature Accepted by Signature Date

You are requested to sign and return two (2) copies of this agreement.

EXHIBIT 10.21

EXECUTION COPY
AMENDMENT AND RESTATEMENT

AMENDMENT AND RESTATEMENT, dated as of November 9, 1999 (this "Amendment"), to the Amended and Restated Purchase and Sale Agreement, dated as of March 18, 1999 (as hereto amended, modified or otherwise supplemented, the "Purchase and Sale Agreement"), among RAYTHEON AIRCRAFT RECEIVABLES CORPORATION, a Kansas corporation (the "Seller"), RAYTHEON AIRCRAFT CREDIT CORPORATION ("Raytheon Credit"), as Servicer (as defined therein), the financial institutions and special purpose corporations from time to time parties thereto (the "Purchasers"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Managing Facility Agent (in such capacity, the "Managing Facility Agent") and Documentation Agent for the Purchasers, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION and THE CHASE MANHATTAN BANK, as Co-Administrative Agents for the Purchasers (each in such capacity, a "Co-Administrative Agent"), THE CHASE MANHATTAN BANK, as Syndication Agent (in such capacity, the "Syndication Agent"), CITIBANK, N.A. and CREDIT SUISSE FIRST BOSTON, as Co-Syndication Agents (each in such capacity, a "Co-Syndication Agent"), THE CHASE MANHATTAN BANK, as sole Book Manager and Lead Arranger, and each Administrative Agent referred to therein.

W I T N E S S E T H:

WHEREAS, pursuant to the Purchase and Sale Agreement, the Purchasers have agreed to purchase, and have purchased, certain Receivables from the Seller;

WHEREAS, the Seller has requested that the Purchasers, the Managing Facility Agent and the Co-Administrative Agents amend the Purchase and Sale Agreement in certain ways; and

WHEREAS, the Purchasers, the Seller, the Servicer, the Managing Facility Agent, the Co-Administrative Agents, RAC and Raytheon desire to amend the Purchase and Sale Agreement in the manner specified herein.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Defined Terms. Terms defined in the Purchase and Sale Agreement and used herein shall have the meanings given to them in the Purchase and Sale Agreement.

2. Amendments to Subsection 1.1 of the Purchase and Sale Agreement. (a) Subsection 1.1 of the Purchase and Sale Agreement is hereby amended by deleting therefrom the definitions of the following defined terms in their respective entireties and inserting in lieu thereof the following new definitions in their proper alphabetical position:

"Consolidated Net Income": for any period, the consolidated net income (or deficit) of Raytheon and its consolidated Subsidiaries for such period, determined in accordance with GAAP; provided that (i) for the fiscal quarter of Raytheon and its consolidated Subsidiaries ending December 31, 1997, such Consolidated Net Income shall be increased by $327,100,000 representing a restructuring charge taken in connection with Raytheon's acquisition of Hughes Aircraft Company, (ii) for the fiscal quarter of Raytheon and its consolidated Subsidiaries ending September 27, 1998, such Consolidated Net Income shall be increased by $284,000,000 representing restructuring charges and a write-down in investments taken in such fiscal quarter and (iii) for the fiscal quarter of Raytheon and its consolidated Subsidiaries ending October 3, 1999, such Consolidated Net Income shall be increased by $144,000,000 representing restructuring charges and other non-recurring charges.

"Debt Rating": at any date of determination, Raytheon's long-term unsecured senior debt rating, determined in accordance with the following:

(a) for purposes of determining Debt Rating as used in the definition of "Rating Adjustment",

(i) if on any date on which a Debt Rating is to be determined, only two of Moody's, S&P and Duff are providing long-term unsecured senior debt ratings for Raytheon and such ratings are no more than one rating level apart (e.g., the difference between B and B+ being one rating level), the Debt Rating will be the lower of such ratings,

(ii) if on any date on which a Debt Rating is to be determined, only two of Moody's, S&P and Duff are providing long-term unsecured senior debt ratings for Raytheon but such ratings are more than one rating level apart, the Debt Rating will be one rating level higher than the lower of such ratings so provided,

(iii) if on any date on which a Debt Rating is to be determined, each of Moody's, S&P and Duff is providing long-term unsecured senior debt ratings for Raytheon, the Debt Rating will be the lower of the two highest of the three ratings so provided, and

(iv) if on any date on which a Debt Rating is to be determined, only one of Moody's, S&P and Duff is providing a long-term unsecured senior debt rating for Raytheon, the Debt Rating will be Raytheon's long-term unsecured senior debt rating as provided by such rating agency; and

(b) for all other purposes, if on any date on which a Debt Rating is to be determined, any one, two or all three of Moody's, S&P and Duff are providing long-term unsecured senior debt ratings for Raytheon, the Debt Rating will be the lowest of the ratings (or the rating, in the case of a rating by only one of Moody's, S&P and Duff) so provided.

A debt rating shall be deemed to be in effect on the date of announcement or publication by the applicable rating agency. References in this Agreement to alphabetical rating classifications are references to the S&P/Moody's ratings. For purposes of clauses (a) and (b) above, the ratings of Duff shall be the rating provided by Duff which is comparable to the S&P alphabetical classification. Notwithstanding the foregoing, the Seller and the Required Purchasers may at any time and from time to time agree to utilize a rating agency other than Moody's, S&P or Duff to determine the Debt Rating, in which case the Debt Rating shall be such levels as quoted by such rating agencies as, in each case, the Seller and the Purchasers, by unanimous consent, shall agree.

"Discount Event": any time on or prior to the Expiration Date when Raytheon's Debt Rating is lower than either BBB- or the equivalent thereof.

"Rating Adjustment": the increase in (i) the Applicable Margin for any Accrual Period and (ii) the Interbank Rate applicable for any Special Settlement Date Accrual Period, as applicable, to be applied if Raytheon's Debt Rating is at the levels set forth below on the last day of the immediately preceding Accrual Period:

Debt Rating	Applicable Margin and Interbank Rate Increase
A+ or A1	.030%
A or A2	.065%
A- or A3	.100%
BBB+ or Baa1	.125%
BBB or Baa2	.225%
below BBB or Baa2 or not rated	.500%

"Rating Event": any time when (a) Raytheon's Debt Rating is below BBB- or the equivalent thereof, or if for any reason Raytheon's long-term senior unsecured debt is not rated (whether by reason of suspension or withdrawal of a rating, or otherwise) or (b) an Amortization Event described in subsection 8.1(o) shall have occurred and be continuing.

"Remittance Event": any time Raytheon's Debt Rating is below BBB- or the equivalent thereof, or if for any reason Raytheon's long-term senio unsecured debt is not rated (whether by reason of suspension or withdrawal of a rating, or otherwise).

(b) Clause (t) of the definition of "Eligible Receivables" is hereby amended by deleting the phrase "BBB/Baa2" appearing therein and by inserting, in lieu thereof, the phrase "BBB- or the equivalent thereof".

3. Amendments to Subsection 2.7 of the Purchase and Sale Agreement. Subsection 2.7 of the Purchase and Sale Agreement is hereby amended by deleting the phrase "BBB/Baa2" in clause (viii) and "BBB or Baa2" in clause (xvi) and by inserting, in lieu thereof in each such clause, the phrase "BBB- or the equivalent thereof".

4. Amendments to Subsection 8.1 of the Purchase and Sale Agreement. Subsection 8.1 of the Purchase and Sale Agreement is hereby amended by deleting paragraph (h) thereof and inserting in lieu thereof the following paragraph:

"(h) as of the last day of any of Raytheon's fiscal quarters ending on or prior to the Expiration Date, the Interest Coverage Ratio for the period of four consecutive fiscal quarters then ending shall be less than 2.4 to 1.0 for such four-quarter period."

5. Affirmation of Repurchase Agreement. RAC hereby consents to the amendments to the Purchase and Sale Agreement set forth herein and reaffirms its obligations under the Repurchase Agreement.

6. Affirmation of Guarantee. The Guarantor hereby consents to the amendments to the Purchase and Sale Agreement set forth herein and reaffirms its obligations under the Guarantee.

7. Conditions to Effectiveness. This Amendment shall become effective on the date (the "Amendment Effective Date") on which the Seller, the Servicer, RAC, Raytheon, the Managing Facility Agent, each Co-Administrative Agent and the Required Purchasers shall have executed and delivered this Amendment to the Managing Facility Agent.

8. Representation and Warranties. (a) By the Seller. To induce the Managing Facility Agent, the Co-Administrative Agent and the Purchasers to enter into this Amendment, the Seller hereby represents and warrants to the Managing Facility Agent, the Co-Administrative Agents and the Purchasers as of the Amendment Effective Date that:

(i) Reaffirmation. As of the date hereof and after giving effect to this Amendment, the representations and warranties set forth in Section 4 of the Purchase and Sale Agreement and Sections 3.1(b) and 3.2 of the Intercompany Purchase Agreement are true and correct in all material respects; and

(ii) No Amortization Event. After giving effect to this Amendment, no Amortization Event shall have occurred and be continuing.

(b) By the Servicer. To induce the Managing Facility Agent, the Co-Administrative Agent and the Purchasers to enter into this Amendment, the Servicer hereby represents and warrants to the Managing Facility Agent, the Co-Administrative Agents and the Purchasers as of the Amendment Effective Date that:

(i) Reaffirmation. As of the date hereof and after giving effect to this Amendment, the representations and warranties set forth in Section 4 of the Purchase and Sale Agreement and Sections 3.1(b) and 3.2 of the Intercompany Purchase Agreement are true and correct in all material respects; and

(ii) No Amortization Event. After giving effect to this Amendment, no Amortization Event shall have occurred and be continuing.

(c) By RAC. To induce the Managing Facility Agent, the Co-Administrative Agent and the Purchasers parties hereto to enter into this Amendment, RAC hereby represents and warrants to the Managing Facility Agent, the Co-Administrative Agents and the Purchasers as of the Amendment Effective Date that as of the date hereof and after giving effect to this Amendment, the representations and warranties set forth in Section 9 of the Repurchase Agreement are true and correct in all material respects.

(d) By Raytheon. To induce the Managing Facility Agent, the Co-Administrative Agent and the Purchasers to enter into this Amendment, Raytheon hereby represents and warrants to the Managing Facility Agent, the Co-Administrative Agents and the Purchasers as of the Amendment Effective Date that as of the date hereof and after giving effect to this Amendment, the representations and warranties set forth in Section 9 of the Guarantee are true and correct in all material respects.

9. Payment of Expenses. Raytheon agrees to pay or reimburse the Managing Facility Agent and each Co-Administrative Agent for all its respective out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Amendment and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Managing Facility Agent and the Co-Administrative Agents.

10. Counterparts. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Amendment signed by all the parties shall be lodged with the Seller and the Managing Facility Agent.

11. Severability; Headings. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The section and subsection headings used in this Amendment are for convenience of reference only and are not to affect the construction hereof or to be taken into consideration in the interpretation hereof.

12. Continuing Effect of Other Documents. This Amendment shall not constitute an amendment or waiver of any other provision of the Purchase and Sale Agreement not expressly referred to herein and shall not be construed as a waiver or consent to any further or future action on the part of the Seller or the Servicer that would require a waiver or consent of the Purchasers, the Managing Facility Agent or the Co-Administrative Agents. Except as expressly amended, modified and supplemented hereby, the provisions of each Purchase Document and the other documents executed pursuant to the Purchase Documents are and shall remain in full force and effect.

13. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

RAYTHEON AIRCRAFT RECEIVABLES CORPORATION,
as Seller

By:
Title:

RAYTHEON AIRCRAFT CREDIT CORPORATION,
as Servicer

By:
Title:

RAYTHEON AIRCRAFT COMPANY

By:
Title:

RAYTHEON COMPANY, as Guarantor

By:
Title:

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,
as Managing Facility Agent and Co-Administrative Agent

By:
Title:

THE CHASE MANHATTAN BANK,
as Co-Administrative Agent and Syndication Agent

By:
Title:

SPC: RECEIVABLES CAPITAL CORPORATION

By:
Title:

SPC BANK: BANK OF AMERICA, N.A.

By:
Title:

BANK OF MONTREAL

By:
Title:

THE BANK OF NEW YORK

By:
Title:

SPC: BANNER RECEIVABLES CORPORATION

By:
Title:

SPC BANK: BANK OF TOKYO - MITSUBISHI, LTD.

By:
Title:

BANQUE NATIONALE DE PARIS

By:
Title:

By:
Title:

PARIBAS

By:
Title:

By:
Title:

BAYERISCHE LANDESBANK

By:
Title:

By:
Title:

CANADIAN IMPERIAL BANK OF COMMERCE,
NEW YORK AGENCY

By:
Title:

THE CHASE MANHATTAN BANK

By:
Title:

SPC: CHARTA CORPORATION

By: CITICORP NORTH AMERICA, INC.,
as Attorney-in-Fact

By:
Title:

SPC BANK: CITIBANK, N.A.

By:
Title:

SPC: FOUR WINDS FUNDING CORPORATION

By: Commerzbank AG, New York Branch,
as Attorney-in-Fact

By:
Title:

By:
Title:

SPC BANK: COMMERZBANK AG, NEW YORK BRANCH

By:
Title:

By:
Title:

SPC: ALPINE SECURITIZATION CORP.

By: CREDIT SUISSE FIRST BOSTON,
NEW YORK BRANCH, as Attorney-in-Fact

By:
Title:

By:
Title:

SPC BANK: CREDIT SUISSE FIRST BOSTON, NEW YORK BRANCH

By:
Title:

By:
Title:

DEN DANSKE BANK AKTIESELSKAB, CAYMAN ISLANDS BRANCH

By:
Title:

By:
Title:

SPC: FALCON ASSET SECURITIZATION CORPORATION

By:
Title:

SPC BANK: BANK ONE NA (CHICAGO BRANCH)

By:
Title:

FLEET NATIONAL BANK

By:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED, NEW YORK BRANCH

By:
Title:

SPC: THREE RIVERS FUNDING CORPORATION

By:
Title:

SPC BANK: MELLON BANK, N.A.

By:
Title:

SPC: DELAWARE FUNDING CORPORATION

By: Morgan Guaranty Trust Company of New York,
as Attorney-in-Fact for Delaware Funding
Corporation

By:
Title:

SPC BANK: MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By:
Title:

WACHOVIA BANK OF GEORGIA, N.A.

By:
Title:

SPC: QUINCY CAPITAL CORPORATION

By:
Title:

SPC BANK: WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By:
Title:

By:
Title:

SPC: EAGLEFUNDING CAPITAL CORP.

By:
Title:

SPC BANK: BANKBOSTON, N.A.

By:
Title:

SOCIETE GENERALE

By:
Title:

SPC: VARIABLE FUNDING CAPITAL CORPORATION

By: First Union Capital Markets, a division of Wheat
First Security Inc., as attorney-in-fact

By:
Title:

SPC BANK: FIRST UNION

By:
Title:

SPC: ATLANTIC ASSET SECURITIZATION CORP.

By: CREDIT LYONNAIS NEW YORK BRANCH,
as Attorney-in-Fact

By:
Title:

SPC BANK: CREDIT LYONNAIS NEW YORK BRANCH

By:
Title:

KBC BANK

By:
Title:

By:
Title:

SPC: BAVARIA UNIVERSAL FUNDING CORPORATION

By:
Title:

SPC BANK: BAYERISCHE HYPO-UND VEREINSBANK AG

By:
Title:

By:
Title:

DEUTSCHE BANK AG, NEW YORK A/O CAYMAN ISLAND BRANCHES

By:
Title:

By:
Title:

BANCA COMMERCIALE ITALIANA

By:
Title:

By:
Title:

BANCA POPOLARE DI MILANO

By:
Title:

By:
Title:

SAN PAOLO IMI (BAHAMAS)

By:
Title:

WELLS FARGO BANK, N.A.

By:
Title:

EXHIBIT 10.23

RAYTHEON SAVINGS AND INVESTMENT PLAN

ARTICLE I

Adoption of the Plan

1.1 Amendment and Restatement.

(a) Raytheon Company, a corporation organized under the laws of the state of Delaware, originally established the Raytheon Savings and Investment Plan (the "Plan") effective January 1, 1984. Raytheon Company desires to amend and restate the Plan in its entirety effective January 1, 1999. The amended and restated Plan shall consist of three portions - (1) a profit sharing plan that includes a cash or deferred arrangement under section 401(k) of the Code ("401(k) Portion"), (2) a stock bonus plan ("Stock Bonus Portion"), and (3) a stock bonus plan that constitutes an employee stock ownership plan within the meaning of section 4975(e)(7) of the Code ("ESOP Portion"). Except as otherwise provided herein, the provisions of the Plan shall apply in the same manner to the 401(k), Stock Bonus and ESOP Portions of the Plan.

(b) In accordance with sections 4.5(a) and 15.1 of the Plan, effective January 1, 1999, all or a portion of the following qualified retirement plans shall merge into and become part of the Plan:

Raytheon Salaried Savings and Investment Plan (10011)
Raytheon California Hourly Savings and Investment Plan (10012)
Raytheon TI Systems Savings Plan
E-Systems, Inc. Employee Savings Plan
Serv-Air, Inc. Savings and Retirement Plan
Hughes STX Corporation 401(k) Retirement Plan
Savings and Investment Plan of Standard Missile Company, L.L.C
Raytheon Stock Ownership Plan

The above-referenced qualified retirement plans shall cease to exist as separate plans after December 31, 1998.

(c) The Plan is intended to comply with all of the applicable requirements under sections 401(a), 401(k) and 4975(e)(7) of the Code and the terms of the Plan shall be interpreted consistent therewith.

1.2 Trust. The Trust shall be the sole source of benefits under the Plan and the Adopting Employers or any Affiliate shall not have any liability for the adequacy of the benefits provided under the Plan.

1.3 Effective Date.

(a) General Effective Date: The amended and restated Plan shall be effective as of January 1, 1999, or such other dates as may be specifically provided herein or as otherwise required by law for the Plan to satisfy the requirements of section 401(a) of the Code.

(b) Special Effective Dates: The following special effective dates apply with respect to the Plan, including the separate plans merged into the Plan effective January 1, 1999 and identified in section 1.1(b):

(1) Section 3.6 shall be effective on and after December 12, 1994, in accordance with the requirements of section 414(u) of the Code.

(2) For Plan Years beginning after December 31, 1997 and before January 1, 1999, the definition of compensation used to apply the limitations on contributions and benefits under section 415 of the Code shall include any elective deferral (as defined in section 402(g)(3)), and any amount which is contributed or deferred by the Employer at the election of a Participant and which is not includible in the gross income of the Participant by reason of section 125 or 457 of the Code.

(3) Section 2.29 shall be effective for Plan Years beginning after December 31, 1996.

(4) Section 8.2(f) shall be effective for Plan Years beginning after December 31, 1996.

(5) For Plan Years beginning after December 31, 1996, the family aggregation rules prescribed in sections 414(q) and 401(a)(17) of the Code shall no longer apply.

(6) Sections 8.2(b) and (c) shall apply with respect to distributions made on or after the first Pay Period commencing on or after September 25, 1998.

(7) Section 2.32 shall be effective for Plan Years beginning after December 31, 1996.

(8) For Plan Years beginning after December 31, 1996 and before January 1, 1999, for purposes of satisfying the nondiscrimination requirements prescribed in sections 401(k) and 401(m) of the Code, except as otherwise provided in Exhibit C to this Plan, the actual deferral percentage and the actual contribution percentage of the nonhighly compensated employees for the current Plan Year shall be taken into account.

(9) For Plan Years beginning after December 31, 1996 and before January 1, 1999, for purposes of allocating excess contributions or excess aggregate contributions, as applicable, to the Highly Compensated Employees, such excess contributions and excess aggregate contributions, as applicable, shall be allocated to the Highly Compensated Employees on the basis of the amount of contributions by, or on behalf of, each such Highly Compensated Employee in accordance with sections 401(k)(8)(C) and 401(m)(6)(C) of the Code.

1.4 Adoption of Plan. With the prior approval of the Senior Vice President of Human Resources of the Company or other officer to whom authority to approve participation by an entity is delegated by the Board of Directors, the Plan and Trust may be adopted by any corporation or other entity (hereinafter referred to as an Adopting Employer). Such adoption shall be made by the Adopting Employer taking the actions designated by the Administrator as appropriate to the proper adoption and operation of the Plan and Trust. In the event of the adoption of the Plan and Trust by an Adopting Employer, the Plan and Trust shall be interpreted in a manner consistent with such adoption. The Adopting Employers shall be listed in Exhibit A attached to this Plan.

1.5 Withdrawal of Adopting Employer.

(a) An Adopting Employer's participation in this Plan may be terminated, voluntarily or involuntarily, at any time, as provided in this section.

(b) An Adopting Employer shall withdraw from the Plan and Trust if the Pla and Trust, with respect to that Adopting Employer, fail to qualify under sections 401(a) and 501(a) of the Code (or, in the opinion of the Administrator, they may fail to so qualify) and the continued sponsorship of that Adopting Employer may jeopardize the status with respect to the Company or the remaining Adopting Employers, of the Plan and Trust under sections 401(a) and 501(a) of the Code. The Adopting Employer shall receive at least thirty (30) days prior written notice of a withdrawal under this subsection, unless a shorter period is agreed to.

(c) An Adopting Employer may voluntarily withdraw from the Plan and Trust for any reason. Such withdrawal requires at least thirty (30) days written notice to the Administrator and the Trustee, unless a shorter period is agreed to.

(d) Upon withdrawal, the Trustee shall segregate the assets attributable to Employees of the withdrawn Adopting Employer, the amount thereof to be determined by the Administrator and the Trustee. The segregated assets shall be held, paid to another trust, distributed or otherwise disposed of as is appropriate under the circumstances; provided, however, that any transfer shall be for the exclusive benefit of Participants and their Beneficiaries. A withdrawal of an Adopting Employer from the Plan is not necessarily a termination under ARTICLE XIV. If the withdrawal is a termination, then the provisions of ARTICLE XIV shall also be applicable.

ARTICLE II

Definitions

The following terms have the meaning specified below unless the context indicates otherwise:

2.1 Account. The entire interest of a Participant in the Trust Fund. A Participant's Account shall consist of the following subaccounts: an Elective Deferral Account, an Employee After-Tax Contribution Account, a Matching Contribution Account, an ESOP Contribution Account and, where applicable, a Rollover Contribution Account and a Qualified Nonelective Contribution Account. The Administrator may set up such additional subaccounts as it deems necessary for the proper administration of the Plan.

2.2 Acquisition Loan. A loan or other extension of credit used by the Trustee to finance the acquisition of Common Stock with respect to the ESOP Portion of the Plan, which loan may constitute an extension of credit to the Trust from a party in interest (as defined in ERISA).

2.3 Administrator. The person, persons, corporation, committee, group or organization designated to be the Administrator of the Plan and to perform the duties of the Administrator. Until and unless otherwise designated, the Administrator shall be the Company.

2.4 Adopting Employers. Any corporation or other entity that elects to participate in the Plan on account of some or all of its Employees, provided that participation in the Plan by such entity is approved by the Senior Vice President of Human Resources of the Company, or other officer to whom authority to approve participation by an entity is delegated by the Board of Directors. The Adopting Employers, and if applicable, the divisions, operations or similar cohesive groups of the Adopting Employers that participate in the Plan shall be listed in Exhibit A to this Plan. If an adopting entity does not participate in the Plan with respect to all of its Eligible Employees, the term "Adopting Employer" shall include only those divisions, operations or similar cohesive groups of such entity that participate in the Plan.

2.5 Affiliate. A trade or business that, together with an Adopting Employer is a member of (i) a controlled group of corporations within the meaning of section 414(b) of the Code; (ii) a group of trades or businesses (whether or not incorporated) under common control as defined in section 414(c) of the Code, or (iii) an affiliated service group as defined in section 414(m) of the Code, or which is an entity otherwise required to be aggregated with the Adopting Employer pursuant to section 414(o) of the Code. For purposes of ARTICLE X, the determination of controlled groups of corporations and trades or businesses under common control shall be made after taking into account the modification required under section 415(h) of the Code. All such entities, whether or not incorporated, shall be treated as a single employer to the extent required by the Code.

2.6 Authorized Leave of Absence. An absence approved by an Adopting Employer on a uniform and nondiscriminatory basis not exceeding one (1) year for any of the following reasons: illness of an Employee or a relative, the death of a relative, education of the Employee, or personal or family business of an extraordinary nature, provided in each case that the Employee returns to the service of the Adopting Employer within the time period specified by the Adopting Employer.

2.7 Beneficiary. The person or persons (including a trust or trusts) who are entitled to receive benefits from a deceased Participant's Account after such Participant's death (whether or not such person or persons are expressly so designated by the Participant).

2.8 Board of Directors. The Board of Directors of Raytheon Company.

2.9 Code. The Internal Revenue Code of 1986, as amended.

2.10 Common Stock. Raytheon Company Class B common stock.

2.11 Company. Raytheon Company.

2.12 Compensation.

(a)(1) Except as otherwise provided herein, the total wages, salaries, and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer to the extent that the amounts are includible in gross income, including, but not limited to (A) commissions paid salesmen, (B) compensation for services on the basis of a percentage of profits, (C) commissions on insurance premiums, (D) tips, (E) bonuses, (F) fringe benefits, (G) reimbursements or other expense allowances under a nonaccountable plan (as described in Treas. Reg. section 1.62-2(c)), (H) amounts described in sections 104(a)(3), 105(h) of the Code, but only to the extent that these amounts are includible in the gross income of the Employee, (I) the value of a nonqualified stock option granted to an Employee by the Employer, but only to the extent that the value of the option is includible in the gross income of the Employee for the taxable year in which granted, and (J) the amount includible in the gross income of an Employee upon making the election described in section 83(b) of the Code.

(2) Notwithstanding the foregoing, Compensation shall not include: (A) Employer contributions to a plan of deferred compensation which are not includible in the Employee's gross income for the taxable year in which contributed, or any distributions from a plan of deferred compensation (regardless of whether such amounts are includible in the gross income of the Employee when distributed); (B) amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or becomes no longer subject to a substantial risk of forfeiture; (C) amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and (D) other amounts which received special tax benefits, such as premiums for group-term life insurance to the extent that the premiums are not includible in the gross income of the Employee.

(3) To the extent not otherwise excluded by subsection (a)(2), Compensation also shall not include: (A) reimbursements or other expense allowances, (B) fringe benefits (cash and noncash), (C) moving expenses, (D) deferred compensation, and (E) welfare benefits.

(4) In all cases, however, notwithstanding any exclusions above, Compensation shall include any amount which would otherwise be deemed Compensation under this subsection 2.13(a) but for the fact that it is deferred pursuant to a salary reduction agreement under this Plan or under any plan described in section 401(k) or 125 of the Code.

(b) The Compensation of each Participant for any year shall not exceed one hundred fifty thousand dollars ($150,000), as adjusted for increases in the cost-of-living in accordance with section 401(a)(17)(B) of the Code.

(c) Unless otherwise indicated herein, Compensation shall be determined only on the basis of amounts paid during the Plan Year, including any Plan Year with a duration of fewer than twelve (12) months.

(d) The Compensation of a person who becomes a Participant during the Plan Year shall only include amounts paid after the date on which such person was admitted as a Participant.

2.13 Current Market Value. The closing price of the Common Stock on the New York Stock Exchange on the Trade Day immediately preceding the Trade Day on which the Common Stock is allocated to the Participants' Accounts in accordance with the terms of the Plan.

2.14 Disability. A Participant who is totally and permanently disabled by bodily injury or disease so as to be prevented from engaging in any occupation for compensation or profit. The determination of Disability shall be made by the Administrator with the aid of competent medical advice. It shall be based on such evidence as the Administrator deems necessary to establish Disability or the continuation thereof.

2.15 Effective Date. The effective date of this amendment and restatement of the Plan shall be January 1, 1999, or such other dates as may be specifically provided in section 1.3 or as otherwise required by law for the Plan to satisfy the requirements of section 401(a) of the Code.

2.16 Elective Deferral. A voluntary reduction of a Participant's Compensation in accordance with section 4.1(a) hereof that qualifies for treatment under section 402(e)(3) of the Code. A Participant's election to make Elective Deferrals may be made only with respect to an amount that the Participant could otherwise elect to receive in cash and that is not currently available to the Participant.

2.17 Elective Deferral Account. That portion of a Participant's Account which is attributable to Elective Deferrals, adjusted for withdrawals and distributions, and the earnings and losses attributable thereto.

2.18 Eligible Employee. A person who is an Employee of an Adopting Employer who:

(a) is on a United States-Based Payroll;

(b) is not employed in a position or classification within a bargaining unit which is covered by a collective bargaining agreement with respect to which retirement benefits were the subject of good faith bargaining (unless such agreement provides for coverage hereunder of Employees of such unit);

(c) is not assigned on the books and records of the Employer to any division, operation or similar cohesive group of an Adopting Employer that is excluded from participation in the Plan by the Board of Directors or a duly authorized officer;

(d) is not employed in a position covered by the Service Contract Act;

(e) is not eligible to participate in the Raytheon Employee Savings and Investment Plan or the Raytheon Savings and Investment Plan for Employees in Puerto Rico; and

(f) is not a Leased Employee or any other person who performs services for an Adopting Employer other than as an Employee.

2.19 Employee. Except to the extent otherwise provided herein, any person employed by an Employer who is expressly so designated as an employee on the books and records of the Employer and who is treated as such by the Employer for federal employment tax purposes. Any person who, after the close of a Plan Year, is retroactively treated by the Employer or any other party as an employee for such prior Plan Year shall not, for purposes of the Plan, be considered an Employee for such prior Plan Year unless expressly so treated as such by the Employer.

2.20 Employee After-Tax Contributions. Voluntary contributions made by Participants on an after-tax basis in accordance with section 4.1(b) of the Plan.

2.21 Employee After-Tax Contribution Account. That portion of a Participant's Account which is attributable to Employee After-Tax Contributions adjustments for withdrawals and distributions, and the earnings and losses attributable thereto.

2.22 Employer. An Adopting Employer and any Affiliate thereof (whether or not such Affiliate participates in the Plan).

2.23 Employment Commencement Date. The date on which an individual first performs an Hour of Service with the Employer.

2.24 ERISA. The Employee Retirement Income Security Act of 1974, as amended.

2.25 ESOP Contributions. Any contribution by the Adopting Employers to the Trust pursuant to section 4.3(a).

2.26 ESOP Contribution Account. That portion of a Participant's Account which is attributable to ESOP Contributions received pursuant to section 4.3(a), adjusted for withdrawals and distributions, and the earnings and losses attributable thereto.

2.27 Fiduciary. Any person who exercises any discretionary authority or discretionary control over the management of the Plan, or exercises any authority or control respecting management or disposition of Plan assets; who renders investment advice for a fee or other compensation, direct or indirect, as to assets held under the Plan, or has any authority or discretionary responsibility in the administration of the Plan. This definition shall be interpreted in accordance with section 3(21) of ERISA.

2.28 Financed Shares. Shares of Common Stock acquired by the Trust with the proceeds of an Acquisition Loan.

2.29 Highly Compensated Employee.

(a) Any Employee who:

(1) is a five percent (5%) owner at any time during the Plan Year or the preceding Plan Year; or

(2) for the preceding Plan Year received Compensation in excess of the amount specified in section 414(q)(1)(B)(i) of the Code.

(b) A former Employee will be treated as a Highly Compensated Employee if the former Employee was a Highly Compensated Employee at the time of his or her separation from service or the former Employee was a Highly Compensated Employee at any time after attaining age fifty-five (55).

(c) The dollar amount incorporated under subsection (a)(2) shall be adjusted as provided in section 414(q)(1) of the Code.

(d) This section shall be interpreted in a manner consistent with section 414(q) of the Code and the regulations thereunder and shall be interpreted to permit any elections permitted by such regulations to be made.

2.30 Hour of Service.

(a) Any hour for which any person is directly or indirectly paid (or entitled to payment) by the Employer for the performance of duties as an Employee, as determined from the appropriate records of the Employer.

(b) In computing Hours of Service, a person shall also be credited with Hours of Service based on the person's previous customary service with the Employer (not exceeding either eight (8) hours per day or forty (40) hours per week), for the following periods:

(1) periods (limited to a maximum of five hundred one (501) hours for any single, continuous period) for which the person is directly or indirectly paid for reasons other than the performance of duties, such as vacation, holiday, sickness, disability, layoff, jury duty or military duty;

(2) periods for which any federal law requires that credit for service be given; and

(3) periods for which back pay (irrespective of mitigation of damages) is either awarded or agreed to by the Employer.

(c) Hours of Service shall also include each hour for which an Employee is entitled to credit under subsection (a) as a result of employment with:

(1) a predecessor company substantially all the assets of which have been acquired by the Company, provided that where only a portion of the operations of a company has been acquired, only service with said acquired portion prior to the acquisition will be included and that the Employee was employed by said predecessor company at the time of acquisition; or

(2) a division, operation or similar cohesive group of the Employer excluded from participation in the Plan.

(d) The provisions of subsection (b) shall be further limited to prevent duplication by only permitting a person to receive credit for one (1) Hour of Service for any given hour.

(e) Hours of Service shall be computed and credited in accordance with the Department of Labor regulations under section 2530.200b.

2.31 Layoff. An involuntary interruption of service due to reduction of work force with the possibility of recall to employment when conditions warrant.

2.32 Leased Employee. Any person (other than an Employee) who, pursuant to an agreement between the Employer and any other person, has performed services for the Employer (or any related person as provided in section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one (1) year and such services are performed under primary direction or control of the Employer. Leased Employees are not eligible to participate in the Plan.

2.33 Matching Contributions. Contributions made to the Trust in accordance with section 4.2(a) hereof.

2.34 Matching Contribution Account. That portion of a Participant's Account which is attributable to Matching Contributions received pursuant to section 4.2(a), adjusted for withdrawals and distributions, and the earnings and losses attributable thereto.

2.35 Normal Retirement Age. The Participant's sixty-fifth (65th) birthday.

2.36 Participant. An individual who is enrolled in the Plan pursuant to ARTICLE III and has not received a distribution of all of the funds credited to his or her Account (or had such funds fully forfeited). In the case of an Eligible Employee who makes a Rollover Contribution to the Plan under section 4.4(a)(3) prior to enrollment under ARTICLE III, such Eligible Employee shall, until he or she enrolls under ARTICLE III, be considered a Participant for the limited purposes of maintaining and receiving his or her Rollover Contribution Account under the terms of the Plan.

2.37 Pay Period. A period scheduled by an Adopting Employer for payment of wages or salaries.

2.38 Period of Participation. That portion of a Period of Service during which an Eligible Employee was a Participant and had an Elective Deferral Account in the Plan or another plan merged into this Plan and identified in section 1.1(b) (with no more than five (5) years of participation credited with respect to such merged plans).

2.39 Period of Service. The period of time beginning on the Employee's Employment Commencement Date or Reemployment Commencement Date, whichever is applicable, and ending on the Employee's Severance from Service Date. For this purpose, a "former AlliedSignal employee" shall receive credit for his or her period of service with AlliedSignal, Inc and its affiliates. A former AlliedSignal employee is an Employee who (i) immediately prior to September 11, 1998 was a salaried employee of the Communication Systems division of AlliedSignal, Inc. (Towson, Maryland location), and (ii) on such date became an Employee in connection with the Company's acquisition of AlliedSignal's Communication Systems division.

2.40 Period of Severance. The period of time beginning on the Employee's Severance from Service Date and ending on the Employee's Reemployment Commencement Date.

2.41 Plan. The Raytheon Savings and Investment Plan as amended from time to time.

2.42 Plan Year. The annual twelve- (12) month period beginning on January 1 of each year and ending on December 31 of each year.

2.43 Qualified Military Service. Any period of duty on a voluntary or involuntary basis in the United States Armed Forces, the Army National Guard and the Air National Guard when engaged in active duty for training, inactive duty for training or full-time National Guard duty, the commissioned corps of the Public Health Service and any other category of persons designated by the President of the United States in time of war or emergency. Such periods of duty shall include active duty, active duty for training, initial active duty for training, inactive duty training, full-time National Guard duty and absence from employment for an examination to determine fitness for such duty.

2.44 Qualified Nonelective Contributions. Any contributions by the Adopting Employers to the Trust pursuant to section 4.1(c). Qualified Nonelective Contributions are one hundred percent (100%) vested when made and are subject to the special distribution restrictions prescribed in section 8.2(e).

2.45 Qualified Nonelective Contribution Account. That portion of a Participant's Account that is attributable to Qualified Nonelective Contributions received pursuant to section 4.1(c), adjusted for withdrawals and distributions, and the earnings and losses attributable thereto.

2.46 Recordkeeper. The organization designated by the Administrator to be the recordkeeper for the Plan. Until and unless otherwise designated, the Recordkeeper shall be Fidelity Investments.

2.47 Reemployment Commencement Date. The first date on which the Employee performs an Hour of Service following a Period of Severance that is excluded under section 6.4 in determining whether a Participant has a nonforfeitable right to his or her Matching Contribution Account.

2.48 Retirement. A termination of employment that occurs after a Participant has either attained age 55 and completed a Period of Service of at least ten (10) years or has attained Normal Retirement Age.

2.49 Rollover Contributions. A transfer that qualifies under either section 402(c) or 403(a)(4) of the Code.

2.50 Rollover Contribution Account. That portion of a Participant's Account which is attributable to Rollover Contributions received pursuant to section 4.4, adjusted for withdrawals and distributions, and the earnings and losses attributable thereto.

2.51 Severance from Service. The termination of employment by reason of quit, Retirement, discharge, Layoff or death; or the failure to return from Authorized Leave of Absence, Qualified Military Service or Disability.

2.52 Severance from Service Date. The earliest of:

(a) the date on which an Employee resigns, retires, is discharged, or dies; or

(b) except as provided in paragraphs (c), (d), (e) and (f) hereof, the first anniversary of the first date of a period during which an Employee is absent for any reason other than resignation, retirement, discharge or death, provided that, on an equitable and uniform basis, the Administrator may determine that, in the case of a Layoff as the result of a permanent plant closing, the Administrator may designate the date of Layoff or other appropriate date before the first anniversary of the first date of absence as the Severance from Service Date; or

(c) in the case of a Qualified Military Service leave of absence from which the Employee does not return before expiration of recall rights, Severance from Service Date means the first day of absence because of the leave; or

(d) in the case of an absence due to Disability, Severance from Service Date means the earlier of the first anniversary of the first day of absence because of the Disability or the date of termination of the Disability; or

(e) in the case of an Employee who is discharged or resigns (i) by reason of the pregnancy of the Employee, (ii) by reason of the birth of a child to the Employee, (iii) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement, "Severance from Service Date, for the sole purpose of determining the length of a Period of Service, shall mean the first anniversary of the resignation or discharge; or

(f) in the case of an Employee who is absent from service beyond the first anniversary of the first day of absence (i) by reason of the pregnancy of the Employee, (ii) by reason of the birth of a child to the Employee, (iii) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement, the Severance from Service Date shall be the second anniversary of the first day of such absence. The period between the first and second anniversaries of the first day of absence is neither a Period of Service nor a Period of Severance.

2.53 Surviving Spouse. A person who was legally married to the Participant immediately before the Participant's death.

2.54 Trade Day. Days on which the Recordkeeper is able to make transfers of Plan assets.

2.55 Trust. The Raytheon Company Master Trust for Defined Contribution Plans and any successor agreement made and entered into for the establishment of a trust fund of all contributions which may be made to the Trustee under the Plan.

2.56 Trustee. The Trustee and any successor trustees under the Trust.

2.57 Trust Fund. The cash, securities, and other property held by the Trustee for the purposes of the Plan.

2.58 United States-Based Payroll. A payroll maintained by the Company or an Adopting Employer that is designated as a United States payroll on the books and records of the Company or Adopting Employer and that is subject to United States wage withholding and reporting laws.

2.59 Valuation Date. Any day that the New York Stock Exchange is open for trading.

ARTICLE III

Eligibility

3.1 Eligibility Requirements. Each Eligible Employee who is a Participant in the Plan (or a plan that merged into the Plan and that is identified in Section 1.1(b)) on the Effective Date (or, if later, the date of plan merger) shall continue to participate in the Plan, in accordance with the terms and conditions of the Plan as amended and restated herein. Each other Eligible Employee and any person who subsequently becomes an Eligible Employee may join the Plan immediately following his or her Employment Commencement Date (or, if later, the date an Employee becomes an Eligible Employee).

3.2 Procedure for Joining the Plan. Each Eligible Employee may join the Plan by communicating with the Recordkeeper in accordance with the instructions that will be made available to each Eligible Employee. An enrollment in the Plan shall not be deemed to have been completed until the Eligible Employee has designated: (i) a percentage by which his or her Compensation shall be reduced as an Elective Deferral in accordance with the requirements of section 4.1(a); (ii) election of investment funds in accordance with ARTICLE V; (iii) one or more Beneficiaries; and (iv) such other information as specified by the Recordkeeper. Enrollment will be effective as of the first Pay Period following completion of enrollment for which it is administratively feasible to carry out such enrollment. The Administrator, in its discretion, may from time to time make exceptions and adjustments in the foregoing procedures on a uniform and nondiscriminatory basis.

3.3 Transfer Between Adopting Employers to Position Covered by Plan. A Participant who is transferred to a position with another Adopting Employer in which the Participant remains an Eligible Employee will continue as an active Participant of the Plan.

3.4 Transfer to Position Not Covered by Plan. If a Participant is transferred to a position with an Employer in which the Participant is no longer an Eligible Employee, the Participant will remain a Participant of the Plan with respect to contributions previously made but shall no longer be eligible to have Elective Deferrals made to the Plan on his or her behalf until he or she again becomes an Eligible Employee. If the Participant becomes eligible to participate in the Raytheon Employee Savings and Investment Plan or the Raytheon Savings and Investment Plan for Puerto Rico Based Employees following such transfer and such other plan accepts transfers from this Plan, the Participant's Account shall be transferred to such other plan (which Account under such other plan shall remain subject to the provisions of this Plan to the extent required by section 411(d)(6) of the Code). In the event the Participant is subsequently transferred to a position in which he or she again becomes an Eligible Employee, the Participant may renew Elective Deferrals by communicating with the Recordkeeper and providing all of the information requested by the Recordkeeper. The renewal of Elective Deferrals will be effective as of the first Pay Period following receipt by the Recordkeeper of the requested information for which it is administratively feasible to re-enroll such Participant.

3.5 Transfer to Position Covered by Plan. If an Employee who is not eligible to participate in the Plan by reason of his or her position with an Employer is transferred to a position that is eligible to participate in the Plan, such Employee may join the plan immediately following the effective date of the new position in accordance with the procedures prescribed Section 3.2. If such an Employee was, immediately prior to such transfer, a participant in the Raytheon Employee Savings and Investment Plan or the Raytheon Savings and Investment Plan for Puerto Rico Based Employees, the Employee's Elective Deferral election and investment directions under such plan shall be deemed to apply for purposes of this Plan unless the Employee designates otherwise.

3.6 Treatment of Qualified Military Service. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to Qualified Military Service will be provided in accordance with section 414(u) of the Code.

ARTICLE IV

Contributions

4.1 401(k) Portion of the Plan.

(a) (1) Elective Deferrals: Subject to the limitations otherwise prescribed herein, a Participant may authorize an Adopting Employer to reduce his or her Compensation on a pre-tax basis by an amount equal to any whole percentage of Compensation that does not exceed twenty percent (20%) and to have such amount contributed to the Plan as an Elective Deferral. Notwithstanding the preceding sentence, a Participant who is eligible to participate in the contributory portion of either the Raytheon Bargaining Retirement Plan or the Raytheon Non-Bargaining Retirement Plan (Exhibit A to each plan) may not make Elective Deferrals that exceed seventeen percent (17%) of his or her Compensation.

(2) A Participant shall not be permitted to make Elective Deferrals during any calendar year in excess of seven thousand dollars ($7,000), as adjusted for increases in the cost-of-living in accordance with section 402(g)(5) of the Code. A Participant may affirmatively designate that in the event his or her Elective Deferrals are limited in accordance with this subsection (a)(2), all future deferrals of Compensation shall be on an after-tax basis and shall be re-characterized as Employee After-Tax Contributions under section 4.1(b). This re-characterization shall take effect as of the first Pay Period by which it is administratively feasible to make such re-characterization.

(3) The Elective Deferrals and Employee After-Tax Contributions made on behalf of each Participant shall not in the aggregate exceed twenty percent (20%) of the Participant's Compensation for any Plan Year. Notwithstanding the preceding sentence, a Participant who is participating in the contributory portion of either the Raytheon Bargaining Retirement Plan or the Raytheon Non-Bargaining Retirement Plan (Exhibit A to each plan) may not make Elective Deferrals and Employee After-Tax Contributions that in the aggregate exceed seventeen percent (17%) of his or her Compensation.

(4) A Participant may change his or her Elective Deferral percentage to increase or decrease said percentage by notifying the Recordkeeper, such change to take effect as of the first Pay Period by which it is administratively feasible to make such change.

(5) A Participant may not make Elective Deferrals with respect to Compensation that has already been made available to the Participant.

(b) (1) Employee After-Tax Contributions: Subject to the limitations otherwise prescribed herein, a Participant may authorize an Adopting Employer to reduce his or her Compensation on an after-tax basis by an amount equal to any whole percentage of Compensation that does not exceed twenty percent (20%) and to have such amount contributed to the Plan as an Employee After-Tax Contribution. Notwithstanding the preceding sentence, a Participant who is participating in the contributory portion of either the Raytheon Bargaining Retirement Plan or the Raytheon Non-Bargaining Retirement Plan (Exhibit A to each plan) may not make Employee After-Tax Contributions that exceed seventeen percent (17%) of his or her Compensation.

(2) The Elective Deferrals and Employee After-Tax Contributions made on behalf of each Participant shall not in the aggregate exceed twenty percent (20%) of the Participant's Compensation for any Plan Year. Notwithstanding the preceding sentence, a Participant who is participating in the contributory portion of either the Raytheon Bargaining Retirement Plan or the Raytheon Non-Bargaining Retirement Plan (Exhibit A to each plan) may not make Elective Deferrals and Employee After-Tax Contributions that in the aggregate exceed seventeen percent (17%) of his or her Compensation.

(3) A Participant may change his or her Employee After-Tax Contribution percentage to increase or decrease said percentage by notifying the Recordkeeper, such change to take effect as of the first Pay Period by which it is administratively feasible to make such change.

(c) Qualified Nonelective Contributions: Each Plan Year the Adopting Employers may contribute to the Trust such amounts as determined by the Senior Vice President of Human Resources of the Company or other officer to whom authority to determine contributions is delegated by the Board of Directors, in his or her sole discretion. Any amounts contributed under this subsection are to be designated by the Adopting Employers as Qualified Nonelective Contributions.

4.2 Stock Bonus Portion of the Plan.

(a) Matching Contributions: Subject to the limitations otherwise prescribed herein, each Adopting Employer shall make Matching Contributions equal in value to one hundred percent (100%) of the total Elective Deferrals and Employee After-Tax Contributions made for each Pay Period by each Participant who is an Eligible Employee of such Adopting Employer, but the total of such Matching Contributions for any Participant shall not exceed four percent (4%) of a Participant's Compensation from such Adopting Employer for each such Pay Period.

(b) The Matching Contribution shall be made in either Common Stock or cash that is invested in Common Stock. The number of shares of Common Stock contributed by the Adopting Employer or acquired with Matching Contributions under this subsection (b) shall be allocated to the Participant's Account by the Trustee and such allocation shall equal the number of shares of Common Stock which the Trustee could have purchased for the Participant at the Current Market Value. Such Matching Contribution shall remain invested in Common Stock in accordance with section 5.1(b).

(c) Special Matching Contribution for AlliedSignal Participants: Subject to the limitations otherwise prescribed herein, each Adopting Employer shall make special Matching Contributions with respect to the Elective Deferrals and Employee After-Tax Contributions made by AlliedSignal Participants during the period commencing September 11, 1998 and ending September 10, 1999 (the "Transition Period"). The special Matching Contributions required under this subsection (c) shall equal the amount of matching contributions the AlliedSignal Participants would have received under the AlliedSignal Savings Plan and the AlliedSignal Thrift Plan (collectively, the "AlliedSignal plans") if they had continued to participate in the AlliedSignal plans during the Transition Period, reduced by the amount of Matching Contributions that the AlliedSignal Participants are entitled to under this Plan with respect to the Elective Deferrals and Employee After-Tax Contributions made during the Transition Period. The special Matching Contributions under this subsection (c) shall be made on or after September 11, 1999, shall be considered Matching Contributions for the 1999 Plan Year, and shall be treated as Matching Contributions for all other purposes of the Plan. For purposes of this subsection (c), an "AlliedSignal Participant" shall mean a Participant who immediately prior to September 11, 1998 was a salaried employee of AlliedSignal, Inc. and who on such date became an Employee in connection with the Company's acquisition of the Communication Systems division of AlliedSignal, Inc. (Towson, Maryland location), provided such Employee (1) does not voluntarily terminate employment with the Company and all of its Affiliates prior to September 11, 1999; (2) is not terminated from employment with the Company or any of its Affiliates for cause prior to September 11, 1999; (3) is not an hourly employee; and (4) is otherwise eligible to participate in this Plan during the Transition Period.

4.3 ESOP Portion of the Plan.

(a) ESOP Contributions: For each Plan Year, the Adopting Employers shall make an ESOP Contribution equal to one-half of one percent (0.5%) of the Participants' Compensation for such Plan Year. The ESOP Contribution may be made in cash, Common Stock or a combination thereof at the discretion of the Adopting Employers.

(b) Allocation of ESOP Contribution: The Administrator shall allocate the ESOP Contribution to the Participants who received Compensation during such Plan Year. The ESOP Contribution (consisting of Common Stock and any residual cash) shall be allocated to those eligible Participants in the same ratio as each such Participant's Compensation for the Plan Year bears to the Total Compensation of all such eligible Participants for the Plan Year.

4.4 Rollover Contributions.

(a) Participants may transfer into the Plan Qualifying Rollover Amounts from other qualified plans or Conduit IRAs, subject to the following terms and conditions:

(1) the transferred funds are received by the Trustee no later than sixty (60) days from receipt by the Participant of a distribution from another qualified plan or, in the event that the funds are transferred from a Conduit IRA, no later than sixty (60) days from the date that the Participant receives such funds from the individual retirement account;

(2) the Rollover Contributions transferred pursuant to this section 4.4 (a) shall be credited to the Participant's Rollover Contribution Account and will be invested upon receipt by the Trustee; and

(3) a Rollover Contribution will not be accepted unless (A) the Employee on whose behalf the Rollover Contribution will be made is either a Participant or an Eligible Employee who has notified the Administrator that he or she intends to become a Participant as of the first date on which he or she is eligible therefor, and (B) all required information, including selection of specific investment accounts, is provided to the Recordkeeper.

(b) For purposes of this section, the following terms shall have the meanings specified:

(1) Qualifying Rollover Amounts. Amounts that can be transferred to the Plan under either section 402(c), 403(a)(4) or 408(d)(3)(A)(ii) of the Code.

(2) Conduit IRA. An individual retirement account described in section 408(d)(3)(A)(ii) of the Code.

4.5 Direct Transfers.

(a) The Plan shall accept a transfer of assets, including elective transfers in accordance with Treas. Regs. section 1.411(d)-4 Q&A-3(b) and transfers in connection with a plan merger, directly from another plan qualified under section 401(a) of the Code only if the Administrator, in its sole discretion, agrees to accept such a transfer. In determining whether to accept such a transfer, the Administrator shall consider the administrative inconvenience engendered by such a transfer and any risks to the continued qualification of the Plan under section 401(a) of the Code. Acceptance of any such transfer shall not preclude the Administrator from refusing any such subsequent transfers.

(b) Any transfer of assets accepted under this subsection shall be separately accounted for at all times and shall remain subject to the provisions of the transferor plan (as it existed at the time of such transfer) to the extent required by section 411(d)(6) of the Code (including, but not limited to, any rights to qualified joint and survivor annuities and qualified preretirement survivor annuities) as if such provisions were part of the Plan. In all other respects, however, such transferred assets will be subject to the provisions of this Plan. The Administrator may, but is not required to, describe in Exhibit B to this Plan the special provisions that must be preserved under section 411(d)(6) of the Code, if any, following the transfer of assets from another plan in accordance with this subsection (b).

(c) Assets accepted under this section shall be nonforfeitable. Notwithstanding the preceding sentence, assets transferred in connection with the plan mergers identified in section 1.1(b) shall vest in accordance with the provisions of ARTICLE VI.

4.6 Refund of Contributions to the Adopting Employers. Notwithstanding the provisions of ARTICLE XII, if, or to the extent that, any Adopting Employer's deductions for contributions made to the Plan are disallowed, such Adopting Employer will have the right to obtain the return of any such contributions for a period of one (1) year from the date of disallowance. For this purpose, all contributions are made, other than Employee After-Tax Contributions, subject to the condition that they are deductible under the Code for the taxable year of the Adopting Employers for which the contributions are made. Furthermore, any contribution made on the basis of a mistake in fact may be returned to the Adopting Employers within one (1) year from the date such contribution was made.

4.7 Payment. The Adopting Employers shall pay to the Trustee in U.S. currency, or by other property acceptable to the Trustee, all contributions for each Plan Year within the time prescribed by law, including extensions granted by the Internal Revenue Service, for filing the federal income tax return of the Company for its taxable year in which such Plan Year ends. Unless designated by the Adopting Employers as nondeductible, all contributions made, other than Employee After-Tax Contributions, shall be deemed to be conditioned on their current deductibility under section 404 of the Code.

4.8 Limits for Highly Compensated Employees.

(a) Elective Deferrals, Employee After-Tax Contributions, Matching Contributions and Qualified Nonelective Contributions allocable to the Accounts of Highly Compensated Employees shall not in any Plan Year exceed the limits specified in this section. The Administrator may make the adjustments authorized in this section to ensure that the limits of subsection (b) (or any other applicable limits) are not exceeded, regardless of whether such adjustments affect some Participants more than others. This section shall be administered and interpreted in accordance with sections 401(k) and 401(m) of the Code.

(b) (1) The Actual Deferral Percentage of the Highly Compensated Employees shall not exceed, in any Plan Year, the greater of:

(A) one hundred twenty-five percent (125%) of the Actual Deferral Percentage for all other Eligible Participants; or

(B) the lesser of two hundred percent (200%) of the Actual Deferral Percentage for all other Eligible Participants or the Actual Deferral Percentage for the other Eligible Participants plus two (2) percentage points.

(2) The Actual Contribution Percentage of the Highly Compensated Employees shall not exceed, in any Plan Year, the greater of:

(A) one hundred twenty five percent (125%) of the Actual Contribution Percentage for all other Eligible Participants; or

(B) the lesser of two hundred percent (200%) of the Actual Contribution Percentage for all other Eligible Participants or the Actual Contribution Percentage for the other Eligible Participants plus two (2) percentage points.

(3) The sum of the Actual Deferral Percentage and the Actual Contribution Percentage for the Highly Compensated Employees shall not exceed, in any Plan Year, the sum of:

(A) one hundred twenty-five percent (125%) of the greater of:

(i) the Actual Deferral Percentage of the other Eligible Participants; or

(ii) the Actual Contribution Percentage of the other Eligible Participants; and

(B) two plus the lesser of:

(i) the amount in paragraph (3)(A)(i); or

(ii) the amount in paragraph (3)(A)(ii); provided that the amount in this paragraph (3)(B) shall not exceed two hundred percent (200%) of the lesser of the amount in paragraph (3)(A)(i) or the amount in paragraph (3)(A)(ii).

(4) The limitations under section 4.8(b)(3) shall be modified to reflect any higher limitations provided by the Internal Revenue Service under regulations, notices or other official statements.

(c) The following terms shall have the meanings specified:

(1) Actual Contribution Percentage. The average of the ratios for a designated group of Employees (calculated separately for each Employee in the group) of the sum of the Matching Contributions (other than those treated as part of the Actual Deferral Percentage), Qualified Nonelective Contributions (other than those treated as part of the Actual Deferral Percentage), Employee After-Tax Contributions and Elective Deferrals (other than those treated as part of the Actual Deferral Percentage) allocated for the applicable year on behalf of the Participant, divided by the Participant's Compensation for such applicable year. The "applicable year" for determining the Actual Contribution Percentage for the group of Highly Compensated Employees shall be the current Plan Year. For all other Eligible Participants, the "applicable year" for determining the Actual Contribution Percentage shall be the current Plan Year, unless, in accordance with the procedures prescribed by the Internal Revenue Service, the Administrator elects to use the immediately preceding Plan Year. In the event the Administrator elects to use the immediately preceding Plan Year for this purpose for any Plan Year, the Administrator shall so indicate in Exhibit C to this Plan.

(2) Actual Deferral Percentage. The average of the ratios for a designated group of Employees (calculated separately for each Employee in the group) of the sum of the Elective Deferrals, Qualified Nonelective Contributions and Matching Contributions (that the Company elects to have treated as part of the Actual Deferral Percentage) allocated for the applicable year on behalf of a Participant, divided by the Participant's Compensation for such applicable year. The "applicable year" for determining the Actual Deferral Percentage for the group of Highly Compensated Employees shall be the current Plan Year. For all other Eligible Participants, the "applicable year" for determining the Actual Deferral Percentage shall be the current Plan Year, unless in accordance with the procedures prescribed by the Internal Revenue Service, the Administrator elects to use the immediately preceding Plan Year. In the event the Administrator elects to use the immediately preceding Plan Year for this purpose for any Plan Year, the Administrator shall so indicate in Exhibit C to this Plan.

(3) Compensation. To the extent regulations permit the definition of Compensation in ARTICLE II to be used, then such definition shall be applied for purposes of this ARTICLE; provided, however, that to the extent such definition is not so permitted, then Compensation shall include all compensation required to be counted under section 414(s) of the Code; provided further, however, that this definition shall not apply for purposes of the definition of Highly Compensated Employee in section 2.29.

(4) Eligible Participant. Any Employee of the Company who is authorized under the terms of the Plan to make Elective Deferrals, Employee After-Tax Contributions or have Qualified Nonelective Contributions allocated to his or her Account for the Plan Year.

(d) For purposes of determining whether a plan satisfies the Actual Contribution Percentage test of section 401(m), all Employee and matching contributions that are made under two (2) or more plans that are aggregated for purposes of section 401(a)(4) and 410(b) (other than section 410(b)(2)(A)(ii)) are to be treated as made under a single plan and that if two (2) or more plans are permissively aggregated for purposes of section 401(m), the aggregated plans must also satisfy section 401(a)(4) and 410(b) as though they were a single plan.

(e) In calculating the Actual Contribution Percentage for purposes of section 401(m), the actual contribution ratio of a Highly Compensated Employee will be determined by treating all plans subject to section 401(m) under which the Highly Compensated Employee is eligible (other than those that may not be permissively aggregated) as a single plan.

(f) For purposes of determining whether a plan satisfies the Actual Deferral Percentage test of section 401(k), all elective contributions that are made under two (2) or more plans that are aggregated for purposes of section 401(a)(4) or 410(b) (other than section 410(b)(2)(A)(ii)) are to be treated as made under a single plan and that if two (2) or more plans are permissively aggregated for purposes of section 401(k), the aggregated plans must also satisfy sections 401(a)(4) and 410(b) as though they were a single plan.

(g) In calculating the Actual Deferral Percentage for purposes of section 401(k), the actual deferral ratio of a Highly Compensated Employee will be determined by treating all cash or deferred arrangements under which the Highly Compensated Employee is eligible (other than those that may not be permissively aggregated) as a single arrangement.

(h) An elective contribution will be taken into account under the Actual Deferral Percentage test of section 401(k)(3)(A) of the Code for a Plan Year only if it is allocated to the Employee as of a date within that Plan Year. For this purpose, an elective contribution is considered allocated as of a date within a Plan Year if the allocation is not contingent on participation or performance of services after such date and the elective contribution is actually paid to the Trust no later than twelve (12) months after the Plan Year to which the contribution relates.

4.9 Correction of Excess Contributions.

(a) Excess Contributions shall be corrected as provided in this section. The Administrator may also prevent anticipated Excess Contributions as provided in this section. The Administrator may use any method of correction or prevention provided in this section or any combination thereof, as it determines in its sole discretion. This section shall be administered and interpreted in accordance with sections 401(k) and 401(m) of the Code.

(b) The Administrator may refuse to accept any or all prospective Elective Deferrals to be contributed by a Participant.

(c) (1) The Company may, in its sole discretion, elect to contribute, as provided in section 4.1(c), a Qualified Nonelective Contribution in an amount necessary to satisfy any or all of the requirements of section 4.8.

(2) Qualified Nonelective Contributions for a Plan Year shall only be allocated to the Accounts of Participants who are not Highly Compensated Employees. Qualified Nonelective Contributions shall be allocated first to the Participant with the lowest Compensation for that Plan Year and any remaining Qualified Nonelective Contributions thereafter shall be allocated to the Participant with the next lowest Compensation for that Plan Year. This allocation method shall continue in ascending order of Compensation until all such Qualified Nonelective Contributions are allocated. The allocation to any Participant shall not exceed the limits under section 415 of the Code. If two or more Participants have identical Compensation, the allocations to them shall be proportional.

(3) Qualified Nonelective Contributions for a Plan Year shall be contributed to the Trust within twelve (12) months after the close of such Plan Year.

(4) Qualified Nonelective Contributions shall only be allocated to Participants who receive Compensation during the Plan Year for which such contribution is made.

(d) The Administrator may, during a Plan Year, distribute to a Participant (or such Participant's Beneficiary if the Participant is deceased), any or all Excess Contributions or Excess Deferrals (whether Elective Deferrals, Matching Contributions or Qualified Nonelective Contributions) allocable to that Participant's Account for that Plan Year, notwithstanding any contrary provision of the Plan. Such distribution may include earnings or losses (if any) attributable to such amounts, as determined by the Administrator.

(e) (1) The Administrator may recharacterize any or all Excess Contributions for a Plan Year as Employee contributions in accordance with the provisions of this subsection. Any Excess Contributions that are so recharacterized shall be treated as if the Participant had elected to instead receive cash Compensation on the earliest date that any Elective Deferrals made on behalf of the Participant during the Plan Year would have been received had the Participant originally elected to receive such amount in cash and then contributed such amount as an Employee contribution. To the extent required by the Internal Revenue Service, however, such recharacterized Excess Contributions shall continue to be treated as if such amounts were not recharacterized.

(2) The Administrator shall report any recharacterized Excess Contributions as Employee contributions to the Internal Revenue Service and to the affected Participants at such times and in accordance with such procedures as are required by the Internal Revenue Service. The Administrator shall take such other actions regarding the amounts so recharacterized as may be required by the Internal Revenue Service.

(3) Excess Contributions may not be recharacterized under this subsection more than two and one-half (2 1/2) months after the close of the Plan Year to which the recharacterization relates. Recharacterization is deemed to occur when the Participant is so notified (as required by the Internal Revenue Service).

(4) The amount of Excess Contributions to be distributed or recharacterized shall be reduced by Excess Deferrals previously distributed for the taxable year ending in the same Plan Year and Excess Deferrals to be distributed for a taxable year will be reduced by Excess Contributions previously distributed or recharacterized for the Plan beginning in such taxable year.

(f) (1) The Administrator may distribute any or all Excess Contributions for a Plan Year in accordance with the provisions of this subsection. Such distribution may only occur after the close of such Plan Year and within twelve (12) months of the close of such Plan Year. In the event of the termination of the Plan, such distribution shall be made within twelve (12) months after such termination. Such distribution shall include the income allocable to the amounts so distributed, as determined under this subsection. The Administrator may make any special allocations of earnings or losses necessary to carry out the provisions of this subsection. A distribution of an Excess Contribution under this subsection may be made without regard to any notice or consent otherwise required pursuant to sections 411(a)(11) and 417 of the Code.

(2)(A) The income allocable to Excess Contributions distributed under this subsection shall equal the allocable gain or loss for the Plan Year. Income includes all earnings and appreciation, including such items as interest, dividends, rent, royalties, gains from the sale of property, appreciation in the value of stock, bonds, annuity and life insurance contracts, and other property, without regard to whether such appreciation has been realized.

(B) The allocable gain or loss for the Plan Year may be determined under any reasonable method consistently applied by the Administrator. Alternatively, the Administrator may, in its discretion, determine such allocable gain or loss for the Plan Year under the method set forth in subparagraph (C).

(C) Under this method, the allocable gain or loss for the Plan Year is determined by multiplying the income for the Plan Year allocable to Elective Deferrals (and amounts treated as Elective Deferrals) by a fraction, the numerator of which is the Excess Contributions by the Participant for the Plan Year and the denominator of which is the total Account balance of the Participant attributable to Elective Deferrals (and amounts treated as Elective Deferrals) as of the beginning of the Plan Year, increased by any Elective Deferrals (and amounts treated as Elective Deferrals) by the Participant for the Plan Year.

(3) Amounts distributed under this subsection (or other provisions of this section) shall first be treated as distributions from the Participant's subaccounts in the following order:

(A) from the Participant's Elective Deferrals Account (if such Excess Contribution is attributable to Elective Deferrals);

(B) from the Participant's Qualified Nonelective Contribution Account (if such Excess Contribution is attributable to Qualified Nonelective Contributions); and

(C) from the Participant's Matching Contribution Account (if such Excess Contribution is attributable to Matching Contributions).

(g)(1) The term "Excess Contribution" shall mean, with respect to a Plan Year, the excess of the Elective Deferrals (including any Qualified Nonelective Contributions and Matching Contributions that are treated as Elective Deferrals under sections 401(k)(2) and 401(k)(3) of the Code) on behalf of eligible Highly Compensated Employees for the Plan Year over the maximum amount of such contributions permitted under sections 401(k)(2) and 401(k)(3) of the Code.

(2) Any distribution of Excess Contributions for a Plan Year shall be made to Highly Compensated Employees on the basis of the amount of contributions by, or on behalf of, each such Highly Compensated Employee.

(3) The amount of Excess Contributions to be distributed or recharacterized shall be reduced by Excess Deferrals previously distributed for the taxable year ending in the same Plan Year and Excess Deferrals to be distributed for a taxable year will be reduced by Excess Contributions previously distributed or recharacterized for the Plan beginning in such taxable year.

4.10 Correction of Excess Deferrals.

(a) Excess Deferrals shall be corrected as provided in this section. The Administrator may also prevent anticipated Excess Deferrals as provided in this section. The Administrator may use any method of correction or prevention provided in this section or any combination thereof, as it determines in its sole discretion. A distribution of an Excess Deferral under this section may be made without regard to any notice or consent otherwise required pursuant to sections 411(a)(11) and 417 of the Code. This section shall be administered and interpreted in accordance with sections 401(k) and 402(g) of the Code.

(b) The Administrator may refuse to accept any or all prospective Elective Deferrals to be contributed by a Participant.

(c) (1) The Administrator may distribute any or all Excess Deferrals to the Participant on whose behalf such Excess Deferrals were made before the close of the Applicable Taxable Year. Distributions under this subsection include income allocable to the Excess Distribution so distributed, as determined under this subsection.

(2) Distribution under this subsection shall only be made if all the following conditions are satisfied:

(A) the Participant seeking the distribution designates the distribution as an Excess Deferral;

(B) the distribution is made after the date the Excess Deferral is received by the Plan; and

(C) the Plan designates the distribution as a distribution of an Excess Deferral.

(3) The income allocable to the Excess Deferral distributed under this subsection shall be determined in the same manner as under subsection (d)(3), except that income shall only be determined for the period from the beginning of the Applicable Taxable Year to the date on which the distribution is made.

(d) (1) The Administrator may distribute any or all Excess Deferrals to the Participant on whose behalf such Excess Deferrals were made after the close of the Applicable Taxable Year. Distribution under this subsection shall only be made if the Participant timely provides the notice required under subsection (d)(2) and such distribution is made after the Applicable Taxable Year and before the first April 15 following the close of the Applicable Taxable Year. Distributions under this subsection shall include income allocable to the Excess Deferrals so distributed, as determined under this subsection.

(2) Any Participant seeking a distribution of an Excess Deferral in accordance with this subsection must notify the Administrator of such request no later than the first March 15 following the close of the Applicable Taxable Year. The Administrator may agree to accept notification received after such date (but before the first April 15 following the close of the Applicable Taxable Year) if it determines that it would still be administratively practicable to make such distribution in view of the delayed notification. The notification required by this subsection shall be deemed made if a Participant's Elective Deferrals to the Plan in any Plan Year create an Excess Deferral.

(3) The income allocable to the Excess Deferral distributed under this subsection shall be determined in the same manner as under section 4.9(f)(2), except that the term "Excess Deferrals" shall be substituted for "Excess Contributions" and the term "Applicable Taxable Year" shall be substituted for "Plan Year." The Administrator may make any special allocations of earnings or losses necessary to carry out the provisions of this subsection.

(e) The following terms shall have the meanings specified:

(1) Applicable Taxable Year. The taxable year (for federal income tax purposes) of the Participant in which an Excess Deferral must be included in gross income (when made) in accordance with section 402(g) of the Code.

(2) Excess Deferral. A Participant's Elective Deferrals (and other contributions limited by section 402(g) of the Code), for an Applicable Taxable Year that are in excess of the limits imposed by section 402(g) of the Code for such Applicable Taxable Year.

4.11 Correction of Excess Aggregate Contributions.

(a) Excess Aggregate Contributions shall be corrected as provided in this section. The Administrator may use any method of correction or prevention provided in this section or any combination thereof, as it determines in its sole discretion. This section shall be administered and interpreted in accordance with sections 401(k) and 401(m) of the Code.

(b) The Administrator may refuse to accept any or all prospective Elective Deferrals to be contributed to a Participant.

(c) (1) The Company may, in its sole discretion, elect to contribute, as provided in section 4.1(c), a Qualified Nonelective Contribution in an amount necessary to satisfy any or all of the requirements of section 4.8.

(2) Qualified Nonelective Contributions for a Plan Year shall only be allocated to the Accounts of Participants who are not Highly Compensated Employees. Qualified Nonelective Contributions shall be allocated first to the Participant with the lowest Compensation for that Plan Year and any remaining Qualified Nonelective Contributions thereafter shall be allocated to the Participant with the next lowest compensation for that Plan Year. This allocation method shall continue in ascending order of Compensation until all such Qualified Nonelective Contributions are allocated. The allocation to any Participant shall not exceed the limits under section 415 of the Code. If two or more Participants have identical Compensation, the allocations to them shall be proportional.

(3) Qualified Nonelective Contributions for a Plan Year shall be contributed to the Trust within twelve (12) months after the close of such Plan Year.

(4) Qualified Nonelective Contributions shall only be allocated to Participants who receive Compensation during the Plan Year for which such contribution is made.

(d) The Administrator may, during a Plan Year, distribute to a Participant (or such Participant's Beneficiary if the Participant is deceased), any or all Excess Aggregate Contributions allocable to that Participant's Account for that Plan Year, notwithstanding any contrary provision of the Plan. Such distribution may include earnings or losses (if any) attributable to such amounts, as determined by the Administrator.

(e)(1) The Administrator may forfeit any or all Excess Aggregate Contributions for a Plan Year in accordance with the provisions of this subsection. The amounts so forfeited shall not include any amounts that are nonforfeitable under ARTICLE VI.

(2) Any forfeitures under this subsection shall be made in accordance with the procedures for distributions under subsection (f) except that such amounts shall be forfeited instead of being distributed.

(f) (1) The Administrator may distribute any or all Excess Aggregate Contributions for a Plan Year in accordance with the provisions of this subsection. Such distribution may only occur after the close of such Plan Year and within twelve (12) months of the close of such Plan Year. Such distributions shall be specifically designated by the Administrator as a distribution of Excess Aggregate Contributions. In the event of the complete termination of the Plan, such distribution shall be made within twelve (12) months after such termination. Such distribution shall include the income allocable to the amounts so distributed, as determined under this subsection. The Administrator may make any special allocations of earnings or losses necessary to carry out the provisions of this subsection. A distribution of an Excess Aggregate Contribution under this subsection may be made without regard to any notice or consent otherwise required pursuant to sections 411(a)(11) and 417 of the Code.

(2) (A) The income allocable to Excess Aggregate Contributions distributed under this subsection shall equal the allocable gain or loss for the Plan Year. Income includes all earnings and appreciation, including such items as interest, dividends, rent, royalties, gains from the sale of property, appreciation in the value of stock, bonds, annuity and life insurance contracts, and other property, without regard to whether such appreciation has been realized.

(B) The allocable gain or loss for the Plan Year may be determined under any reasonable method consistently applied by the Administrator. Alternatively, the Administrator may, in its discretion, determine such allocable gain or loss for the Plan Year under the method set forth in subparagraph (C).

(C) Under this method, the allocable gain or loss for the Plan Year is determined by multiplying the income for the Plan Year allocable to employee contributions, matching contributions and amounts treated as matching contributions by a fraction, the numerator of which is the Excess Aggregate Contributions for the Participant for the Plan Year and the denominator of which is the total Account balance of the Participant attributable to employee contributions, matching contributions and amounts treated as matching contributions as of the beginning of the Plan Year, increased by the employee contributions, matching contributions and amounts treated as matching contributions for the Participant for the Plan Year.

(3) Amounts distributed under this subsection (or other provisions of this section) shall first be treated as distributions from the Participant's subaccounts in the following order:

(A) from the Participant's Employee After-Tax Contribution Account (if such Excess Aggregate Contribution is attributable to Employee After-Tax Contributions);

(B) from the Participant's Qualified Nonelective Contribution Account (if such Excess Aggregate Contribution is attributable to Qualified Nonelective Contributions); and

(C) from the Participant's Matching Contribution Account (if such Excess Aggregate Contribution is attributable to Matching Contributions).

(g) (1) The term "Excess Aggregate Contribution" shall mean, with respect to a Plan Year, the excess of the aggregate amount of the matching contributions and employee contributions (including any Qualified Nonelective Contributions or elective deferrals taken into account in computing the Actual Contribution Percentage) actually made on behalf of eligible Highly Compensated Employees for the Plan Year over the maximum amount of such contributions permitted under section 401(m)(2)(A) of the Code.

(2) The terms "employee contributions" and "matching contributions" shall, for purposes of this section, have the meanings set forth in Treas. Reg. ss.1.401(m)-1(f).

(3) Any distribution of Excess Aggregate Contributions for a Plan Year shall be made to Highly Compensated Employees on the basis of the amount of contributions by, or on behalf of, each such Highly Compensated Employee.

4.12 Correction of Multiple Use.

(a) If the limitations of Treas. Reg. ss.1.401(m)-2 are exceeded for any Plan Year, then correction shall be made in accordance with the provisions of this section. This section shall be administered and interpreted in accordance with sections 401(k) and 401(m) of the Code.

(b) Any correction required by this section shall be calculated and administered in accordance with the provisions for correcting Excess Contributions (in section 4.9), Excess Aggregate Contributions (in section 4.11) or both, as the Administrator determines in its sole discretion. Any correction required by this section, to the extent possible, shall be made only with respect to those Highly Compensated Employees who are eligible in both the arrangement subject to section 401(k) of the Code and the Plan, as subject to section 401(m) of the Code.

ARTICLE V

Investment of Accounts

5.1 Election of Investment Funds.

(a) Except as otherwise prescribed in subsections (b), (c) and (d) below, upon enrollment in the Plan, each Participant shall direct that the funds in the Participant's Account be invested in increments of one percent (1%) in one or more of the investment options designated by the Administrator, which may include designated investment funds, specific investments or both. The investment choices made available shall be sufficient to allow compliance with section 404(c) of ERISA.

(b) Matching Contributions made with respect to Plan Years beginning on and after January 1, 1999 must be invested in Common Stock until the beginning of the fifth (5th) Plan Year following the Plan Year for which such contributions are made. Thereafter, a Participant may designate the investment of the Matching Contribution funds in accordance with the provisions of subsection (a) above. Notwithstanding anything herein to the contrary, the five-year restriction prescribed in this subsection (b) shall no longer apply immediately following a Participant's Severance from Service or on or after January 1 of the calendar year in which a Participant attains age 55.

(c) Except as otherwise determined by the Administrator, amounts held in a Participant's ESOP Contribution Account shall be invested in Common Stock. Notwithstanding the preceding sentence, any Participant who has attained age 55 and completed a Period of Participation of at least ten (10) years shall be permitted to direct that up to twenty-five percent (25%) of the total number of shares of Common Stock (rounded to the nearest whole integer) allocated to the Participant's ESOP Contribution Account as of the December 31 immediately preceding each Plan Year during the Qualified Election Period may be invested among the otherwise available investment options under the Plan in accordance with the provisions of subsection (a) above. With respect to a qualified Participant's final diversification election, fifty percent (50%) is substituted for twenty-five percent (25%) in determining the amount subject to the diversification election. Any direction to diversify hereunder may be made within 90 days after the close of each Plan Year during the Participant's Qualified Election Period, as defined below. Any direction made during the

applicable 90-day period following any Plan Year may be revoked or modified at any time during such 90-day period. The diversification of the ESOP Contribution Account as provided herein shall be made through the sale by the Trustee of the number of shares of Common Stock directed by the Participant. The amount that may be invested among the otherwise available investment options under the Plan shall be equal to the proceeds of such sale. Any such diversification shall be implemented no later than the 180th day of the Plan Year in which the Participant's direction is made. All such directions shall be in accordance with any notice, rulings, or regulations or other guidance issued by the Internal Revenue Service with respect to section 401(a)(28)(B) of the Code. For the purposes of this section, the term "Qualified Election Period" shall mean the six (6) Plan Year period beginning with the later of the Plan Year in which the Participant attains age 55 or completes a Period of Participation of ten (10) years.

(d) Notwithstanding subsection (e) below, the Administrator shall maintain a General Motors Class H Stock Fund ("Fund H") and Raytheon Company Class A Stock Fund ("Fund I") as investment options under the Plan, subject to the limitations prescribed in this subsection (d), for four (4) complete Plan Years following the Effective Date; provided, however, that if at any time prior to the expiration of such four (4) year period, the aggregate fair market value of the assets invested in either Fund H or Fund I falls below five percent (5%) of the highest fair market value of the assets invested in Fund H or Fund I, respectively, the Administrator may, with six (6) months written notice to affected Participants, eliminate Fund H or Fund I, as applicable, as investment options under the Plan. Notwithstanding the foregoing, the Administrator may eliminate one or both funds at any time if the Administrator determines in good faith that such elimination is necessary under applicable law (including without limitation the prudence requirements of ERISA). When Fund H and Fund I are eliminated in accordance with this section 5.1(d), Participants with assets invested in Fund H or Fund I, as applicable, shall direct the transfer of such assets to other funds available under the Plan or, if no such election is made, the Administrator shall transfer such assets to a low risk fixed income fund as determined by the Administrator in its discretion. The only assets that may be invested in Fund H or Fund I are the General Motors Class H Stock Fund and Raytheon Company Class A Stock Fund, respectively, directly transferred to the Plan in connection with the mergers identified in Section 1.1(b). A Participant may not direct that any other funds in the Participant's Account be invested in Fund H or Fund I.

(e) In its discretion, the Administrator may from time to time designate new funds and, where appropriate, preclude investment in existing funds and provide for the transfer of Accounts invested in those funds to other funds selected by the Participant or, if no such election is made, to a low risk fixed income fund as determined by the Administrator in its discretion.

(f) Except as otherwise prescribed in subsections (b), (c) and (d) above, a Participant's investment election will apply to the entire Account of the Participant.

(g) In establishing rules and procedures under section 5.1, the following shall apply:

(1) Each Participant, Beneficiary or Alternate Payee shall affirmatively elect to self-direct the investment of assets in his or her Account, but such election may provide for default investments in the absence of specific directions from such Participant, Beneficiary or Alternate Payee.

(2) The investment directions of a Participant shall continue to apply after that Participant's death or incompetence until the Beneficiary (or, if there is more than one Beneficiary for that Account, all of the Beneficiaries), guardian or other representatives provide contrary direction.

(3) The Administrator may decline to implement investment designations if such investment, in the Administrator's judgment:

(A) would result in a prohibited transaction under section 4975 of the Code;

(B) would generate income taxable to the Trust Fund;

(C) would not be in accordance with the Plan and Trust;

(D) would cause a Fiduciary to maintain the indicia of ownership of any assets of the Trust Fund outside the jurisdiction of the district courts of the United States other than as permitted by section 404(b) of ERISA and Labor Reg.ss.2550.404(b)-1;

(E) would jeopardize the Plan's tax qualified status under the Code;

(F) could result in a loss in excess of the amount credited to the Account; or

(G) would violate any other requirements of the Code or ERISA.

(4) Except as otherwise prescribed in subsections (b), (c) and (d) above, the Administrator may establish reasonable restrictions on the frequency with which investment directions may be given, consistent with section 404(c) of ERISA.

(5) The Administrator may establish limits on the use of brokers, investment counsel or other advisors that may be utilized, including specifying that all investments must be made through a designated broker or brokers.

(6) The Administrator may establish limits on the types of investments that are permitted.

(h) Except as otherwise prescribed in subsections (b), (c) and (d) above, the Administrator shall establish such rules and procedures as may be advisable or necessary to carry out the provisions of this section, with such rules and procedures being consistent with section 404(c) of ERISA.

(i) The Administrator shall establish such rules and procedures as may be advisable or necessary to reasonably ensure that all transactions involving the investment funds comply with all applicable laws, including the securities laws.

5.2 Change in Investment Allocation of Future Deferrals. Except as otherwise prescribed in sections 5.1(b), (c) and (d), each Participant may elect to change the investment allocation of future contributions effective as of the first Trade Day subsequent to notice to the Recordkeeper by which it is administratively feasible to make such change. Any changes must be made either in increments of one percent (1%) of the Participant's Account or in a specified whole dollar amount and must result in a total investment of one hundred percent (100%) of the Participant's Account.

5.3 Transfer of Account Balances Between Investment Funds. Except as otherwise prescribed in sections 5.1(b), (c) and (d), each Participant may elect to transfer all or a portion of the amount in his or her Account between investment funds effective as of the first Trade Day following notice to the Recordkeeper by which it is administratively feasible to carry out such transfer. In determining the amount of the transfer, the Participant's Account shall be valued as of the close of business on the Trade Day on which notice is received; provided, however, that in any case where the notice is received after 4:00 p.m. Eastern Time (daylight or standard, whichever is in effect on the date of the call), the Account shall be valued as of the close of business on the next Trade Day. Such transfers must be made in either one percent (1%) increments of the entire Account or in a specified amount in whole dollars and, as of the completion of the transfer, must result in investment of one hundred percent (100%) of the Account. Transfers shall be effected by telephone notice to the Recordkeeper.

5.4 Ownership Status of Funds. The Trustee shall be the owner of record of the Plan assets. The Administrator shall have records maintained as of the Valuation Date for each investment option allocating a portion of the investment option to each Participant who has elected that his or her Account be invested in such investment option. The records shall reflect each Participant's portion of Common Stock, Raytheon Company Class A common stock and General Motors Class H common stock in cash and unitized shares of stock and shall reflect each Participant's portion of all other investment options as may be established by the Administrator in a cash amount.

5.5 Voting Rights. Participants whose Accounts are invested in Common Stock or Raytheon Company Class A common stock on the last business day of the second month preceding the record date (the "Voting Eligibility Date") for any meeting of stockholders have the right to instruct the Trustee as to voting at such meeting. The number of votes is determined by dividing the value of the shares in the Participant's Account by the closing price of the respective classes of stock on the Voting Eligibility Date. If the Trustee has not received instructions from a Participant as to voting of shares within a specified time, then the Trustee shall not vote those shares. If a Participant furnishes the Trustee with a signed vote direction card without indicating a voting choice thereon, the Trustee shall vote the Participant's shares as recommended by management. In addition, each Participant shall have the right to accept or reject any tender or exchange offer for shares of the respective classes of stock. The Trustee shall vote (or tender or exchange) all combined fractional shares of the respective classes of stock to the extent possible in the same proportion as the shares which have been voted (or tendered or exchanged) by each Participant. Any instructions as to voting (or tender or exchange) received from an individual Participant shall be held in confidence by the Trustee and shall not be divulged to the Adopting Employers or to any officer or employee thereof or to any other person.

5.6 Allocation of Earnings.

(a)(1) The Administrator, as of each Valuation Date, shall adjust the amounts credited to the Accounts (including Accounts for persons who are no longer Employees) so that the total of such Account balances equals the fair market value of the Trust Fund assets as of such Valuation Date. Except as otherwise provided herein, any changes in the fair market value of the Trust Fund assets since the preceding Valuation Date shall be charged or credited to each Account in the ratio that the balance in each such Account as of the preceding Valuation Date bears to the balances in all Accounts as of that Valuation Date with appropriate adjustments to reflect any distributions, allocations or similar adjustments to such Account or Accounts since that Valuation Date.

(2) To the extent that separate investment funds are established (as provided in section 5.1(a)), the adjustments required by subsection (a)(1) shall be made by applying subsection (a)(1) separately for each such investment fund so that any changes in the net worth of each such investment fund are charged or credited to the portion of each Account invested in such investment fund in the ratio that the portion of each such Account invested in such investment fund as of the preceding Valuation Date (reduced by any distributions made from that portion of such Account since that Valuation Date) bears to the total amount credited to such investment funds as of that Valuation Date (reduced by distributions made from such investment fund since that Valuation Date).

(3) Interim valuations, in accordance with the foregoing procedure, may be made at such time or times as the Administrator directs.

(b) The Administrator may, in its sole discretion, direct the Trustee to segregate and separately invest any Trust Fund assets. If any assets are segregated in this fashion, the earnings or losses on such assets shall be determined apart from other Trust assets and shall be adjusted on each Valuation Date, or at such other times as the Administrator deems necessary, in accordance with this section.

ARTICLE VI

Vesting

6.1 Elective Deferral, Employee After-Tax Contribution, Rollover Contribution, Qualified Nonelective Contribution and ESOP Contribution Accounts. Each Participant shall have a nonforfeitable right to all amounts in the Participant's Elective Deferral, Employee After-Tax Contribution, Rollover Contribution, Qualified Nonelective Contribution and ESOP Contribution Accounts.

6.2 Matching Contribution Account.

(a) Each Participant who performs an Hour of Service on or after January 1, 1999, shall have a nonforfeitable right to his or her entire Account, including the Participant's Matching Contribution Account.

(b) Each Participant who does not perform an Hour of Service on or after January 1, 1999 shall have a nonforfeitable right to his or her Matching Contribution Account in accordance with the terms of the Plan as in effect before January 1, 1999 (or, if more favorable, under the terms of the transferee plan in the case of a direct transfer of assets to the Plan in accordance with sections 1.1(b) and 4.5(c)). For this purpose, before January 1, 1999, the Plan provided that each Participant would have a nonforfeitable right to his or her Matching Contribution Account upon the earliest of:

(1) the Participant's completion of a Period of Service of five (5) years;

(2) the Participant's completion of a Period of Participation of three (3) years;

(3) the Participant's Retirement, death while an Employee, Disability or attainment of Normal Retirement Age; or

(4) in the case of a Participant who formerly participated in the Raytheon Salaried Savings and Investment Plan (10011) and the Raytheon California Hourly Savings and Investment Plan (10012), the Participant's Layoff or Severance from Service due to Qualified Military Service.

(c) For purposes of this section 6.2, all Hours of Service as a Leased Employee, if any, shall be taken into account for purposes of determining a Participant's nonforfeitable right to his or her Matching Contribution Account, even though Leased Employees are not eligible to participate in the Plan.

6.3 Forfeitures.

(a) In the event that a Participant incurs a Severance from Service before attaining a nonforfeitable right to his or her Matching Contributions, the Matching Contribution Account will be forfeited as of the first day of the month immediately following the earliest of: (i) the date on which the Participant incurs a Period of Severance of five (5) consecutive years; (ii) death; or (iii) the date on which the Participant's Elective Deferral Account is distributed in accordance with ARTICLE VIII. Forfeitures of Matching Contributions will be used to reduce future contributions of the Adopting Employers to the Plan.

(b) If, in connection with his or her Severance from Service, a Participant received a distribution of his or her Elective Deferral Account when he or she did not have a nonforfeitable right to his or her Matching Contribution Account, the Matching Contributions that were forfeited, unadjusted by any subsequent gains or losses, shall be restored if he or she again becomes an Employee before incurring a Period of Severance of five (5) consecutive years.

6.4 Break in Service Rules

(a) Periods of Service. In determining the length of a Period of Service, the Administrator shall include all Periods of Service, except the following Periods of Service shall not be taken into account:

(1) in the case of a Participant who has never had a vested account balance, the Period of Service before any Period of Severance which equals or exceeds five (5) consecutive years; and

(2) in the case of a Participant who has had a vested account balance and who has incurred a Period of Severance which equals or exceeds five (5) years, the Period of Service after such Period of Severance shall not be taken into account for purposes of determining the nonforfeitable interest of such Participant in the Matching Contributions allocated to his or her Account before such Period of Severance.

(b) Periods of Severance. In determining the length of a Period of Service, the Administrator shall include any period of time beginning on an Employee's Severance from Service Date and ending on the date on which he or she is next credited with an Hour of Service, provided that such Hour of Service is credited within the twelve- (12) consecutive month period following such Severance from Service Date.

(c) Other Periods. In making the determinations described in subsections (a) and (b) of this section, the second, third, and fourth consecutive years of a Layoff (from the first anniversary of the last day paid to the fourth anniversary of the last day paid) and any period in excess of one (1) year of an Authorized Leave of Absence shall be regarded as neither a Period of Service nor a Period of Severance.

ARTICLE VII

In-Service Withdrawals

7.1 Elective Deferrals and Qualified Nonelective Contributions.

(a) Subject to the terms and conditions prescribed in section 7.5, a Participant may withdraw all or a portion of his or her Elective Deferral Account or Qualified Nonelective Contribution Account either (1) on or after attainment of age fifty-nine and one-half (59 1/2), or (2) in the event of a hardship.

(b) In order to be entitled to a hardship withdrawal under this section, a Participant must satisfy the requirements of both subsection (c) and subsection (d). Whether a Participant is entitled to a withdrawal under this section is to be determined by the Administrator in accordance with nondiscriminatory and objective standards.

(c)(1) A Participant will be deemed to have experienced an immediate and heavy financial need necessary to satisfy the requirements of this subsection if the withdrawal is on account of:

(A) medical expenses described in section 213(d) of the Code incurred by the Participant, the Participant's spouse or any dependents of the Participant;

(B) the purchase (excluding mortgage payments) of a principal residence of the Participant;

(C) payment of tuition for the next twelve (12) months of post-secondary education for the Participant or his or her spouse, children or dependents; or

(D) the need to prevent the eviction of the Participant from his or her principal residence or the foreclosure on the mortgage of the Participant's principal residence.

(d)(1) A withdrawal under this subsection will be deemed necessary to satisfy an immediate and heavy financial need of the Participant if it satisfies the requirements of this subsection. To the extent the amount of the withdrawal would be in excess of the amount required to relieve the financial need of the Participant or to the extent such need may be satisfied from other resources that are reasonably available to the Participant, such withdrawal shall not satisfy the requirements of this subsection. For purposes of this subsection, a Participant's resources shall be deemed to include those assets of his or her spouse or minor children that are reasonably available to the Participant.

(2) A withdrawal may be treated as necessary to satisfy a financial need if the Administrator reasonably relies upon the Participant's representation that the need cannot be relieved:

(A) through reimbursement or compensation by insurance or otherwise;

(B) by reasonable liquidation of the Participant's assets to the extent such liquidation would not itself cause an immediate and heavy financial need;

(C) by cessation of Elective Deferrals under the Plan for at least twelve (12) months after receipt of the hardship withdrawal; or

(D) by other distributions or nontaxable (at the time of the loan) loans from plans maintained by the Adopting Employers or by any other employer or by borrowing from commercial sources on reasonable commercial terms.

(e) If a Participant receives a withdrawal for reasons of financial hardship, the Participant's Elective Deferrals shall be reduced to four percent (4%) (or such lower percentage as the Participant shall thereafter designate), if in excess thereof as of the date of the distribution, and shall not be increased during the twelve (12) months immediately subsequent to the date of distribution.

7.2 Employee After-Tax Contributions. Subject to the terms and conditions prescribed in section 7.5, a Participant may withdraw all or a portion of his or her Employee After-Tax Contribution Account.

7.3 Matching Contributions. Subject to the terms and conditions prescribed in section 7.5, after completion of a Period of Participation of five (5) years or more, a Participant may withdraw all or a portion of his or her Matching Contribution Account.

7.4 Rollover Contributions. Subject to the terms and conditions prescribed in section 7.5, a Participant may withdraw all or a portion of his or her Rollover Contribution Account.

7.5 General Terms and Conditions. All in-service withdrawals are subject to the following terms and conditions:

(a) In-service withdrawals of less than five hundred dollars ($500) will not be permitted.

(b) In determining the amount of any in-service withdrawal, the Participant's Account shall be valued as of the close of business on the Trade Day on which notice is received; provided, however, that in any case where the notice is received after 4:00 p.m. Eastern Time (daylight or standard, whichever is in effect on the date of the call), the Account shall be valued as of the close of business on the next Trade Day.

(c) Payment of the amount withdrawn will be made as soon as administratively feasible after the effective date of the withdrawal.

(d) In-service withdrawals from a Participant's Account will generally be made in cash. However, in-service withdrawals from Accounts invested in Common Stock, General Motors Class H common stock or Raytheon Company Class A common stock will be made in cash or stock (with cash for fractional or unissued shares) as elected by the Participant.

(e) Funds for in-service withdrawals will be taken on a pro-rata basis against the Participant's investment balances in his or her Account.

(f) In-service withdrawals may not be redeposited in the Plan.

(g) The Administrator may adopt such other rules and procedures as it deems necessary, in its sole discretion, to properly administer the in-service withdrawal provisions in this ARTICLE.

ARTICLE VIII

Distribution of Benefits

8.1 General.

(a) Except as otherwise provided in Exhibit B to this Plan (or otherwise required by section 4.5(b)), all benefits payable under this Plan shall be paid in the manner and at the times specified in this ARTICLE.

(b) All payment methods and distributions shall comply with the requirements of sections 401(a)(4) and 401(a)(9) of the Code and the regulations thereunder and, if necessary, shall be interpreted to so comply. All distributions shall comply with the incidental death benefit requirement of section 401(a)(9)(G) of the Code. Distributions shall comply with the regulations under section 401(a)(9) of the Code, including Treas. Reg. ss.1.401(a)(9)-2. The provisions of the Plan reflecting section 401(a)(9) of the Code override any distribution provisions in the Plan inconsistent with section 401(a)(9) of the Code.

8.2 Commencement of Benefits.

(a) A Participant (or Beneficiary) shall be entitled to a distribution of the nonforfeitable portion of his or her Account upon Severance from Service (or if earlier, an event described in subsections (e)(3), (4) and (5)).

(b) Except as otherwise provided in this section 8.2, payment of benefits to a Participant (or Beneficiary) shall commence within a reasonable period of time following the Participant's Severance from Service (or if earlier, an event described in subsections (e)(3), (4) and (5)).

(c) If the value of the nonforfeitable portion of the Participant's Account exceeds the maximum amount prescribed in section 411(a)(11) of the Code, then payment to the Participant shall not commence without the Participant's written consent, except as otherwise required by Section 8.2(f). Such written consent must be obtained no more than ninety (90) days before the commencement of the distribution. Notwithstanding the preceding provisions of this subsection (c), all distributions to a Participant's Beneficiary shall commence within a reasonable period of time following the Participant's death (no consent of the Beneficiary is required).

(d) Unless a Participant elects otherwise, distribution to the Participant shall commence no later than sixty (60) days after the close of the Plan Year in which the latest of the following events occurs:

(1) attainment by the Participant of Normal Retirement Age;
(2) the tenth (10th) anniversary of the date on which Participant commenced participation in the Plan; or
(3) Participant's Severance from Service.

(e) Distribution of the nonforfeitable portion of a Participant's Account attributable to Elective Deferrals and Qualified Nonelective Contributions shall generally commence in accordance with the general provisions of this section 8.2, but in no event before the earliest of:

(1) the Participant's Severance from Service;
(2) the Participant's attainment of age fifty-nine and one-half (59 1/2);
(3) the termination of the Plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan);
(4) the disposition of substantially all of the assets used by the Employer in a trade or business of the Employer but only with respect to an Employee who continues employment with the entity acquiring such assets;
(5) the disposition of the Employer's interest in a subsidiary, but only with respect to an Employee who continues employment with such subsidiary.

(f) A Participant who has attained age seventy and one-half (70 1/2) and is subject to the mandatory distribution requirements of section 401(a)(9) of the Code shall receive a lump sum distribution of his or her entire Account at the time distributions must commence in order to comply with such requirements. If additional amounts are allocated to such Participant's Account following such lump sum distribution, additional lump sum distributions of his or her entire Account shall be made at such times any mandatory distributions are required to comply with section 401(a)(9) of the Code. Such payments shall be made notwithstanding any contrary provisions of the Plan or election made by such Participant.

(g) If a Participant dies before the time when distribution is considered to have commenced in accordance with applicable regulations, then any remaining nonforfeitable portion of the Participant's Account shall be distributed within five (5) years after the Participant's death. If a distribution is considered to have commenced in accordance with the applicable regulations before the Participant's death, the remaining nonforfeitable portion of the Participant's Account shall be distributed at least as rapidly as under the method of distribution being used as of the date of the Participant's death.

8.3 Form of Distribution.

(a) Distributions under the Plan shall be made only in the form of a single, lump-sum payment of the entire nonforfeitable portion of the Participant's Account.

(b) Distribution of the nonforfeitable portion of the Participant's Account that is invested in Common Stock, Raytheon Company Class A common stock (if any) or General Motors Class H common stock (if any) shall be made in cash or in-kind, at the election of the Participant (or Beneficiary). All other distributions under the Plan shall be made in cash (or cash equivalent).

8.4 Determination of Amount of Distribution. In determining the amount of any distribution hereunder, the nonforfeitable portion of a Participant's Account shall be valued as of the close of business on the Trade Day on which notice is received; provided, however, that in any case where the telephone notice is received after 4:00 p.m. Eastern Time (daylight or standard, whichever is in effect on the date of the call), the Account shall be valued as of the close of business on the next Trade Day.

8.5 Direct Rollovers.

(a) A Participant may elect that all or any portion of a distribution that would otherwise be paid as an Eligible Rollover Distribution shall instead be transferred as a Direct Rollover.

(b) The Administrator shall determine and apply rules and procedures as it deems reasonable with respect to Direct Rollovers. The Administrator may change such rules and procedures from time to time and shall not be bound by any previous rules and procedures it has applied.

(c) The following terms shall have the meanings specified:

(1) Direct Rollover. An available distribution that is paid directly to an Eligible Retirement Plan for the benefit of the distributee.

(2) Distributee. A Participant or former Participant. In addition, the Participant's or former Participant's Surviving Spouse or former spouse who is the Alternate Payee under a Qualified Domestic Relations Order, as defined in section 414(p) of the Code, are Distributees with regard to the interest of the spouse or former spouse.

(3) Eligible Retirement Plan. An individual retirement account described in section 408(a) of the Code, an individual retirement annuity (other than an endowment contract) described in section 408(b) of the Code, a qualified trust described in section 401(a) of the Code if such qualified trust is part of a plan that permits acceptance of Direct Rollovers or an annuity plan described in section 403(a) of the Code. In the case of a Direct Rollover for the benefit of the spouse or former spouse of a Participant, the term "Eligible Retirement Plan" shall only include an individual retirement account described in section 408(a) of the Code and an individual retirement annuity (other than an endowment contract) described in section 408(b) of the Code.

(4) Eligible Rollover Distribution. Any distribution under the Plan to a Participant, a Participant's spouse or a Participant's former spouse, except fo the following:

(A) Any distribution to the extent the distribution is required under section 401(a)(9) of the Code.

(B) The portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation described in section 402(e)(4) of the Code).

(C) Returns of elective deferrals described in Treas. Reg. ss.1.415-6(b)(6)(iv) that are returned as a result of the limitations under section 415 of the Code.

(D) Corrective distributions of excess contributions and excess deferrals under qualified cash or deferred arrangements as described in Treas. Reg. ss.1.401(k)-1(f)(4) and ss.1.402(g)-1(e)(3), respectively, and corrective distributions of excess aggregate contributions as described in Treas. Reg. ss.1.401(m)-1(e)(3), together with the income allocable to these corrective distributions.

(E) Loans treated as distributions under section 72(p) of the Code and not excepted by section 72(p)(2) of the Code.

(F) Loans in default that are deemed distributions.

(G) Dividends paid on employer securities as described in section 404(k) of the Code.

(H) The costs of life insurance coverage.

(I) Similar items designated by the Internal Revenue Service in revenue rulings, notices, and other guidance of general applicability.

8.6 Notice and Payment Elections.

(a) The Administrator shall provide Participants or other Distributees of Eligible Rollover Distributions with a written notice designed to comply with the requirements of section 402(f) of the Code. Such notice shall be provided within a reasonable period of time before making an Eligible Rollover Distribution.

(b) Any elections concerning the payment of benefits under this ARTICLE shall be made on a form prescribed by the Administrator. The Participant or other Distributee shall submit a completed form to the Administrator at least thirty (30) days before payment is scheduled to commence, unless the Administrator agrees to a shorter time period. Any election made under this section shall be revocable until thirty (30) days before payment is scheduled to commence.

(c) An election to have payment made in a Direct Rollover shall only be valid if the Participant or other Distributee provides adequate information to the Administrator for the implementation of such Direct Rollover and such reasonable verification as the Administrator may require that the transferee is an Eligible Retirement Plan.

8.7 Qualified Domestic Relations Orders.

(a) Notwithstanding any contrary provision of the Plan, payments shall be made in accordance with any judgment, decree or order determined to be a Qualified Domestic Relations Order.

(b)(1) If the Plan receives a Domestic Relations Order, the Administrator shall promptly notify the Participant and each Alternate Payee of the receipt of such order and of the Plan's procedures for determining whether such order is a Qualified Domestic Relations Order. The Administrator shall, within a reasonable period after receipt of such order, determine whether it is a Qualified Domestic Relations Order and notify the Participant and each Alternate Payee of that determination.

(2) During any period in which the issue of whether a Domestic Relations Order is a Qualified Domestic Relations Order is being determined, the Administrator shall separately account for the amounts that would have been payable to the Alternate Payee during such period if the order had been determined to be a Qualified Domestic Relations Order.

(c)(1) A Domestic Relations Order meets the requirements of this subsection only if such order clearly specifies the following:

(A) the name and last known mailing address (if any) of the Participant and the name and mailing address of each Alternate Payee covered by the order;

(B) the amount or the percentage of the Participant's benefits to be paid by the Plan to each such Alternate Payee or the manner in which such amount or percentage is to be determined;

(C) the number of payments or period to which such order applies; and

(D) each plan to which such order applies.

(2) A Domestic Relations Order meets the requirements of this subsection only if such order does not:

(A) require the Plan to provide any type or form of benefit or any option not otherwise provided under the Plan;

(B) require the Plan to provide increased benefits (determined on the basis of actuarial value); and

(C) does not require the payment of benefits to an Alternate Payee that is required to be paid to another Alternate Payee under another order previously determined to be a Qualified Domestic Relations Order.

(d) A domestic relations order shall not be treated as failing to meet the requirements of section 8.7(c)(2)(A) solely because such order requires that payment of benefits be made to an Alternate Payee:

(1) in the case of any payment before a Participant has separated from service, on after the date on which the Participant attains (or would have attained) the Earliest Retirement Date;

(2) as if the Participant had retired on the date on which such payment is to begin under such order (but taking into account only the present value of the benefits actually accrued and not taking into account the present value of any employer subsidy for early retirement); and

(3) in any form in which such benefits may be paid under the Plan to the Participant (other than in the form of a qualified joint and survivor annuity with respect to the Alternate Payee and his or her subsequent spouse).

(e) A domestic relations order shall not be treated as failing to meet the requirements of section 8.7(c)(2)(A) solely because such order requires that payment of benefits be made to an Alternate Payee at a date before the Participant is entitled to receive a distribution. Such distribution shall be made to such Alternate Payee notwithstanding any contrary provision of the Plan.

(f) The following terms shall have the meanings specified:

(1) Alternate Payee. Any spouse, former spouse, child or other dependent of a Participant who is recognized by a Domestic Relations Order as having a right to benefits under the Plan with respect to such Participant.

(2) Domestic Relations Order. A judgment, decree or order relating to child support, alimony or marital property rights, as defined in section 414(p)(1)(B) of the Code.

(3) Earliest Retirement Date. The earlier of:

(A) the date on which the Participant is entitled to a distribution under the Plan; or

(B) the later of: (i) the date the Participant attains age fifty (50); or (ii) the earliest date on which the Participant could begin receiving benefits under the Plan if the Participant separated from service.

(4) Qualified Domestic Relations Order. A Domestic Relations Order that satisfies the requirements of subsection (c) and section 414(p)(1)(A) of the Code.

(g) If an Alternate Payee entitled to payment under this section is the spouse or former spouse of a Participant and payment will otherwise be made in an Eligible Rollover Distribution, then such spouse or former spouse may elect that all, or any portion, of such payment shall instead be transferred as a Direct Rollover. Such Direct Rollover shall be governed by the requirements of section 8.5.

(h) If a Domestic Relations Order directs that payment be made to an Alternate Payee before the Participant's Earliest Retirement Date and such Domestic Relations Order otherwise qualifies as a Qualified Domestic Relations Order, then the Domestic Relations Order shall be treated as a Qualified Domestic Relations Order and such payment shall be made to the Alternate Payee, even though the Participant is not entitled to receive a distribution under the Plan because he or she continues to be an Employee of the Employer.

(i) This section shall be interpreted and administered in accordance with section 414(p) of the Code.

8.8 Designation of Beneficiary.

(a) A Participant may designate a Beneficiary (including successive or contingent Beneficiaries) in accordance with this section 8.8. Such designation shall be on a form prescribed by the Administrator, may include successive or contingent Beneficiaries, shall be effective upon receipt by the Administrator and shall comply with such additional conditions and requirements as the Administrator shall prescribe. The interest of any person as Beneficiary shall automatically cease on his or her death and any further payments from the Plan shall be made to the next successive or contingent Beneficiary.

(b) A Participant may change his or her Beneficiary designation from time to time, without the consent or knowledge of any previously designated Beneficiary, by filing a new Beneficiary designation form with the Administrator in accordance with subsection (a).

(c) If a Participant dies without a designated Beneficiary surviving, the person or persons in the following class of successive beneficiaries surviving, any testamentary devise or bequest to the contrary notwithstanding, shall be deemed to be the Participant's Beneficiary: the Participant's (1) spouse, (2) children and issue of deceased children by right of representation, (3) parents, (4) brothers and sisters and issue of deceased brothers and sisters by right of representation, or (5) executors or administrators. If no Beneficiary can be located during a period of seven (7) years from the date of death, the Participant's Account shall be treated in the same manner as a forfeiture under section 6.3(a).

(d) Notwithstanding the foregoing provisions of this section, if a Participant is married at the time of his or her death, such Participant shall be deemed to have designated his or her surviving spouse as Beneficiary, unless such Participant has filed a Beneficiary designation under subsection (a) and such spouse has consented in writing to the election (acknowledging the effect of the election and specifically acknowledging the nonspouse Beneficiary) and such consent was witnessed by either the Administrator (or its delegate) or a notary public. Such consent shall not be required if the Participant does not have a spouse or the spouse cannot be located. Such consent shall not be required if the Participant is legally separated from his or her spouse or the Participant has been abandoned (under applicable local law) and the Participant has a court order to such effect, unless a Qualified Domestic Relations Order provides otherwise. If the Participant's spouse is legally incompetent to give consent, the spouse's legal guardian (even if the guardian is the Participant) may give consent.

8.9 Lost Participant or Beneficiary.

(a) All Participants and Beneficiaries shall have the obligation to keep the Administrator informed of their current address until such time as all benefits due have been paid.

(b) If any amount is payable to a Participant or Beneficiary who cannot be located to receive such payment, such amount may, at the discretion of the Administrator, be forfeited; provided, however, that if such Participant or Beneficiary subsequently claims the forfeited amount, it shall be reinstated and paid to such Participant or Beneficiary. Such reinstatement may, in the Administrator's sole discretion, be made from contributions by one or more Adopting Employers, forfeitures or Trust earnings, and shall be treated as a special allocation that supersedes the normal allocation rules.

(c) If the Administrator has not, after due diligence, located a Participant or Beneficiary who is entitled to payment within three (3) years after the Participant's Severance from Service, then, at the discretion of the Administrator, such person may be presumed deceased for purposes of this Plan. Any such presumption of death shall be final, conclusive and binding on all parties.

8.10 Payments to Incompetents. If a Participant or Beneficiary entitled to receive any benefits hereunder is adjudicated to be legally incapable of giving valid receipt and discharge for such benefits, the benefits may be paid to the duly authorized personal representative of such Participant or Beneficiary.

8.11 Offsets. Any transfers or payments made from a Participant's Account to a person other than the Participant pursuant to the provisions of this Plan shall reduce the Participant's Account and offset any amounts otherwise due to such Participant. Such transfers or payments shall not be considered a forfeiture for purposes of the Plan.

8.12 Income Tax Withholding. To the extent required by section 3405 of the Code, distributions and withdrawals from the Plan shall be subject to federal income tax withholding.

ARTICLE IX

Loans

9.1 Availability of Loans. Participants may borrow against all or a portion of the nonforfeitable balance in the Participant's Account, subject to the limitations set forth in this ARTICLE. Loans will be made available to all Participants on a reasonably equivalent basis and will not be made available to Highly Compensated Employees in an amount greater than the amount made available to other employees. Participants who have incurred a Severance from Service will not be eligible for a Plan loan.

9.2 Minimum Amount of Loan. No loan of less than five hundred dollars ($500) will be permitted.

9.3 Maximum Amount of Loan. No loan in excess of fifty percent (50%) of the Participant's nonforfeitable Account balance will be permitted. In addition, limits imposed by the Internal Revenue Code and any other requirements of applicable statute or regulation will be applied. Under the current requirements of the Internal Revenue Code, a loan cannot exceed the lesser of one-half (1/2) of the value of the Participant's nonforfeitable Account balance or fifty thousand dollars ($50,000) reduced by the excess of (a) the highest outstanding balance of loans from the Plan during the one-year period ending on the day before the date on which such loan was made over (b) the outstanding balance of loans from the Plan on the date on which such loan was made.

9.4 Effective Date of Loans. Loans will be effective as specified in the Administrator's rules then in effect.

9.5 Repayment Schedule. The Participant may select a repayment schedule of one, two, three, four or five (1, 2, 3, 4 or 5) years. If the loan is used to acquire any dwelling which, within a reasonable time is to be used (determined at the time the loan is made) as the principal residence of the Participant, the repayment period may be extended up to fifteen (15) years at the election of the Participant. All repayments will be made through payroll deductions in accordance with the loan agreement executed at the time the loan is made, except that, in the event of the sale of all or a portion of the business of the Employer or one of the Adopting Employers, or other unusual circumstances, the Administrator, through uniform and equitable rules, may establish other means of repayment. The loan agreement will permit repayment of the entire outstanding balance in one lump-sum and the repayment of any portion of the outstanding balance at any time (with appropriate adjustment to the remaining payment schedule as determined by the Administrator, in its sole discretion, on a uniform and nondiscriminatory basis). The repayment schedule shall provide for substantially level amortization of the loan. Loan repayments will be suspended under this Plan as permitted under section 414(u) of the Code.

9.6 Limit on Number of Loans. Except as otherwise provided herein, no more than two (2) loans may be outstanding at any time. If a Participant has more than two (2) loans outstanding on January 1, 1999, or thereafter on account of a transfer of assets from another plan in accordance with section 4.5, the Participant may not obtain a new loan until he or she has less than two (2) loans outstanding. The Administrator may, notwithstanding the foregoing provisions, alter the requirements of this Section 9.6, or Sections 9.2 or 9.5.

9.7 Interest Rate. The interest rate for a loan pursuant to this ARTICLE will be equal to the prime rate published in The Wall Street Journal on the first business day in each calendar quarter and such rate will apply to loans which are made at any time during each respective calendar quarter.

9.8 Effect Upon Participant's Account. Upon the granting of a loan to a Participant by the Administrator, the allocations in the Participant's Account to the respective investment funds will be reduced on a pro rata basis and replaced by the loan balance which will be designated as an asset in the Account. Such reduction shall be effected by reducing the Participant's Account in the following sequence, with no reduction of the succeeding Accounts until prior Accounts have been exhausted by the loan: Matching Contribution Account; Elective Deferral Account; ESOP Contribution Account, Rollover Contribution Account; and Employee After-Tax Contribution Account. Upon repayment of the principal and interest, the loan balance will be reduced, the Participant Accounts will be increased in the reverse order in which they were exhausted by the loan, and the loan payments will be allocated to the respective investment funds in accordance with the investment election then in effect.

9.9 Effect of Severance From Service and Nonpayment. In the event that a loan remains outstanding upon the Severance from Service of a Participant, the Participant will be given the option of continuing to repay the outstanding loan. In any case where payments on the outstanding loan are not made within ninety (90) days of the Participant's Severance from Service Date, the amount of any unpaid principal will be deducted from the Participant's account and reported as a distribution. If, as a result of layoff or Authorized Leave of Absence, a Participant, although still in a Period of Service, is not being compensated through the Employer's payroll system, loan payments will be suspended until the earliest of the first pay date after the Participant returns to active employment with the Employer, the Participant's Severance from Service Date, or the expiration of twelve (12) months from the date of the suspension. In the event the Participant does not return to active employment with the Employer, the Participant will be given the option of continuing to repay the outstanding loan. If the Participant fails to resume payments on the loan, the outstanding loan will be reported as a taxable distribution. In no event, however, shall the loan be deducted from the Participant's Account earlier than the date on which the Participant (i) incurs a Severance from Service, or (ii) attains age fifty-nine and one-half (59 1/2).

ARTICLE X

Contribution and Benefit Limitations

10.1 Contribution Limits.

(a) The Annual Additions that may be allocated to a Participant's Account for any Limitation Year shall not exceed the lesser of:

(1) thirty thousand dollars ($30,000); or

(2) twenty-five percent (25%) of the Participant's Compensation for that Limitation Year.

(b) If the Employer maintains any other Defined Contribution Plans then the limitations in subsection (a) shall be computed with reference to the aggregate Annual Additions for each Participant from all such Defined Contribution Plans.

(c) If the Annual Additions for a Participant would exceed the limits specified in this section, then the Annual Additions under this Plan for that Participant shall be reduced to the extent necessary to prevent such limits from being exceeded. Such reduction shall be made in accordance with section 10.4.

10.2 Overall Limits.

(a) With respect to Limitation Years beginning before January 1, 2000, if a Participant is participating in both a Defined Contribution Plan and a Defined Benefit Plan of the Employer, then the sum of the Defined Contribution Fraction and the Defined Benefit Fraction for any Limitation Year shall not exceed 1.0.

(b) If the sum of the Defined Contribution Fraction and the Defined Benefit Fraction would exceed 1.0, then the annual benefits under the Defined Benefit Plan shall be reduced to the extent necessary so that the sum of such fractions does not exceed 1.0.

10.3 Annual Adjustments to Limits. The dollar limits for Annual Additions and the dollar limits in the Defined Benefit Fraction and Defined Contribution Fraction shall be adjusted for cost-of-living to the extent permitted under section 415 of the Code.

10.4 Excess Amounts.

(a) The foregoing limits shall be limits on the allocation that may be made to a Participant's Account in any Limitation Year. If an excess Annual Addition would otherwise result from allocation of forfeitures, reasonable errors in determining Compensation or other comparable reasons, then the Administrator may take any (or all) of the following steps to prevent the excess Annual Additions from being allocated:

(1) return any contributions from the Participant, as long as such return is nondiscriminatory;

(2) hold the excess amounts unallocated in a suspense account and apply the balance of the suspense account against Matching or ESOP Contributions for that Participant made in succeeding years;

(3) hold the excess amounts unallocated in a suspense account and apply the balance of the suspense account against succeeding year Matching or ESOP Contributions;

(4) reallocate the excess amounts to other Participants.

(b) Any suspense account established under this section shall not be credited with income or loss unless otherwise directed by the Administrator. If a suspense account under this section is to be applied in a subsequent Limitation Year, then the amounts in the suspense account shall be applied before any Annual Additions (other than forfeitures) are made for such Limitation Year.

10.5 Definitions.

(a) The following terms shall have the meanings specified:

(1) Annual Addition. The sum for any Limitation Year of additions (not including Rollover Contributions) to a Participant's Account as a result of:

(A) Employer contributions (including Matching Contributions, ESOP Contributions, Qualified Nonelective Contributions and Elective Deferrals);

(B) Employee contributions;

(C) forfeitures; and

(D) amounts described in Code sections 415(l)(1) and 419A(d)(2).

(2)(A) Defined Benefit Fraction. A fraction, the numerator of which is the Projected Annual Benefit of the Participant under all Defined Benefit Plans of the Employer (determined as of the close of the Limitation Year) and the denominator of which is the Projected Annual Benefit the Participant would have under such plans (determined as of the close of the Limitation Year) if such plans provided an annual benefit equal to the lesser of:

(i) the product of 1.25 multiplied by ninety thousand dollars ($90,000); or

(ii) the product of 1.4 multiplied by one hundred percent (100%) of the Participant's average Compensation for the Participant's three (3) consecutive Years of Service that produce the highest average Compensation.

(B) For purposes of determining the Defined Benefit Fraction of a Participant (i) who was employed by an Adopting Employer on December 18, 1997 and immediately prior thereto was employed by General Motors Corporation or one of its affiliates or (ii) who transferred to an Adopting Company from General Motors Corporation or one of its affiliates after such date and before December 1, 1998, service for and Compensation received from General Motors Corporation and its affiliates, if any, shall be taken into account, and the Projected Annual Benefit under any Defined Benefit Plan of the Employer shall not be reduced as a result of the transfer of any assets or liabilities from a Defined Benefit Plan maintained by General Motors Corporation and its affiliates.

(3) Defined Benefit Plan. Any plan qualified under section 401(a) of the Code that is not a Defined Contribution Plan.

(4)(A) Defined Contribution Fraction. A fraction, the numerator of which is the sum of the Annual Additions to the Participant's Accounts as of the close of the Limitation Year, and the denominator of which is equal to the sum of the lesser of the following amounts determined for such Limitation Year and for each prior year of service with the Employer:

(i) the product of 1.25 multiplied by thirty thousand dollars ($30,000); or

(ii) the product of 1.4 multiplied by twenty-five percent (25%) of the Participant's Compensation.

(B) For purposes of determining the Defined Contribution Fraction of a Participant, services performed for, Compensation paid by and Annual Additions made by General Motors Corporation or any of its affiliates shall not be taken into account.

(5) Defined Contribution Plan. A plan qualified under section 401(a) of the Code that provides an individual account for each Participant and benefits based solely on the amount contributed to the Participant's Account, plus any income, expenses, gains and losses, and forfeitures of other Participants which may be allocated to such Participant's account.

(6) Limitation Year. The Plan Year, until the Employer adopts a different Limitation Year.

(7) Projected Annual Benefit. The annual benefit to which a Participant would be entitled, assuming:

(A) the Participant continues in employment until Normal Retirement Age under the Plan;

(B) the Participant's Compensation for the Limitation Year remains the same until such Normal Retirement Age; and

(C) all other relevant factors under the Plan for the Limitation Year will remain constant.

ARTICLE XI

Top-Heavy Rules

11.1 General. This ARTICLE shall only be applicable if the Plan becomes a Top-Heavy Plan under section 416 of the Code. If the Plan does not become a Top-Heavy Plan, then none of the provisions of this ARTICLE shall be operative. The provisions of this ARTICLE shall be interpreted and applied in a manner consistent with the requirements of section 416 of the Code and the regulations thereunder.

11.2 Vesting.

(a) If the Plan becomes a Top-Heavy Plan, then amounts in a Participant's Account attributable to Matching and ESOP Contributions shall be vested in accordance with this section, in lieu of ARTICLE VI, to the extent this section produces a greater degree of vesting. This section shall only apply to Participants who have at least an Hour of Service after the Plan becomes a Top-Heavy Plan.

(b) If applicable, amounts in a Participant's Account attributable to Matching and ESOP Contributions shall vest as follows:

Years of Top Heavy Service	Vested Percentage
Fewer than 3	0%
3 or more	100%

(c) If the Plan ceases to be a Top-Heavy Plan then subsection (b) shall no longer be applicable; provided, however, that in no event shall the vested percentage of any Participant be reduced by reason of the Plan ceasing to be a Top-Heavy Plan. Subsection (b) shall nevertheless continue to apply for any Participant who was previously covered by it and who has at least three (3) Years of Top-Heavy Service.

11.3 Minimum Contribution.

(a) For each Plan Year that the Plan is a Top-Heavy Plan, the Adopting Employers shall make a contribution to be allocated directly to the Account of each Non-Key Employee.

(b) The amount of the contribution (and forfeitures) required to be contributed and allocated for a Plan Year by this section is three percent (3%) of the Top-Heavy Compensation for that Plan Year of each Non-Key Employee who is both a Participant and an Employee on the last day of the Plan Year for which the contribution is made, with adjustments as provided herein. If the contributions (other than Rollover Contributions) allocated to the Accounts of each Key Employee for a Plan Year are less than three percent (3%) of his or her Top-Heavy Compensation, then the contribution required by the preceding sentence shall be reduced for that Plan Year to the same percentage of Top-Heavy Compensation that was allocated to the Account of the Key Employee whose Account received the greatest allocation of contributions (other than Rollover Contributions) for that Plan Year, when computed as a percentage of Top-Heavy Compensation.

(c) The contribution required by this section shall be reduced for a Plan Year to the extent of any contributions made and allocated under this Plan (as permitted under section 416 of the Code and the regulations thereunder). In addition, to the extent a Participant participates in any other plans of the Employer for a Plan Year, the contribution required by this section shall be reduced by any contributions allocated or benefits accrued under any such plans. Elective Deferrals shall be treated as if they were contributions for purposes of determining any minimum contributions required under subsection (b).

11.4 Definitions.

(a) The following terms shall have the meanings specified herein:

(1) Aggregated Plans.

(A) The Plan, any plan that is part of a "required aggregation group" and any plan that is part of a "permissive aggregation group" that the Adopting Employers treat as an Aggregated Plan.

(B) The "required aggregation group" consists of each plan of the Adopting Employers in which a Key Employee participates (in the Plan Year containing the Determination Date or any of the four (4) preceding Plan Years) and each other plan of the Adopting Employers which enables any plan of the Adopting Employers in which a Key Employee participates to meet the requirements of section 401(a)(4) or section 410(b) of the Code. Also included in the required aggregation group shall be any terminated plan that covered a Key Employee and was maintained within the five (5) year period ending on the Determination Date.

(C) The "permissive aggregation group" consists of any plan not included in the "required aggregation group" if the Aggregated Plan described in subparagraph (A) above would continue to meet the requirements of section 401(a)(4) and 410 of the Code with such additional plan being taken into account.

(2) Determination Date. The last day of the preceding Plan Year, or, in the case of the first plan year of any plan, the last day of such plan year. The computations made on the Determination Date shall utilize information from the immediately preceding Valuation Date.

(3) Key Employee.

(A) An Employee (or former Employee) who, at any time during the Plan Year containing the Determination Date or any of the four (4) preceding Plan Years, is:

(i) An officer of one of the Adopting Employers with annual Top-Heavy Compensation for the Plan Year greater than fifty percent (50%) of the amount in effect under section 415(b)(1)(A) of the Code for the calendar year in which that Plan Year ends;

(ii) one of the ten (10) Employees owning (or considered as owning under section 318 of the Code) the largest interest in one of the Adopting Employers, who has more than one-half of one percent (.5%) interest in such Adopting Employer, and who has annual Top-Heavy Compensation for the Plan Year at least equal to the maximum dollar limitation under section 415(c)(1)(A) of the Code for the calendar year in which that Plan Year ends;

(iii) a five percent (5%) or greater shareholder in one of the Adopting Employers; or

(iv) a one percent (1%) shareholder in one of the Adopting Employers with annual Top-Heavy Compensation from the Adopting Employer of more than one hundred fifty thousand dollars ($150,000).

(B) For purposes of paragraphs (3)(A)(iii) and (3)(A)(iv), the rules of section 414(b), (c) and (m) of the Code shall not apply. Beneficiaries of an Employee shall acquire the character of such Employee and inherited benefits will retain the character of the benefits of the Employee who performed services.

(4) Non-Key Employee. Any Employee who is not a Key Employee.

(5) Super Top-Heavy Plan. A Top-Heavy Plan in which the sum of the present value of the cumulative accrued benefits and accounts for Key Employees exceeds ninety percent (90%) of the comparable sum determined for all Employees. The foregoing determination shall be made in the same manner as the determination of a Top-Heavy Plan under this section.

(6) Top-Heavy Compensation. The term Top-Heavy Compensation shall have the same meaning as the term Compensation has under section 2.13.

(7) Top-Heavy Plan. The Plan is a Top-Heavy Plan for a Plan Year if, as of the Determination Date for that Plan Year, the sum of (i) the present value of the cumulative accrued benefits for Key Employees under all Defined Benefit Plans that are Aggregated Plans and (ii) the aggregate of the accounts of Key Employees under all Defined Contribution Plans that are Aggregated Plans exceeds sixty percent (60%) of the comparable sum determined for all Employees. For purposes of determining whether the Plan is top-heavy, a Participant's accrued benefit in a defined benefit plan will be determined under a uniform accrual method which applies in all defined benefit plans maintained by the Employer or, where there is no such method, as if such benefit accrued not more rapidly than the slowest rate of accrual permitted under the fractional rule of section 411(b)(1)(C) of the Code.

(8) Years of Top-Heavy Service. The Period of Service with the Adopting Employers that might be counted under section 411(a) of the Code, disregarding all service that may be disregarded under section 411(a)(4) of the Code.

(b) The definitions in this section and the provisions of this ARTICLE shall be interpreted in a manner consistent with section 416 of the Code.

11.5 Special Rules.

(a) For purposes of determining the present value of the cumulative accrued benefit for any Participant or the amount of the Account of any Participant, such present value or amount shall be increased by the aggregate distributions made with respect to such Participant under the Plan during the Plan Year that includes the Determination Date and the four (4) preceding Plan Years (if such amounts would otherwise have been omitted).

(b) (1) In the case of unrelated rollovers and transfers, (i) the plan making the distribution or transfer is to count the distribution as a distribution under section 416(g)(3) of the Code, and (ii) the plan accepting the rollover or transfer is not to consider the rollover or transfer as part of the accrued benefit if such rollover or transfer was accepted after December 31, 1983, but is to consider it as part of the accrued benefit if such rollover or transfer was accepted before January 1, 1984. For this purpose, rollovers and transfers are to be considered unrelated if they are both initiated by the Employee and made from a plan maintained by one employer to a plan maintained by another employer.

(2) In the case of related rollovers and transfers, the plan making the distribution or transfer is not to count the distribution or transfer under section 416(g)(3) of the Code, and the plan accepting the rollover or transfer counts the rollover or transfer in the present value of the accrued benefits. For this purpose, rollovers and transfers are to be considered related if they are not unrelated under subsection (b)(1).

(c) If any individual is a Non-Key Employee with respect to any plan for any Plan Year, but such individual was a Key Employee with respect to such plan for any prior Plan Year, any accrued benefit for such Employee (and the account of such Employee) shall not be taken into account.

(d) Beneficiaries of Key Employees and former Key Employees are considered to be Key Employees and Beneficiaries of Non-Key Employees and former Non-Key Employees are considered to be Non-Key Employees.

(e) The accrued benefit of an Employee who has not performed any service for the Adopting Employer maintaining the Plan at any time during the five (5) year period ending on the Determination Date is excluded from the calculation to determine top-heaviness. However, if an Employee performs no services, such Employee's total accrued benefit is included in the calculation for top-heaviness.

11.6 Adjustment of Limitations.

(a) If this section is applicable, then the contribution and benefit limitations in section 10.5 shall be reduced. Such reduction shall be made by modifying section 10.5(a)(2)(A) of the definition of Defined Benefit Fraction to instead be "(i) the product of 1.0 multiplied by ninety thousand dollars ($90,000), or" and by modifying section 10.5(a)(4)(A) of the definition of Defined Contribution Fraction to instead be "(i) the product of 1.0 multiplied by thirty thousand dollars ($30,000), or".

(b) This section shall be applicable for any Plan Year in which either:

(1) the Plan is a Super Top-Heavy Plan, or

(2) the Plan both is a Top-Heavy Plan (but not a Super Top-Heavy Plan) and provides contributions (other than Rollover Contributions and forfeitures to the Account of any Non-Key Employee in an amount less than four percent (4%) of such Participant's Top-Heavy Compensation, as determined in accordance with section 11.3(b).

ARTICLE XII

The Trust Fund

12.1 Trust. During the period in which this Plan remains in existence, the Company or any successor thereto shall maintain in effect a Trust with a corporation and/or an individual(s) as Trustee, to hold, invest, and distribute the Trust Fund in accordance with the terms of such Trust.

12.2 Investment of Accounts. The Trustee shall invest and reinvest the Participant's accounts in the investment options available under the Plan in accordance with ARTICLE V, as directed by the Administrator or its delegate. The Administrator shall issue such directions in accordance with the investment options selected by the Participants which shall remain in force until altered in accordance with Article V.

12.3 Expenses. Expenses of the Plan and Trust shall be paid from the Trust.

12.4 Acquisition Loans. With respect to the ESOP Portion of the Plan, the Administrator may direct the Trustee to incur Acquisition Loans from time to time to finance the acquisition of Common Stock or to repay a prior Acquisition Loan. An Acquisition Loan shall be for a specific term, shall bear a reasonable rate of interest, and shall not be payable on demand except in the event of default. Acquisition loans may be secured by the pledge of the Financed Shares so acquired (or acquired with the proceeds of a prior Acquisition Loan which is being refinanced). No other Trust assets may be pledged as collateral for an Acquisition Loan, and no lender shall have recourse against Trust assets other than any Financed Shares remaining subject to pledge. If the lender is a party in interest (as defined in ERISA), the Acquisition Loan must provide for a transfer of Trust assets on default only upon and to the extent of the failure of the Trust to meet the payment schedule of the Acquisition Loan. Any pledge of Financed Shares must provide for the release of the shares so pledged as payments on the Acquisition Loan are made by the Trustee, and such Financed Shares are allocated to Participants' ESOP Contribution Accounts under Article IV. Payments of principal and/or interest on an Acquisition Loan shall be made by the Trustee (as directed by the Administrator) only from Employer contributions paid in cash to enable the Trust to repay such Acquisition Loan, from earnings attributable to such Employer contributions, and from any cash dividends received by the Trust on such Financed Shares. Except as required by section 409(h) of the Code and by Treasury Regulations sections 54.4975(b)(9), (10), or as otherwise required by applicable law, no Financed Shares may be subject to a put, call or other option, or a buy-sell or similar arrangement while held by, or distributed from, the Plan, whether or not the ESOP Portion of the Plan is an employee stock ownership plan, within the meaning of section 4975(e)(7) of the Code at the time.

12.5 Sale of Common Stock. With respect to the ESOP Portion of the Plan, subject to the approval of the Senior Vice President of Human Resources of the Company or other officer authorized by the Board of Directors to give such approval, the Administrator may direct the Trustee to sell shares of Common Stock to any person, including the Company and any Affiliates, provided such sale must be made at a price not less favorable to the Plan than fair market value. In the event that the Trustee is unable to make payments of principal and/or interest on an Acquisition Loan when due, the Administrator may direct the Trustee to sell any Financed Shares that have not yet been allocated to Participants' ESOP Contribution Accounts or to obtain an Acquisition Loan in an amount sufficient to make such payments.

ARTICLE XIII

Administration of The Plan

13.1 General Administration. The general administration of the Plan shall be the responsibility of the Company (or any successor thereto) which shall be the Administrator and named Fiduciary for purposes of ERISA. The Company shall have the authority, in its sole discretion, to construe the terms of the Plan and to make determinations as to eligibility for benefits and as to other issues within the "Responsibilities of the Administrator" described in this ARTICLE. All such determinations of the Company shall be conclusive and binding on all persons.

13.2 Responsibilities of the Administrator. Except as otherwise provided in ERISA, the Administrator (and any other named Fiduciaries) may allocate any duties and responsibilities under the Plan and Trust among themselves in any mutually agreed upon manner. Such allocation shall be in a written document signed by the Administrator (and any other named Fiduciaries) and shall specifically set forth this allocation of duties and responsibilities, which may include the following:

(a) Determination of all questions which may arise under the Plan with respect to questions of fact and law, including without limitation eligibility for participation, administration of Accounts, membership, vesting, loans, withdrawals, accounting, status of Accounts, stock ownership and voting rights, and any other issue requiring interpretation or application of the Plan.

(b) Establishment of procedures required by the Plan, such as notification to Employees as to joining the Plan, selecting and changing investment options, suspending deferrals, exercising voting rights in stock, withdrawing and borrowing Account balances, designation of Beneficiaries, election of method of distribution, and any other matters requiring a uniform procedure.

(c) Submission of necessary amendments to supplement omissions from the Plan or reconcile any inconsistency therein.

(d) Filing appropriate reports with the government as required by law.

(e) Appointment of a Trustee or Trustees, Recordkeepers, and investment managers.

(f) Review at appropriate intervals of the performance of the Trustee and such investment managers as may have been designated.

(g) Appointment of such additional Fiduciaries as deemed necessary for the effective administration of the Plan, such appointments to be by written instrument.

13.3 Liability for Acts of Other Fiduciaries. Each Fiduciary shall be responsible only for the duties allocated or delegated to said Fiduciary, and other Fiduciaries shall not be liable for any breach of fiduciary responsibility with respect to any act or omission of any other Fiduciary unless:

(a) The Fiduciary knowingly participates in or knowingly attempts to conceal the act or omission of such other Fiduciary and knows that such act or omission constitutes a breach of fiduciary responsibility by the other Fiduciary;

(b) The Fiduciary has knowledge of a breach of fiduciary responsibility by the other Fiduciary and has not made reasonable efforts under the circumstances to remedy the breach; or

(c) The Fiduciary's own breach of his or her specific fiduciary responsibilities has enabled another Fiduciary to commit a breach. No Fiduciary shall be liable for any acts or omissions which occur prior to his or her assumption of Fiduciary status or after his or her termination from such status.

13.4 Employment by Fiduciaries. Any Fiduciary hereunder may employ, with the written approval of the Administrator, one or more persons to render service with regard to any responsibility which has been assigned to such Fiduciary under the terms of the Plan including legal, tax, or investment counsel and may delegate to one or more persons any administrative duties (clerical or otherwise) hereunder.

13.5 Recordkeeping. The Administrator shall keep or cause to be kept any necessary data required for determining the Account status of each Participant. In compiling such information, the Administrator may rely upon its employment records, including representations made by the Participant in the employment application and subsequent documents submitted by the Participant to the Employer. The Trustee shall be entitled to rely upon such information when furnished by the Administrator or its delegate. Each Employee shall be required to furnish the Administrator upon request and in such form as prescribed by the Administrator, such personal information, affidavits and authorizations to obtain information as the Administrator may deem appropriate for the proper administration of the Plan, including but not limited to proof of the Employee's date of birth and the date of birth of any person designated by a Participant as a Beneficiary.

13.6 Claims Review Procedure.

(a) Except as otherwise provided in this section 13.6, the Administrator shall make all determinations as to the right of any person to Accounts under the Plan. Any such determination shall be made pursuant to the following procedures, which shall be conducted in a manner designed to comply with section 503 of ERISA:

(1) Step 1. Claims with respect to an Account should be filed by a claimant as soon as practicable after the claimant knows or should know that a dispute has arisen with respect to an Account, but at least thirty (30) days prior to the claimant's actual retirement date or, if applicable, within sixty (60) days after the death, Disability or Severance from Service of the Participant whose Account is at issue, by mailing a copy of the claim to the Benefits and Services Department, Raytheon Company, 141 Spring Street, Lexington, Massachusetts 02173.

(2) Step 2. In the event that a claim with respect to an Account is wholly or partially denied by the Administrator, the Administrator shall, within ninety (90) days following receipt of the claim, so advise the claimant in writing setting forth: the specific reason or reasons for the denial; specific reference to pertinent Plan provisions on which the denial is based; a description of any additional material or information necessary for the claimant to perfect the claim; an explanation as to why such material or information is necessary; and an explanation of the Plan's claim review procedure.

(3) Step 3. Within sixty (60) days following receipt of the denial of a claim with respect to an Account, a claimant desiring to have the denial appealed shall file a request for review by an officer of the Company or a benefit appeals committee, as designated by the Administrator, by mailing a copy thereof to the address shown in subsection (a)(1); provided, however, that such officer or any member of such benefit appeals committee, as applicable, may not be the person who made the initial adverse benefits determination nor a subordinate of such person.

(4) Step 4. Within thirty (30) days following receipt of a request for review, the designated officer or benefit appeals committee shall provide the claimant a further opportunity to present his or her position. At the designated officer or benefit appeals committee's discretion, such presentation may be through an oral or written presentation. Prior to such presentation, the claimant shall be permitted the opportunity to review pertinent documents and to submit issues and comments in writing. Within a reasonable time following presentation of the claimant's position, which usually should not exceed thirty (30) days, the designated officer or benefit appeals committee shall inform the claimant in writing of the decision on review setting forth the reasons for such decision and citing pertinent provisions in the Plan.

(b) Except as otherwise provided in subsection (a), the Administrator is the Fiduciary to whom the Plan grants full discretion, with the advice of counsel, to interpret the Plan; to determine whether a claimant is eligible for benefits; to decide the amount, form and timing of benefits; and to resolve any other matter under the Plan which is raised by a claimant or identified by the Administrator. All questions arising from or in connection with the provisions of the Plan and its administration, not herein provided to be determined by the Board of Directors, shall be determined by the Administrator, and any determination so made shall be conclusive and binding upon all persons affected thereby.

13.7 Indemnification of Directors and Employees. The Adopting Employers shall indemnify any Fiduciary who is a director, officer or Employee of the Employer, his or her heirs and legal representatives, against all liability and reasonable expense, including counsel fees, amounts paid in settlement and amounts of judgments, fines or penalties, incurred or imposed upon him in connection with any claim, action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of acts or omissions in his or her capacity as a Fiduciary hereunder, provided that such act or omission is not the result of gross negligence or willful misconduct. The Adopting Employers may indemnify other Fiduciaries, their heirs and legal representatives, under the circumstances, and subject to the limitations set forth in the preceding sentence, if such indemnification is determined by the Board of Directors to be in the best interests of the Adopting Employers.

13.8 Immunity from Liability. Except to the extent that section 410(a) of ERISA prohibits the granting of immunity to Fiduciaries from liability for any responsibility, obligation, or duty imposed under Title I, Subtitle B, Part 4, of said Act, an officer, Employee, member of the Board of Directors of the Employer or other person assigned responsibility under this Plan shall be immune from any liability for any action or failure to act except such action or failure to act which results from said officer's, Employee's, Participant's or other person's own gross negligence or willful misconduct.

ARTICLE XIV

Amendment Or Termination Of Plan

14.1 Right to Amend or Terminate Plan. The Company reserves the right at any time or times, by action of the Board of Directors, to modify, amend or terminate the Plan in whole or in part, in which event a certified copy of the resolution of the Board of Directors, authorizing such modification, amendment or termination shall be delivered to the Trustee and to the other Adopting Employers whose Employees are covered by this Plan, provided, however, that no amendment to the Plan shall be made which shall:

(a) reduce any vested right or interest to which any Participant or Beneficiary is then entitled under this Plan or otherwise reduce the vested rights of a Participant in violation of section 411(d)(6) of the Code;

(b) vest in the Adopting Employers any interest or control over any assets of the Trust;

(c) cause any assets of the Trust to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries; or

(d) change any of the rights, duties or powers of the Trustee without its written consent.

(e) Notwithstanding the foregoing provisions of this section or any other provisions of this Plan, any modification or amendment of the Plan may be made retroactively if necessary or appropriate to conform the Plan with, or to satisfy the conditions of, ERISA, the Code, or any other law, governmental regulation or ruling. In the alternative, subject to the conditions prescribed in subsections (a) through (e), the Plan may be amended by an officer of the Company authorized by the Board of Directors to amend the Plan, provided, however, that any such amendment does not, in the view of such officer, materially increase costs of the Plan to the Company or any Adopting Employer.

14.2 Amendment to Vesting Schedule. Any amendment that modifies the vesting provisions of ARTICLE VI shall either:

(a) provide for a rate of vesting that is at least as rapid for any Participant as the vesting schedule previously in effect; or

(b) provide that any adversely affected Participant with a Period of Service of at least three (3) years may elect, in writing, to remain under the vesting schedule in effect prior to the amendment. Such election must be made within sixty (60) days after the later of the:

(1) adoption of the amendment;

(2) effective date of the amendment; or

(3) issuance by the Administrator of written notice of the amendment.

14.3 Maintenance of Plan. The Adopting Employers have established the Plan with the bona fide intention and expectation that they will be able to make contributions indefinitely, but the Adopting Employers are not and shall not be under any obligation or liability whatsoever to continue contributions or to maintain the Plan for any given length of time.

14.4 Termination of Plan and Trust. The Plan and Trust hereby created shall terminate upon the occurrence of any of the following events:

(a) Delivery to the Trustee of a notice of termination executed by the Company specifying the date as of which the Plan and Trust shall terminate; or

(b) Adjudication of the Company as bankrupt or general assignment by the Company to or for the benefit of creditors or dissolution of the Company.

Upon termination of this Plan, or permanent discontinuance of contributions hereunder, with or without written notification, the rights of each Participant to the amounts credited to that Participant's Account at such time shall be fully vested and nonforfeitable. In the event a partial termination of the Plan is deemed to have occurred, each Participant affected shall be fully vested in and shall have a nonforfeitable right to the amounts credited to that Participant's Account with respect to which the partial termination occurred.

14.5 Distribution on Termination.

(a)(1) If the Plan is terminated, or contributions permanently discontinued, an Adopting Employer, at its discretion, may (at that time or at any later time) direct the Trustee to distribute the amounts in a Participant's Account in accordance with the distribution provisions of the Plan. Such distribution shall, notwithstanding any prior provisions of the Plan, be made in a single lump-sum without the Participant's consent as to the timing of such distribution. If, however, an Adopting Employer (or an Affiliate) maintains another defined contribution plan (other than an employee stock ownership plan), then the preceding sentence shall not apply and the Adopting Employer, at its discretion, may direct such distributions to be made as a direct transfer to such other plan without the Participant's consent, if the Participant does not consent to an immediate distribution.

(2) If an Adopting Employer does not direct distribution under paragraph (1), each Participant's Account shall be maintained until distributed in accordance with the provisions of the Plan (determined without regard to this section) as though the Plan had not been terminated or contributions discontinued.

(b) If the Administrator determines that it is administratively impracticable to make distributions under this section in cash or that it would be in the Participant's best interest to make some or all of the distributions with in-kind property, it shall offer all Participants and Beneficiaries entitled to a distribution under this section a reasonable opportunity to elect to receive a distribution of the in-kind property being distributed by the Trust. Those Participants and Beneficiaries so electing shall receive a proportionate share of such in-kind property in the form (outright, in trust or in partnership) that the Administrator determines will provide the most feasible method of distribution.

(c)(1) Amounts attributable to elective contributions shall only be distributable by reason of this section if one of the following is applicable:

(A) the Plan is terminated without the establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan);

(B) an Adopting Employer has a sale or other disposition to an unrelated corporation of substantially all of the assets used by the Adopting Employer in a trade or business of the Adopting Employer with respect to an Employee who continues employment with the corporation acquiring such assets; or

(C) an Adopting Employer has a sale or other disposition to an unrelated entity of the Adopting Employer's interest in a subsidiary with respect to an Employee who continues employment with such subsidiary.

(2) For purposes of this subsection, the term "elective contributions" means employer contributions made to the Plan that were subject to a cash or deferred election under a cash or deferred arrangement.

(3) Elective contributions are distributable under subsections (c)(1)(B) and (C) above only if the Adopting Employers continue to maintain the Plan after the disposition.

ARTICLE XV

Additional Provisions

15.1 Effect of Merger, Consolidation or Transfer. In the event of any merger or consolidation with or transfer of assets or liabilities to any other plan or to this Plan, each Participant of the Plan shall be entitled to a benefit immediately after the merger, consolidation or transfer, which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation or transfer (if the Plan had been terminated).

15.2 No Assignment.

(a) Except as provided herein, the right of any Participant or Beneficiary to any benefit or to any payment hereunder shall not be subject to alienation, assignment, garnishment, attachment, execution or levy of any kind.

(b) Subsection (a) shall not apply to any payment or transfer permitted by the Internal Revenue Service pursuant to regulations issued under section 401(a)(13) of the Code.

(c) Subsection (a) shall not apply to any payment or transfer pursuant to a Qualified Domestic Relations Order.

(d) Subsection (a) shall not apply to any payment or transfer to the Trust in accordance with section 401(a)(13)(C) of the Code to satisfy the Participant's liabilities to the Plan or Trust in any one or more of the following circumstances:

(1) the Participant is convicted of a crime involving the Plan;

(2) a civil judgment (or consent order or decree) in an action is brought against the Participant in connection with an ERISA fiduciary violation; or

(3) the Participant enters into a settlement agreement with the Department of Labor or the Pension Benefit Guaranty Corporation over an ERISA fiduciary violation.

15.3 Limitation of Rights of Employees. This Plan is strictly a voluntary undertaking on the part of the Adopting Employers and shall not be deemed to constitute a contract between any of the Adopting Employers and any Employee, or to be a consideration for, or an inducement to, or a condition of the employment of any Employee. Nothing contained in the Plan shall be deemed to give any Employee the right to be retained in the service of any of the Adopting Employers or shall interfere with the right of any of the Adopting Employers to discharge or otherwise terminate the employment of any Employee of an Adopting Employer at any time. No Employee shall be entitled to any right or claim hereunder except to the extent such right is specifically fixed under the terms of the Plan.

15.4 Construction. The provisions of this Plan shall be interpreted and construed in accordance with the requirements of the Code and ERISA. Any amendment or restatement of the Plan or Trust that would otherwise violate the requirements of section 411(d)(6) of the Code or otherwise cause the Plan or Trust to cease to be qualified under section 401(a) of the Code shall be deemed to be invalid. Capitalized terms shall have meanings as defined herein. Singular nouns shall be read as plural, masculine pronouns shall be read as feminine and vice versa, as appropriate. References to "section" or "ARTICLE" shall be read as references to appropriate provisions of this Plan, unless otherwise indicated.

15.5 Company Determinations. Any determinations, actions or decisions of the Company (including but not limited to, Plan amendments and Plan termination) shall be made by its Board of Directors in accordance with its established procedures or by such other individuals, groups or organizations that have been properly delegated by the Board of Directors to make such determination or decision.

15.6 Continued Qualification. This Plan is amended and restated with the intent that it shall continue to qualify under sections 401(a), 401(k) and 4975(e)(7) of the Code as those sections exist at the time the Plan is amended and restated. If the Internal Revenue Service determines that the Plan does not meet those requirements as amended and restated, the Plan shall be amended retroactively as necessary to correct any such inadequacy. Section 7.2 shall not be effective until the date the Internal Revenue Service issues a favorable determination letter with respect to the Plan as amended and restated herein (including section 7.2). Until section 7.2 becomes effective in accordance with the immediately preceding sentence of this section 15.6, a Participant may withdraw all or a portion of his or her Employee After-Tax Contribution Account, subject to the condition that if a Participant has a Period of Participation of less than five (5) years such Participant may not make any Employee After-Tax Contributions under the Plan for at least six (6) months after receipt of the in-service withdrawal.

15.7 Governing Law. This Plan shall be governed by, construed and administered in accordance with ERISA and any other applicable federal law; provided, however, that to the extent not preempted by federal law, this Plan shall be governed by, construed and administered under the laws of the Commonwealth of Massachusetts, other than its laws respecting choice of law.

Exhibit A

ADOPTING EMPLOYERS
As of January 1, 1999
(Unless Indicated Otherwise)

I. Raytheon Systems Company; but only with respect to the following divisions, operations or similar cohesive groups:

Legacy Co.	Payroll	Eligible Division, Operation or Similar Cohesive Group
(A.) Training and Services		
RSC cc05	EX, NE,H	All Non-Union
SE cc26	EX, NE	
HTSC (HAC)	EX, NE	All Non-Union/Non-SCA
HTI	EX, NE	All Non-Union/Non-SCA
HSTX	EX, NE, H	
HTSC	H	AFGE, Local 1744 (Indianapolis, IN)
(B.) RSC Defense Systems		
RES	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
TI	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
E-SYS	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
HAC	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
STDMIS	EX, NE (PS)	Non-Union Hourly/Non-SCA
HAC	H	IAMAW Dist. Lodge 725, IAM Lodge 1125
(San Diego, CA)		
HAC	H	IAM Lodge 830 (Louisville, KY (HMSC))
HHG	EX, NE, H	HHG
(C.) 12		
RES	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
TI	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
E-SYS	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
HAC	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
(D.) 03		
RES	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
TI	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
E-SYS	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
HAC	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
HAC	H	UPIU, Local 7254 (Comm Systems--Ft. Wayne, IN)

(E.) Sensors

RES	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
TI	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
E-SYS	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
HAC	EX, NE, H (PS)	Non-Union Hourly/Non-SCA
HAW	EX, NE	
HAMI	EX, NE	
HAC	H	East, Local 1553 (LA, CA area)
HAC	H	IBEW, Local 2295 (LA, CA area (HAC))
Amber	EX, NE	Amber

II. Raytheon Corporate; but only with respect to the following divisions, operations or similar cohesive groups:

Legacy Co.	Payroll	Eligible Division, Operation or Similar Cohesive Group
	EX, NE, H	Salaried & Non-Union Hourly

III. Raytheon Microelectronics; but only with respect to the following divisions, operations or similar cohesive groups:

Legacy Co.	Payroll	Eligible Division, Operation or Similar Cohesive Group
	EX, NE, H	Salaried & Non-Union Hourly

IV. Raytheon Marine Company; but only with respect to the following divisions, operations or similar cohesive groups:

Legacy Co.	Payroll	Eligible Division, Operation or Similar Cohesive Group
	EX, NE, H	Salaried & Non-Union Hourly

V.Cedarapids; but only with respect to the following divisions, operations or similar cohesive groups:

Legacy Co.	Payroll	Eligible Division, Operation or Similar Cohesive Group
	EX, NE, H	Salaried & Non-Union Hourly

VI. Raytheon Aircraft Company; but only with respect to the following divisions operations or similar cohesive groups:

Legacy Co.	Payroll	Eligible Division, Operation or Similar Cohesive Group

(A.) Raytheon Aircraft and Raytheon Aerospace

	EX, NE, H	Salaried & Non-Union Hourly

VII. Raytheon Engineers & Constructors; but only with respect to the following divisions, operations or similar cohesive groups:

Legacy Co.	Payroll	Eligible Division, Operation or Similar Cohesive Group
	EX, NE, H	Salaried & Non-Union Hourly

Exhibit B

Special Withdrawal and Distribution Provisions

This Exhibit B describes special withdrawal and distribution provisions that apply with respect to certain assets transferred directly from other retirement plans to the Plan in accordance with section 4.5 of the Plan. Except as otherwise provided herein, the special withdrawal and distribution provisions apply only with respect to the assets, together with earnings thereon, transferred from the other plans (hereinafter referred to as the "Transferred Account Balances").

As of January 1, 1999, this Exhibit B includes special withdrawal and distribution provisions applicable to the Transferred Account Balances from the following retirement plans:

A. Hughes Section 401(k) Savings Plan

B. Hughes STX Corporation 401(k) Retirement Plan

C. The 401(k) Plan for Employees of MESC Electronic Systems, Inc.

D. The 401(k) Plan for Bargaining Unit Employees of MESC Electronic Systems, Inc.

E. E-Systems, Inc. Employee Savings Plan

F. Serv-Air, Inc. Savings and Retirement Plan

G. Savings and Investment Plan of Standard Missile Company, L.L.C.

A. This paragraph A describes special withdrawal and distribution provisions applicable to Participants with Transferred Account Balances from the Hughes Section 401(k) Savings Plan:

(1) Directed Transfer to Account Plan: Notwithstanding section 8.3 of the Plan, a Participant who meets all of the requirements listed below may elect in writing on a form provided by the Administrator for this purpose to have his Transferred Account Balance transferred to the Hughes Personal Retirement Account Plan ("Account Plan") and applied to the purchase of an immediate annuity, in accordance with the applicable annuity factors and other provisions of the Account Plan. The requirements that must be met are:

(a) the Participant has had a Severance from Service;

(b) the Participant, as of the Severance from Service Date, was a participant in the Account Plan;

(c) the Participant is entitled to an immediate distribution of his or her accrued benefits under the Account Plan in the form of an annuity or a lump sum;

(d) the Participant has irrevocably elected to receive his accrued benefit under the Account Plan in the form of an immediate annuity; and

(e) the Participant was not, immediately prior to such Severance from Service - (i) a union employee whose terms of employment were the subject of a collective bargaining agreement or the subject of negotiation by a labor union or other labor organization, or (ii) an employee of CAE Vanguard Inc. or CAE ScreenPlates, Inc. or any subsidiary thereof.

(2) Special Distribution Rules for March 31, 1990 Account Balances: This subsection applies to Participants who had an account in the Hughes Section 401(k) Savings Plan on March 31, 1990 (a "3/31/90 Member"). In addition, the special distribution rules available to 3/31/90 Members apply solely with respect to the value of such account on the March 31, 1990 valuation date under the plan (the "3/31/90 Balance").

(a) Additional Methods of Distribution: Notwithstanding section 8.3 of the Plan, a 3/31/90 Member shall have the following additional forms of distribution elections available with respect to his 3/31/90 Balance:

(i) withdrawal in a single lump sum distribution of the amount credited to the Participant's 3/31/90 Balance attributable to voluntary after-tax contributions with or without the deferral of the receipt in a single lump sum distribution of the Participant's 3/31/90 Balance attributable to pre-tax contributions and rollover contributions to a date no later than the April first (1st) following the calendar year during which the Participant attains age seventy and one-half (70-1/2); or

(ii) purchase of an annuity contract from a life insurance company under tables based on unisex mortality assumptions with all or any portion of the Participant's 3/31/90 Balance and taking a single lump sum distribution with respect to any portion of such 3/31/90 Balance not applied to the purchase of the annuity.

(b) Special Informational Requirement: Information showing the Participant the financial effects of the various distribution options available with respect to the 3/31/90 Balance shall be provided to the Participant at least ninety (90) days prior to the date the Participant becomes eligible for a benefit under the Plan.

(c) Special Annuity Contract Requirements: The following rules shall apply with respect to any 3/31/90 Member who elects the annuity contract option:

(i) The annuity contract shall provide for periodic annuity payments for the life of the 3/31/90 Member and the continuation of fifty percent (50%) of the amount of the periodic annuity payments the 3/31/90 Member was receiving (or was entitled to receive at his date of death) to the 3/31/90 Member's spouse on the date the annuity payments to the 3/31/90 Member commenced (or, if earlier, on the date of the 3/31/90 Member's death). The 3/31/90 Member may revoke such election and elect any other form of benefit; provided, however, that the 3/31/90 Member may not re-elect the forms of distribution specified above for a reasonable period of time before the purchase of the annuity contract, as determined by the Administrator. Such annuity contract may not contain an "interest only option" form of distribution. The revocation of an election to have benefits paid in the form of an annuity must be made in the form and manner prescribed by the Administrator and after the Participant shall have been furnished with a written explanation of (A) the terms and conditions of the annuity benefit, (B) the Participant's right to revoke an election of an annuity benefit, (C) the general financial effect of such an election to revoke, (D) the requirement that the consent of the Participant's spouse, if any, is required to make a revocation and (E) the rights of the Participant's spouse, if any. A Participant's election to revoke the annuity benefit shall be effective only if it is accompanied by the written notarized consent of the Participant's spouse, if any, and shall specify the other form of benefit and identify the beneficiary, if any, and shall acknowledge the effect of the election.

(ii) The annuity contract must provide that benefits will commence no later than the April first (1st) following the calendar year during which the Participant attains age seventy and one-half (70-1/2) and, if the spouse of the 3/31/90 Member is not the Participant's Beneficiary, payments under any periodic payment option offered under the annuity contract to such 3/31/90 Member and his Beneficiary must be completed during a period not exceeding the life expectancy of the 3/31/90 Member, or the joint life expectancy of such Participant and his Beneficiary or, if the Beneficiary is not treated as a natural person, five (5) years. The forms of distribution offered under the annuity contract must otherwise satisfy the minimum distribution requirements under the Code.

(iii) An annuity contract that does not provide for immediate payment of benefits must provide for all other forms of distribution then available to the 3/31/90 Member under the Plan at all times prior to the commencement of benefit payments under such contract.

(iv) The annuity contract option shall be available to any 3/31/90 Member with respect to any portion of his 3/31/90 Balance that he has elected to defer.

(v) Any 3/31/90 Member who elects the annuity contract option shall have the annuity contract distributed to him in lieu of cash or other property for the portion of his 3/31/90 Balance that was applied to the purchase of the annuity contract.

(3) In-Service Distributions of Matching Contributions After Age 70-1/2: Notwithstanding section 7.3 of the Plan, with respect to Participants who attain age seventy and one-half (70-1/2) prior to January 1, 1999, such Participants may withdraw, after attaining age seventy and one-half and subject to a minimum withdrawal amount of two hundred fifty dollars ($250), all or a part of the Participants' Transferred Account Balances attributable to Matching Contributions, regardless of whether the Participants have completed a Period of Participation of five (5) years.

B. This paragraph B describes special withdrawal and distribution provisions applicable to Participants with Transferred Account Balances from the Hughes STX Corporation 401(k) Retirement Plan:

(1) Five (5)-Year Installment Distribution Option: Notwithstanding section 8.3 of the Plan, Participants can elect to receive their Transferred Account Balances in accordance with one of the following distribution options:

(a) Payment in a single sum; or
(b) Payment in substantially equal annual installments over a period not to exceed five (5) years.

(2) In-Service Distributions of Matching Contributions After Age 70-1/2: Notwithstanding section 7.3 of the Plan, with respect to Participants who attain age seventy and one-half (70-1/2) prior to January 1, 1999, such Participants may withdraw, after attaining age seventy and one-half and subject to a minimum withdrawal amount of two hundred fifty dollars ($250), all or a part of the Participants' Transferred Account Balances attributable to Matching Contributions, regardless of whether the Participants have completed a Period of Participation of five (5) years.

C. This paragraph C describes special withdrawal and distribution provisions applicable to Participants with Transferred Account Balances from The 401(k) Plan for Employees of MESC Electronic Systems, Inc. or The 401(k) Plan for Bargaining Unit Employees of MESC Electronic Systems, Inc.:

(1) Special Distribution Provisions for Philips Participants: This paragraph describes special withdrawal and recordkeeping requirements applicable to Participants whose Transferred Account Balances include assets transferred from the North American Philips Corporation Employee Savings Plan effective as of October 23, 1993 (hereinafter referred to as "Philips Participants" and "Philips Assets").

(a) Notwithstanding section 7.3 of the Plan to the contrary, with respect to Matching Contributions attributable to Philips Assets, Philips Participants may withdraw, subject to a minimum withdrawal amount of two hundred fifty dollars ($250), all or a portion of such Matching Contributions, regardless of whether the Participants have completed a Period of Participation of five (5) years.

(b) The portion of a Philips Participant's Transferred Account Balance attributable to after-tax contributions under the Philips Plan shall be maintained in two separate sub-accounts under the Plan - (i) one sub-account for after-tax contributions made prior to January 1, 1987, together with earnings thereon, and (ii) a second sub-account for after-tax contributions made after December 31, 1986, together with earnings thereon.

(2) In-Service Distributions of Matching Contributions After Age 70-1/2: Notwithstanding section 7.3 of the Plan, with respect to Participants who attain age seventy and one-half (70-1/2) prior to January 1, 1999, such Participants may withdraw, after attaining age seventy and one-half and subject to a minimum withdrawal amount of two hundred fifty dollars ($250), all or a part of the Participants' Transferred Account Balances attributable to Matching Contributions, regardless of whether the Participants have completed a Period of Participation of five (5) years.

D. This paragraph D describes special withdrawal and distribution provisions applicable to Participants with Transferred Account Balances from the E-Systems, Inc. Employee Savings Plan:

(1) Insured Annuity Distribution Option: Notwithstanding section 8.3 of the Plan, Participants can elect to receive their Transferred Account Balances in accordance with one of the following distribution options:

(a) Payment in a single, lump-sum; or

(b) Payment in the form of an annuity contract purchased from an insurance company. The election of an annuity and the distribution of the annuity contract shall be subject to the requirements imposed by sections 401(a)(11) and 417 of the Code.

(2) Pre-April 1, 1995 Death Beneficiaries: Notwithstanding section 8.2(c) of the Plan, Beneficiaries of Participants who died prior to April 1, 1995 can defer the commencement of distributions in accordance with the provisions of section 401(a)(9) of the Code.

E. This paragraph E describes special withdrawal and distribution provisions applicable to Participants with Transferred Account Balances from the Serv-Air, Inc. Savings and Retirement Plan:

(1) Installment Distribution Option: Notwithstanding section 8.3 of the Plan, Participants can elect to receive their Transferred Account Balances in accordance with one of the following distribution options:

(a) Payment in a single, lump-sum; or

(b) Payment in substantially equal installments over a period certain designated by the Participant, which period shall not exceed the life expectancy of the Participant or the joint life expectancies of the Participant and his or her Beneficiary.

F. This paragraph F describes special withdrawal and distribution provisions applicable to Participants with Transferred Account Balances from the Savings and Investment Plan of Standard Missile Company, L.L.C.:

(1) Installment Distribution Option: Notwithstanding section 8.3 of the Plan, Participants can elect to receive their Transferred Account Balances in accordance with one of the following distribution options:

(a) Payment in a single, lump-sum; or

(b) Payment in substantially equal installments over a period certain designated by the Participant, which period shall not exceed the life expectancy of the Participant or the joint life expectancies of the Participant and his or her Beneficiary.

(2) In-Service Distributions of Employer Contributions: Notwithstanding ARTICLE VII of the Plan, subject to the terms and conditions of section 7.7, after completing a Period of Participation of five (5) years or more, a Participant may withdraw all or a portion of his or her Transferred Account Balance attributable to employer contributions under the Savings and Investment Plan of Standard Missile Company, L.L.C.

(3) Full Vesting Following Layoff: Notwithstanding ARTICLE VI, a Participant shall have a nonforfeitable right to all amounts in the Participant's Transferred Account Balance following a layoff. For this purpose, the term "layoff" shall mean an involuntary interruption of service due to reduction of work force with or without the possibility of recall to employment when conditions warrant.

Exhibit C

Designation of Prior Year Method for ADP and ACP Testing (Plan sections 1.3(b) and 4.8(c)(1) and (2))

Except as otherwise provided below, for Plan Years beginning after December 31, 1996, the Administrator shall use the "Current Year Method" for complying with the nondiscrimination requirements in sections 401(k) and (m) of the Code:

Testing Plan *	Plan Year(s)

* The "Testing Plan" can be the entire Plan, or one or more disaggregated "Testing Plans" as permitted under the applicable regulations or other guidance.

EXHIBIT 10.24

RAYTHEON EMPLOYEE SAVINGS AND INVESTMENT PLAN

ARTICLE I

Adoption of the Plan

1.1 Amendment and Restatement.

(a) The Raytheon Employee Savings and Investment Plan (the "Plan") was originally established effective July 1, 1987, as the Badger Savings and Investment Plan. Raytheon Company, a corporation organized under the laws of the state of Delaware, adopted the Plan effective May 12, 1993, and changed its name to the Raytheon Employee Savings and Investment Plan. Raytheon Company desires to amend and restate the Plan in its entirety effective January 1, 1999. The amended and restated Plan shall consist of three portions - (1) a profit sharing plan that includes a cash or deferred arrangement under section 401(k) of the Code ("401(k) Portion"), (2) a stock bonus plan ("Stock Bonus Portion"), and (3) a stock bonus plan that constitutes an employee stock ownership plan within the meaning of section 4975(e)(7) of the Code ("ESOP Portion"). Except as otherwise provided herein, the provisions of the Plan shall apply in the same manner to the 401(k), Stock Bonus and ESOP Portions of the Plan.

(b) In accordance with sections 4.5(a) and 15.1 of the Plan, effective January 1, 1999, all or a portion of the following qualified retirement plans shall merge into and become part of the Plan:

Raytheon Savings and Investment Plan for Specified Hourly Employees
Raytheon Tucson Bargaining Savings and Investment Plan (10013)
Raytheon Savings and Investment Plan (10014)
Serv-Air, Inc. Savings and Retirement Plan
Raytheon Stock Ownership Plan for Specified Hourly Employees

The above-referenced qualified retirement plans shall cease to exist as separate plans after December 31, 1998.

(c) The Plan is intended to comply with all of the applicable requirements under sections 401(a), 401(k) and 4975(e)(7) of the Code and the terms of the Plan shall be interpreted consistent therewith.

1.2 Trust. The Trust shall be the sole source of benefits under the Plan and the Adopting Employers or any Affiliate shall not have any liability for the adequacy of the benefits provided under the Plan.

1.3 Effective Date.

(a) General Effective Date: The amended and restated Plan shall be effective as of January 1, 1999, or such other dates as may be specifically provided herein or as otherwise required by law for the Plan to satisfy the requirements of section 401(a) of the Code.

(b) Special Effective Dates: The following special effective dates apply with respect to the Plan, including the separate plans merged into the Plan effective January 1, 1999 and identified in section 1.1(b):

(1) Section 3.6 shall be effective on and after December 12, 1994, in accordance with the requirements of section 414(u) of the Code.

(2) For Plan Years beginning after December 31, 1997 and before January 1, 1999, the definition of compensation used to apply the limitations on contributions and benefits under section 415 of the Code shall include any elective deferral (as defined in section 402(g)(3)), and any amount which is contributed or deferred by the Employer at the election of a Participant and which is not includible in the gross income of the Participant by reason of section 125 or 457 of the Code.

(3) Section 2.31 shall be effective for Plan Years beginning after December 31, 1996.

(4) Section 8.2(f) shall be effective for Plan Years beginning after December 31, 1996.

(5) For Plan Years beginning after December 31, 1996, the family aggregation rules prescribed in sections 414(q) and 401(a)(17) of the Code shall no longer apply.

(6) Sections 8.2(b) and (c) shall apply with respect to distributions made on or after the first Pay Period commencing on or after September 25, 1998. (7) Section 2.34 shall be effective for Plan Years beginning after December 31, 1996. (8) Sections 4.8 though 4.12 shall be effective for Plan Years beginning after December 31, 1996.

1.4 Adoption of Plan. With the prior approval of the Senior Vice President of Human Resources of the Company or other officer to whom authority to approve participation by an entity is delegated by the Board of Directors, the Plan and Trust may be adopted by any corporation or other entity (hereinafter referred to as an Adopting Employer). Such adoption shall be made by the Adopting Employer taking the actions designated by the Administrator as appropriate to the proper adoption and operation of the Plan and Trust. In the event of the adoption of the Plan and Trust by an Adopting Employer, the Plan and Trust shall be interpreted in a manner consistent with such adoption. The Adopting Employers shall be listed in Exhibit A attached to this Plan.

1.5 Withdrawal of Adopting Employer.

(a) An Adopting Employer's adoption of this Plan may be terminated, voluntarily or involuntarily, at any time, as provided in this section.

(b) An Adopting Employer shall withdraw from the Plan and Trust if the Plan and Trust, with respect to that Adopting Employer, fail to qualify under sections 401(a) and 501(a) of the Code (or, in the opinion of the Administrator, they may fail to so qualify) and the continued sponsorship of that Adopting Employer may jeopardize the status with respect to the Company or the remaining Adopting Employers, of the Plan and Trust under sections 401(a) and 501(a) of the Code. The Adopting Employer shall receive at least thirty (30) days prior written notice of a withdrawal under this subsection, unless a shorter period is agreed to.

(c) An Adopting Employer may voluntarily withdraw from the Plan and Trust for any reason. Such withdrawal requires at least thirty (30) days written notice to the Administrator and the Trustee, unless a shorter period is agreed to.

(d) Upon withdrawal, the Trustee shall segregate the assets attributable to Employees of the withdrawn Adopting Employer, the amount thereof to be determined by the Administrator and the Trustee. The segregated assets shall be held, paid to another trust, distributed or otherwise disposed of as is appropriate under the circumstances; provided, however, that any transfer shall be for the exclusive benefit of Participants and their Beneficiaries. A withdrawal of an Adopting Employer from the Plan is not necessarily a termination under ARTICLE XIV. If the withdrawal is a termination, then the provisions of ARTICLE XIV shall also be applicable.

ARTICLE II

Definitions

The following terms have the meaning specified below unless the context indicates otherwise:

2.1 Account. The entire interest of a Participant in the Trust Fund. A Participant's Account shall consist of the following subaccounts: an Elective Deferral Account and, where applicable, an Employee After-Tax Contribution Account, a Matching Contribution Account, an ESOP Contribution Account, an Employer Contribution Account, a Rollover Contribution Account and a Qualified Nonelective Contribution Account. The Administrator may set up such additional subaccounts as it deems necessary for the proper administration of the Plan.

2.2 Acquisition Loan. A loan or other extension of credit used by the Trustee to finance the acquisition of Common Stock with respect to the ESOP Portion of the Plan, which loan may constitute an extension of credit to the Trust from a party in interest (as defined in ERISA).

2.3 Administrator. The person, persons, corporation, committee, group or organization designated to be the Administrator of the Plan and to perform the duties of the Administrator. Until and unless otherwise designated, the Administrator shall be the Company.

2.4 Adopting Employers. Any corporation or other entity that elects to participate in the Plan on account of some or all of its Employees, provided that participation in the Plan by such entity is approved by the Senior Vice President of Human Resources of the Company or other officer to whom authority to approve participation by an entity is delegated by the Board of Directors. If an adopting entity does not participate in the Plan with respect to all of its Eligible Employees, the term "Adopting Employer" shall include only those divisions, operations or similar cohesive groups of the adopting entity that participate in the Plan. The Adopting Employers, and, if applicable, the divisions, operations or similar cohesive groups of such Adopting Employers that participate in the Plan, shall be listed in Exhibit A to this Plan.

2.5 Affiliate. A trade or business that, together with an Adopting Employer is a member of (i) a controlled group of corporations within the meaning of section 414(b) of the Code; (ii) a group of trades or businesses (whether or not incorporated) under common control as defined in section 414(c) of the Code, or (iii) an affiliated service group as defined in section 414(m) of the Code, or which is an entity otherwise required to be aggregated with the Adopting Employer pursuant to section 414(o) of the Code. For purposes of ARTICLE X, the determination of controlled groups of corporations and trades or businesses under common control shall be made after taking into account the modification required under section 415(h) of the Code. All such entities, whether or not incorporated, shall be treated as a single employer to the extent required by the Code.

2.6 Authorized Leave of Absence. An absence approved by an Adopting Employer on a uniform and nondiscriminatory basis not exceeding one (1) year for any of the following reasons: illness of an Employee or a relative, the death of a relative, education of the Employee, or personal or family business of an extraordinary nature, provided in each case that the Employee returns to the service of the Adopting Employer within the time period specified by the Adopting Employer.

2.7 Beneficiary. The person or persons (including a trust or trusts) who are entitled to receive benefits from a deceased Participant's Account after such Participant's death (whether or not such person or persons are expressly so designated by the Participant).

2.8 Board of Directors. The Board of Directors of Raytheon Company.

2.9 Code. The Internal Revenue Code of 1986, as amended.

2.10 Common Stock. Raytheon Company Class B common stock.

2.11 Company. Raytheon Company.

2.12 Compensation.

(a) (1) Except as otherwise provided herein and in Exhibit C to this Plan, the base pay (including vacation and sick pay for unused vacation and sick leave), supervisory differentials, shift premiums and sales commissions paid to a Participant by the Employer, excluding all other earnings from any source.

(2) In all cases, however, notwithstanding any exclusions above, Compensation shall include any amount which would otherwise be deemed Compensation under this subsection 2.13(a) but for the fact that it is deferred pursuant to a salary reduction agreement under this Plan or under any plan described in section 401(k) or 125 of the Code.

(b) The Compensation of each Participant for any year shall not exceed one hundred fifty thousand dollars ($150,000), as adjusted for increases in the cost-of-living in accordance with section 401(a)(17)(B) of the Code.

(c) Unless otherwise indicated herein, Compensation shall be determined only on the basis of amounts paid during the Plan Year, including any Plan Year with a duration of fewer than twelve (12) months.

(d) The Compensation of a person who becomes a Participant during the Plan Year shall only include amounts paid after the date on which such person was admitted as a Participant.

2.13 Current Market Value. The closing price of the Common Stock on the New York Stock Exchange on the Trade Day immediately preceding the Trade Day on which the Common Stock is allocated to the Participants' Accounts in accordance with the terms of the Plan.

2.14 Disability. A Participant who is totally and permanently disabled by bodily injury or disease so as to be prevented from engaging in any occupation for compensation or profit. The determination of Disability shall be made by the Administrator with the aid of competent medical advice. It shall be based on such evidence as the Administrator deems necessary to establish Disability or the continuation thereof.

2.15 Effective Date. The effective date of this amendment and restatement of the Plan shall be January 1, 1999, or such other dates as may be specifically provided in section 1.3 or as otherwise required by law for the Plan to satisfy the requirements of section 401(a) of the Code.

2.16 Elective Deferral. A voluntary reduction of a Participant's Compensation in accordance with section 4.1(a) hereof that qualifies for treatment under section 402(e)(3) of the Code. A Participant's election to make Elective Deferrals may be made only with respect to an amount that the Participant could otherwise elect to receive in cash and that is not currently available to the Participant.

2.17 Elective Deferral Account. That portion of a Participant's Account which is attributable to Elective Deferrals, adjusted for withdrawals and distributions, and the earnings and losses attributable thereto.

2.18 Eligible Employee. A person who is an Employee of an Adopting Employer who:

(a) is on a United States-Based Payroll;

(b) is not employed in a position or classification within a bargaining unit which is covered by a collective bargaining agreement with respect to which retirement benefits were the subject of good faith bargaining (unless such agreement provides for coverage hereunder of Employees of such unit);

(c) is not assigned on the books and records of the Employer to any division, operation or similar cohesive group of an Adopting Employer that is excluded from participation in the Plan by the Board of Directors or a duly authorized officer;

(d) is not eligible to participate in the Raytheon Savings and Investment Plan or the Raytheon Savings and Investment Plan for Employees in Puerto Rico; and

(e) is not a Leased Employee or any other person who performs services for an Adopting Employer other than as an Employee.

2.19 Employee. Except to the extent otherwise provided herein, any person employed by an Employer who is expressly so designated as an employee on the books and records of the Employer and who is treated as such by the Employer for federal employment tax purposes. Any person who, after the close of a Plan Year, is retroactively treated by the Employer or any other party as an employee for such prior Plan Year shall not, for purposes of the Plan, be considered an Employee for such prior Plan Year unless expressly so treated as such by the Employer.

2.20 Employee After-Tax Contributions. Voluntary contributions made by Participants on an after-tax basis in accordance with section 4.1(b) of the Plan.

2.21 Employee After-Tax Contribution Account. That portion of a Participant's Account which is attributable to Employee After-Tax Contributions, adjustments for withdrawals and distributions, and the earnings and losses attributable thereto.

2.22 Employer. An Adopting Employer and any Affiliate thereof (whether or not such Affiliate has in the Plan).

2.23 Employer Contributions. Any contribution by the Adopting Employers to the Trust pursuant to section 4.1(d).

2.24 Employer Contribution Account. That portion of a Participant's Account which is attributable to Employer Contributions received pursuant to section 4.1(d), adjusted for withdrawals and distributions, and the earnings and losses attributable thereto.

2.25 Employment Commencement Date. The date on which an individual first performs an Hour of Service with the Employer.

2.26 ERISA. The Employee Retirement Income Security Act of 1974, as amended.

2.27 ESOP Contributions. Any contribution by the Adopting Employers to the Trust pursuant to section 4.3(a).

2.28 ESOP Contribution Account. That portion of a Participant's Account which is attributable to ESOP Contributions received pursuant to section 4.3(a), adjusted for withdrawals and distributions, and the earnings and losses attributable thereto.

2.29 Fiduciary. Any person who exercises any discretionary authority or discretionary control over the management of the Plan, or exercises any authority or control respecting management or disposition of Plan assets; who renders investment advice for a fee or other compensation, direct or indirect, as to assets held under the Plan, or has any authority or discretionary responsibility in the administration of the Plan. This definition shall be interpreted in accordance with section 3(21) of ERISA.

2.30 Financed Shares. Shares of Common Stock acquired by the Trust with the proceeds of an Acquisition Loan.

2.31 Highly Compensated Employee.

(a) Any Employee who:

(1) is a five percent (5%) owner at any time during the Plan Year or the preceding Plan Year; or

(2) for the preceding Plan Year received Compensation in excess of the amount specified in section 414(q)(1)(B)(i) of the Code.

(b) A former Employee will be treated as a Highly Compensated Employee if the former Employee was a Highly Compensated Employee at the time of his or her separation from service or the former Employee was a Highly Compensated Employee at any time after attaining age fifty-five (55).

(c) The dollar amount incorporated under subsection (a)(2) shall be adjusted as provided in section 414(q)(1) of the Code.

(d) For purposes of this section, the term "Compensation" means compensation as defined under section 414(q)(4) of the Code. (e) This section shall be interpreted in a manner consistent with section 414(q) of the Code and the regulations thereunder and shall be interpreted to permit any elections permitted by such regulations to be made.

2.32 Hour of Service.

(a) Any hour for which any person is directly or indirectly paid (or entitled to payment) by the Employer for the performance of duties as an Employee, as determined from the appropriate records of the Employer.

(b) In computing Hours of Service, a person shall also be credited with Hours of Service based on the person's previous customary service with the Employer (not exceeding either eight (8) hours per day or forty (40) hours per week), for the following periods:

(1) periods (limited to a maximum of five hundred one (501) hours for any single, continuous period) for which the person is directly or indirectly paid for reasons other than the performance of duties, such as vacation, holiday, sickness, disability, layoff, jury duty or military duty;

(2) periods for which any federal law requires that credit for service be given; and (3) periods for which back pay (irrespective of mitigation of damages) is either awarded or agreed to by the Employer.

(c) Hours of Service shall also include each hour for which an Employee is entitled to credit under subsection (a) as a result of employment with:

(1) a predecessor company substantially all the assets of which have been acquired by the Company, provided that where only a portion of the operations of a company has been acquired, only service with said acquired portion prior to the acquisition will be included and that the Employee was employed by said predecessor company at the time of acquisition; or

(2) a division, operation or similar cohesive group of the Employer excluded from participation in the Plan.

(d) The provisions of subsection (b) shall be further limited to prevent duplication by only permitting a person to receive credit for one (1) Hour of Service for any given hour.

(e) Hours of Service shall be computed and credited in accordance with the Department of Labor regulations under section 2530.200b.

2.33 Layoff. An involuntary interruption of service due to reduction of work force with the possibility of recall to employment when conditions warrant.

2.34 Leased Employee. Any person (other than an Employee) who, pursuant to an agreement between the Employer and any other person, has performed services for the Employer (or any related person as provided in section 414(n)(6) of the Code) on a substantially full-time basis for a period of at least one (1) year and such services are performed under primary direction or control of the Employer. Leased Employees are not eligible to participate in the Plan.

2.35 Matching Contributions. Contributions made to the Trust in accordance with section 4.2 hereof.

2.36 Matching Contribution Account. That portion of a Participant's Account which is attributable to Matching Contributions received pursuant to section 4.2, adjusted for withdrawals and distributions, and the earnings and losses attributable thereto.

2.37 Normal Retirement Age. The Participant's sixty-fifth (65th) birthday.

2.38 Participant. An individual who is enrolled in the Plan pursuant to ARTICLE III and has not received a distribution of all of the funds credited to his or her Account (or had such funds fully forfeited). In the case of an Eligible Employee who makes a Rollover Contribution to the Plan under section 4.4(a)(3) prior to enrollment under ARTICLE III, such Eligible Employee shall, until he or she enrolls under ARTICLE III, be considered a Participant for the limited purposes of maintaining and receiving his or her Rollover Contribution Account under the terms of the Plan.

2.39 Pay Period. A period scheduled by an Adopting Employer for payment of wages or salaries.

2.40 Period of Participation. That portion of a Period of Service during which an Eligible Employee was a Participant and had an Elective Deferral Account in the Plan or another plan merged into this Plan and identified in section 1.1(b) (with no more than five (5) years of participation credited with respect to such merged plans).

2.41 Period of Service. The period of time beginning on the Employee's Employment Commencement Date or Reemployment Commencement Date, whichever is applicable, and ending on the Employee's Severance from Service Date.

2.42 Period of Severance. The period of time beginning on the Employee's Severance from Service Date and ending on the Employee's Reemployment Commencement Date.

2.43 Plan. The Raytheon Employee Savings and Investment Plan as amended from time to time.

2.44 Plan Year. The annual twelve-(12) month period beginning on January 1 of each year and ending on December 31 of each year.

2.45 Qualified Military Service. Any period of duty on a voluntary or involuntary basis in the United States Armed Forces, the Army National Guard and the Air National Guard when engaged in active duty for training, inactive duty for training or full-time National Guard duty, the commissioned corps of the Public Health Service and any other category of persons designated by the President of the United States in time of war or emergency. Such periods of duty shall include active duty, active duty for training, initial active duty for training, inactive duty training, full-time National Guard duty and absence from employment for an examination to determine fitness for such duty.

2.46 Qualified Nonelective Contributions. Any contributions by the Adopting Employers to the Trust pursuant to section 4.1(c). Qualified Nonelective Contributions are one hundred percent (100%) vested when made and are subject to the special distribution restrictions prescribed in section 8.2(e).

2.47 Qualified Nonelective Contribution Account. That portion of a Participant's Account that is attributable to Qualified Nonelective Contributions received pursuant to section 4.1(c), adjusted for withdrawals and distributions, and the earnings and losses attributable thereto.

2.48 Recordkeeper. The organization designated by the Administrator to be the recordkeeper for the Plan. Until and unless otherwise designated, the Recordkeeper shall be Fidelity Investments.

2.49 Reemployment Commencement Date. The first date on which the Employee performs an Hour of Service following a Period of Severance that is excluded under section 6.4 in determining whether a Participant has a nonforfeitable right to his or her Matching Contribution and ESOP Contribution Accounts.

2.50 Retirement. A termination of employment that occurs after a Participant has either attained age 55 and completed a Period of Service of at least ten (10) years or has attained Normal Retirement Age.

2.51 Rollover Contributions. A transfer that qualifies under either section 402(c) or 403(a)(4) of the Code.

2.52 Rollover Contribution Account. That portion of a Participant's Account which is attributable to Rollover Contributions received pursuant to section 4.4, adjusted for withdrawals and distributions, and the earnings and losses attributable thereto.

2.53 Severance from Service. The termination of employment by reason of quit, Retirement, discharge, Layoff or death; or the failure to return from Authorized Leave of Absence, Qualified Military Service or Disability.

2.54 Severance from Service Date. The earliest of:

(a) the date on which an Employee resigns, retires, is discharged, or dies; or

(b) except as provided in paragraphs (c), (d), (e) and (f) hereof, the first anniversary of the first date of a period during which an Employee is absent for any reason other than resignation, retirement, discharge or death, provided that, on an equitable and uniform basis, the Administrator may determine that, in the case of a Layoff as the result of a permanent plant closing, the Administrator may designate the date of Layoff or other appropriat date before the first anniversary of the first date of absence as the Severance from Service Date; or

(c) in the case of a Qualified Military Service leave of absence from which the Employee does not return before expiration of recall rights, Severance from Service Date means the first day of absence because of the leave; or

(d) in the case of an absence due to Disability, Severance from Service Date means the earlier of the first anniversary of the first day of absence because of the Disability or the date of termination of the Disability; or

(e) in the case of an Employee who is discharged or resigns (i) by reason of the pregnancy of the Employee, (ii) by reason of the birth of a child to the Employee, (iii) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement, "Severance from Service Date, for the sole purpose of determining the length of a Period of Service, shall mean the first anniversary of the resignation or discharge; or

(f) in the case of an Employee who is absent from service beyond the first anniversary of the first day of absence (i) by reason of the pregnancy of the Employee, (ii) by reason of the birth of a child to the Employee, (iii) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement, the Severance from Service Date shall be the second anniversary of the first day of such absence. The period between the first and second anniversaries of the first day of absence is neither a Period of Service nor a Period of Severance.

2.55 Surviving Spouse. A person who was legally married to the Participant immediately before the Participant's death.

2.56 Trade Day. Days on which the Recordkeeper is able to make transfers of Plan assets.

2.57 Trust. The Raytheon Company Master Trust for Defined Contribution Plans and any successor agreement made and entered into for the establishment of a trust fund of all contributions which may be made to the Trustee under the Plan.

2.58 Trustee. The Trustee and any successor trustees under the Trust.

2.59 Trust Fund. The cash, securities, and other property held by the Trustee for the purposes of the Plan.

2.60 United States-Based Payroll. A payroll maintained by the Company or an adopting Employer that is designated as a United States payroll on the books and records of the Company or Adopting Employer and that is subject to United States Wage Withholding and reporting laws.

2.61 Valuation Date. Any day that the New York Stock Exchange is open for trading.

ARTICLE III

Eligibility

3.1 Eligibility Requirements. Each Eligible Employee who is a Participant in the Plan (or a plan that merged into the Plan and that is identified in Section 1.1(b)) on the Effective Date (or, if later, the date of plan merger) shall continue to participate in the Plan, in accordance with the terms and conditions of the Plan as amended and restated herein. Each other Eligible Employee and any person who subsequently becomes an Eligible Employee may join the Plan immediately following his or her Employment Commencement Date (or, if later, the date an Employee becomes an Eligible Employee). Notwithstanding the preceding provisions of this section 3.1, each Eligible Employee who is employed in the RAPID Division, Salina, Kansas location, may join the Plan on the next January 1 or July 1 following completion of 1,000 Hours of Service during any twelve month period commencing on the Eligible Employee's Employment Commencement Date and ending on the day immediately preceding each anniversary thereof.

3.2 Procedure for Joining the Plan. Each Eligible Employee may join the Plan by communicating with the Recordkeeper in accordance with the instructions that will be made available to each Eligible Employee. An enrollment in the Plan shall not be deemed to have been completed until the Eligible Employee has designated: (i) a percentage by which his or her Compensation shall be reduced as an Elective Deferral in accordance with the requirements of section 4.1(a); (ii) election of investment funds in accordance with ARTICLE V; (iii) one or more Beneficiaries; and (iv) such other information as specified by the Recordkeeper. Enrollment will be effective as of the first Pay Period following completion of enrollment for which it is administratively feasible to carry out such enrollment. The Administrator, in its discretion, may from time to time make exceptions and adjustments in the foregoing procedures on a uniform and nondiscriminatory basis.

3.3 Transfer Between Adopting Employers to Position Covered by Plan. A Participant who is transferred to a position with another Adopting Employer in which the Participant remains an Eligible Employee will continue as an active Participant of the Plan.

3.4 Transfer to Position Not Covered by Plan. If a Participant is transferred to a position with an Employer in which the Participant is no longer an Eligible Employee, the Participant will remain a Participant of the Plan with respect to contributions previously made but shall no longer be eligible to have Elective Deferrals made to the Plan on his or her behalf until he or she again becomes an Eligible Employee. If the Participant becomes eligible to participate in the Raytheon Savings and Investment Plan or the Raytheon Savings and Investment Plan for Puerto Rico Based Employees following such transfer and such other plan accepts transfers from this Plan, the Participant's Account shall be transferred to such other plan (which Account under such other plan shall remain subject to the provisions of this Plan to the extent required by section 411(d)(6) of the Code). In the event the Participant is subsequently transferred to a position in which he or she again becomes an Eligible Employee, the Participant may renew Elective Deferrals by communicating with the Recordkeeper and providing all of the information requested by the Recordkeeper. The renewal of Elective Deferrals will be effective as of the first Pay Period following receipt by the Recordkeeper of the requested information for which it is administratively feasible to re-enroll such Participant.

3.5 Transfer to Position Covered by Plan. If an Employee who is not eligible to participate in the Plan by reason of his or her position with an Employer is transferred to a position that is eligible to participate in the Plan, such Employee may join the plan immediately following the effective date of the new position in accordance with the procedures prescribed section 3.2. If such an Employee was, immediately prior to such transfer, a participant in the Raytheon Savings and Investment Plan or the Raytheon Savings and Investment Plan for Puerto Rico Based Employees, the Employee's Elective Deferral election and investment directions under such plan shall be deemed to apply for purposes of this Plan unless the Employee designates otherwise.

3.6 Treatment of Qualified Military Service. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to Qualified Military Service will be provided in accordance with section 414(u) of the Code.

ARTICLE IV

Contributions

4.1 401(k) Portion of the Plan.

(a) (1) Elective Deferrals: Except as otherwise provided herein and in Exhibit C to this Plan, a Participant may authorize an Adopting Employer to reduce his or her Compensation on a pre-tax basis by an amount equal to any whole percentage of Compensation that does not exceed seventeen percent (17%) and to have such amount contributed to the Plan as an Elective Deferral. For purposes of this subsection (a)(1), a Participant who receives in 1999 incentive payments under the MODIS Flight Model 1 special incentive program may make a separate Elective Deferral election with respect to the portion of his or her Compensation that is attributable to such incentive payments; provided, however, that such incentive payments are otherwise included in the definition of Compensation applicable to the Participant under this Plan.

(2) A Participant shall not be permitted to make Elective Deferrals during any calendar year in excess of seven thousand dollars ($7,000), as adjusted for increases in the cost-of-living in accordance with section 402(g)(5) of the Code. A Participant may affirmatively designate that in the event his or her Elective Deferrals are limited in accordance with the preceding sentence in this subsection (a)(2) and the Participant is eligible to make Employee After-Tax Contributions under section 4.1(b), all future deferrals of Compensation shall be on an after-tax basis and shall be re-characterized as Employee After-Tax Contributions under section 4.1(b). This re-characterization shall take effect as of the first Pay Period by which it is administratively feasible to make such re-characterization.

(3) Except as otherwise provided in Exhibit C to this Plan, the Elective Deferrals and Employee After-Tax Contributions (if applicable) made on behalf of each Participant shall not in the aggregate exceed seventeen percent (17%) of the Participant's Compensation for any Plan Year.

(4) A Participant may change his or her Elective Deferral percentage to increase or decrease said percentage by notifying the Recordkeeper, such change to take effect as of the first Pay Period by which it is administratively feasible to make such change.

(5) A Participant may not make Elective Deferrals with respect to Compensation that has already been made available to the Participant.

(b)(1) Employee After-Tax Contributions: Except as otherwise provided herein and in Exhibit C to this Plan, the Eligible Employees of each Adopting Employer listed in Exhibit C to this Plan may authorize the Adopting Employer to reduce their Compensation on an after-tax basis by an amount equal to any whole percentage of Compensation that does not exceed seventeen percent (17%) and to have such amount contributed to the Plan as an Employee After-Tax Contribution. For purposes of this subsection (b)(1), a Participant who receives in 1999 incentive payments under the MODIS Flight Model 1 special incentive program may make a separate After-Tax Contribution election with respect to the portion of his or her Compensation that is attributable to such incentive payments; provided, however, that such incentive payments are otherwise included in the definition of Compensation applicable to the Participant under this Plan

(2) Except as otherwise provided in Exhibit C to this Plan, the Elective Deferrals and Employee After-Tax Contributions made on behalf of each Participant shall not in the aggregate exceed seventeen percent (17%) of the Participant's Compensation for any Plan Year.

(3) A Participant may change his or her Employee After-Tax Contribution percentage to increase or decrease said percentage by notifying the Recordkeeper, such change to take effect as of the first Pay Period by which it is administratively feasible to make such change.

(c) (1) Qualified Nonelective Contributions -- Discretionary Amounts: Each Plan Year the Adopting Employers may contribute to the Trust such amounts as determined by the Senior Vice President of Human Resources of the Company or other officer to whom authority to determine contributions is delegated by the Board of Directors, in his or her sole discretion. Any amounts contributed under this subsection are to be designated by the Adopting Employers as Qualified Nonelective Contributions.

(2) Qualified Nonelective Contributions -- Specified Amounts: Each Adopting Employer listed in Exhibit C to this Plan shall make Qualified Nonelective Contributions on behalf of its Eligible Employees in accordance with the Qualified Nonelective Contribution formula prescribed in Exhibit C to this Plan.

(3) Qualified Nonelective Contributions -- Service Contract Act Reconciliation Amounts: Each Plan Year the Adopting Employers may contribute to the Trust such amounts as determined by the Senior Vice President of Human Resources of the Company or other officer to whom authority to determine contributions is delegated by the Board of Directors, in his or her sole discretion, consisting of the entire amount or any part of any deficiency between health and welfare and/or pension contributions actually made under a contract covered by the Service Contract Act and the amount of such contribution or contributions required by a wage determination issued under the contract. Such amount shall be calculated in accordance with the formula specified in 29 CFR Sectioin 4.175 as follows: The total amount contributed for a month, calendar or contract quarter, or other specified time is divided by the total hours worked under the contract by service employees subject to the Act during the period in question to determine an hourly contribution rate.

The difference between the contribution rate required in the determination and the actual contribution may be contributed to the Plan on behalf of each Eligible Employee for purposes of fulfilling the Employer's fringe benefit obligations under the Service Contract Act.

(d) Employer Contributions: Each Adopting Employer listed in Exhibit C to this Plan shall make Employer Contributions on behalf of its Eligible Employees in accordance with the Employer Contribution formula prescribed in Exhibit C to this Plan.

4.2 Stock Bonus Portion of the Plan - Matching Contributions.Each Adopting Employer listed in Exhibit C to this Plan shall make Matching Contributions on behalf of its Eligible Employees in accordance with the Matching Contribution formula prescribed in Exhibit C to this Plan.

4.3 ESOP Portion of the Plan.

(a) ESOP Contributions: Each Adopting Employer listed in Exhibit C to this Plan shall make an ESOP Contribution equal to one-half of one percent (0.5%) of its Eligible Employees' Compensation for each Plan Year. The ESOP Contribution may be made in cash, Common Stock or a combination thereof at the discretion of the Adopting Employers.

(b) Allocation of ESOP Contribution: The Administrator shall allocate the ESOP Contribution to the eligible Participants who received Compensation during such Plan Year. The ESOP Contribution (consisting of Common Stock and any residual cash) shall be allocated to those eligible Participants in the same ratio as each such Participant's Compensation for the Plan Year bears to the Total Compensation of all such eligible Participants for the Plan Year.

4.4 Rollover Contributions.

(a) Participants may transfer into the Plan Qualifying Rollover Amounts from other qualified plans or Conduit IRAs, subject to the following terms and conditions:

(1) the transferred funds are received by the Trustee no later than sixty (60) days from receipt by the Participant of a distribution from another qualified plan or, in the event that the funds are transferred from a Conduit IRA, no later than sixty (60) days from the date that the Participant receives such funds from the individual retirement account;

(2) the Rollover Contributions transferred pursuant to this section 4.4(a) shall be credited to the Participant's Rollover Contribution Account and will be invested upon receipt by the Trustee; and

(3) a Rollover Contribution will not be accepted unless (A) the Employee on whose behalf the Rollover Contribution will be made is either a Participant or an Eligible Employee who has notified the Administrator that he or she intends to become a Participant as of the first date on which he or she is eligible therefor, and (B) all required information, including selection of specific investment accounts, is provided to the Recordkeeper.

(b) For purposes of this section, the following terms shall have the meanings specified:

(1) Qualifying Rollover Amounts. Amounts that can be transferred to the Plan under either section 402(c), 403(a)(4) or 408(d)(3)(A)(ii) of the Code.

(2) Conduit IRA. An individual retirement account described in section 408(d)(3)(A)(ii) of the Code.

4.5 Direct Transfers.

(a) The Plan shall accept a transfer of assets, including elective transfers in accordance with Treas. Regs. section 1.411(d)-4 Q&A-3(b) and transfers in connection with a plan merger, directly from another plan qualified under section 401(a) of the Code only if the Administrator, in its sole discretion, agrees to accept such a transfer. In determining whether to accept such a transfer, the Administrator shall consider the administrative inconvenience engendered by such a transfer and any risks to the continued qualification of the Plan under section 401(a) of the Code. Acceptance of any such transfer shall not preclude the Administrator from refusing any such subsequent transfers.

(b) Any transfer of assets accepted under this subsection shall be separately accounted for at all times and shall remain subject to the provisions of the transferor plan (as it existed at the time of such transfer) to the extent required by section 411(d)(6) of the Code (including, but not limited to, any rights to qualified joint and survivor annuities and qualified preretirement survivor annuities) as if such provisions were part of the Plan. In all other respects, however, such transferred assets will be subject to the provisions of this Plan. The Administrator may, but is not required to, describe in Exhibit B to this Plan the special provisions that must be preserved under section 411(d)(6) of the Code, if any, following the transfer of assets from another plan in accordance with this subsection (b).

(c) Assets accepted under this section shall be nonforfeitable. Notwithstanding the preceding sentence, assets transferred in connection with the plan mergers identified in section 1.1(b) shall vest in accordance with the provisions of ARTICLE VI.

4.6 Refund of Contributions to the Adopting Employers. Notwithstanding the provisions of ARTICLE XII, if, or to the extent that, any Adopting Employer's deductions for contributions made to the Plan are disallowed, such Adopting Employer will have the right to obtain the return of any such contributions for a period of one (1) year from the date of disallowance. For this purpose, all contributions are made, other than Employee After-Tax Contributions, subject to the condition that they are deductible under the Code for the taxable year of the Adopting Employers for which the contributions are made. Furthermore, any contribution made on the basis of a mistake in fact may be returned to the Adopting Employers within one (1) year from the date such contribution was made.

4.7 Payment. The Adopting Employers shall pay to the Trustee in U.S. currency, or by other property acceptable to the Trustee, all contributions for each Plan Year within the time prescribed by law, including extensions granted by the Internal Revenue Service, for filing the federal income tax return of the Company for its taxable year in which such Plan Year ends. Unless designated by the Adopting Employers as nondeductible, all contributions made, other than Employee After-Tax Contributions, shall be deemed to be conditioned on their current deductibility under section 404 of the Code.

4.8 Limits for Highly Compensated Employees.

(a) Elective Deferrals, Employee After-Tax Contributions, Matching Contributions and Qualified Nonelective Contributions allocable to the Accounts of Highly Compensated Employees shall not in any Plan Year exceed the limits specified in this section. The Administrator may make the adjustments authorized in this section to ensure that the limits of subsection (b) (or any other applicable limits) are not exceeded, regardless of whether such adjustments affect some Participants more than others. This section shall be administered and interpreted in accordance with sections 401(k) and 401(m) of the Code.

(b) (1) The Actual Deferral Percentage of the Highly Compensated Employees shall not exceed, in any Plan Year, the greater of: (A) one hundred twenty-five percent (125%) of the Actual Deferral Percentage for all other Eligible Participants; or (B) the lesser of two hundred percent (200%) of the Actual Deferral Percentage for all other Eligible Participants or the Actual Deferral Percentage for the other Eligible Participants plus two (2) percentage points.

(2) The Actual Contribution Percentage of the Highly Compensated Employees shall not exceed, in any Plan Year, the greater of: (A) one hundred twenty five percent (125%) of the Actual Contribution Percentage for all other Eligible Participants; or (B) the lesser of two hundred percent (200%) of the Actual Contribution Percentage for all other Eligible Participants or the Actual Contribution Percentage for the other Eligible Participants plus two (2) percentage points.

(3) The sum of the Actual Deferral Percentage and the Actual Contribution Percentage for the Highly Compensated Employees shall not exceed, in any Plan Year, the sum of: (A) one hundred twenty-five percent (125%) of the greater of:

(i) the Actual Deferral Percentage of the other Eligible Participants; or

(ii) the Actual Contribution Percentage of the other Eligible Participants; and (B) two plus the lesser of:

(i) the amount in paragraph (3)(A)(i); or

(ii) the amount in paragraph (3)(A)(ii); provided that the amount in this paragraph (3)(B) shall not exceed two hundred percent (200%) of the lesser of the amount in paragraph (3)(A)(i) or the amount in paragraph (3)(A)(ii).

(4) The limitations under section 4.8(b)(3) shall be modified to reflect any higher limitations provided by the Internal Revenue Service under regulations, notices or other official statements.

(c) The following terms shall have the meanings specified:

(1) Actual Contribution Percentage. The average of the ratios for a designated group of Employees (calculated separately for each Employee in the group) of the sum of the Matching Contributions (other than those treated as part of the Actual Deferral Percentage), Qualified Nonelective Contributions (other than those treated as part of the Actual Deferral Percentage), Employee After-Tax Contributions and Elective Deferrals (other than those treated as part of the Actual Deferral Percentage) allocated for the applicable year on behalf of the Participant, divided by the Participant's Compensation for such applicable year. The "applicable year" for determining the Actual Contribution Percentage for the group of Highly Compensated Employees shall be the current Plan Year. For all other Eligible Participants, the "applicable year" for determining the Actual Contribution Percentage shall be the current Plan Year, unless, in accordance with the procedures prescribed by the Internal Revenue Service, the Administrator elects to use the immediately preceding Plan Year. In the event the Administrator elects to use the immediately preceding Plan Year for this purpose for any Plan Year, the Administrator shall so indicate in Exhibit D to this Plan.

(2) Actual Deferral Percentage. The average of the ratios for a designated group of Employees (calculated separately for each Employee in the group) of the sum of the Elective Deferrals, Qualified Nonelective Contributions and Matching Contributions (that the Company elects to have treated as part of the Actual Deferral Percentage) allocated for the applicable year on behalf of a Participant, divided by the Participant's Compensation for such applicable year. The "applicable year" for determining the Actual Deferral Percentage for the group of Highly Compensated Employees shall be the current Plan Year. For all other Eligible Participants, the "applicable year" for determining the Actual Deferral Percentage shall be the current Plan Year, unless in accordance with the procedures prescribed by the Internal Revenue Service, the Administrator elects to use the immediately preceding Plan Year. In the event the Administrator elects to use the immediately preceding Plan Year for this purpose for any Plan Year, the Administrator shall so indicate in Exhibit D to this Plan.

(3) Compensation. To the extent regulations permit the definition of Compensation in ARTICLE II to be used, then such definition shall be applied for purposes of this ARTICLE; provided, however, that to the extent such definition is not so permitted, then Compensation shall include all compensation required to be counted under section 414(s) of the Code; provided further, however, that this definition shall not apply for purposes of the definition of Highly Compensated Employee in section 2.21. (4) Eligible Participant. Any Employee of the Company who is authorized under the terms of the Plan to make Elective Deferrals, Employee After-Tax Contributions or have Qualified Nonelective Contributions allocated to his or her Account for the Plan Year.

(d) For purposes of determining whether a plan satisfies the Actual Contribution Percentage test of section 401(m), all Employee and matching contributions that are made under two (2) or more plans that are aggregated for purposes of section 401(a)(4) and 410(b) (other than section 410(b)(2)(A)(ii)) are to be treated as made under a single plan and that if two (2) or more plans are permissively aggregated for purposes of section 401(m), the aggregated plans must also satisfy section 401(a)(4) and 410(b) as though they were a single plan.

(e) In calculating the Actual Contribution Percentage for purposes of section 401(m), the actual contribution ratio of a Highly Compensated Employee will be determined by treating all plans subject to section 401(m) under which the Highly Compensated Employee is eligible (other than those that may not be permissively aggregated) as a single plan.

(f) For purposes of determining whether a plan satisfies the Actual Deferral Percentage test of section 401(k), all elective contributions that are made under two (2) or more plans that are aggregated for purposes of section 401(a)(4) or 410(b) (other than section 410(b)(2)(A)(ii)) are to be treated as made under a single plan and that if two (2) or more plans are permissively aggregated for purposes of section 401(k), the aggregated plans must also satisfy sections 401(a)(4) and 410(b) as though they were a single plan.

(g) In calculating the Actual Deferral Percentage for purposes of section 401(k), the actual deferral ratio of a Highly Compensated Employee will be determined by treating all cash or deferred arrangements under which the Highly Compensated Employee is eligible (other than those that may not be permissively aggregated) as a single arrangement.

(h) An elective contribution will be taken into account under the Actual Deferral Percentage test of section 401(k)(3)(A) of the Code for a Plan Year only if it is allocated to the Employee as of a date within that Plan Year. For this purpose, an elective contribution is considered allocated as of a date within a Plan Year if the allocation is not contingent on participation or performance of services after such date and the elective contribution is actually paid to the Trust no later than twelve (12) months after the Plan Year to which the contribution relates.

4.9 Correction of Excess Contributions.

(a) Excess Contributions shall be corrected as provided in this section. The Administrator may also prevent anticipated Excess Contributions as provided in this section. The Administrator may use any method of correction or prevention provided in this section or any combination thereof, as it determines in its sole discretion. This section shall be administered and interpreted in accordance with sections 401(k) and 401(m) of the Code.

(b) The Administrator may refuse to accept any or all prospective Elective Deferrals to be contributed by a Participant.

(c) (1) The Company may, in its sole discretion, elect to contribute, as provided in section 4.1(b), a Qualified Nonelective Contribution in an amount necessary to satisfy any or all of the requirements of section 4.8.

(2) Qualified Nonelective Contributions for a Plan Year shall only be allocated to the Accounts of Participants who are not Highly Compensated Employees. Qualified Nonelective Contributions shall be allocated first to the Participant with the lowest Compensation for that Plan Year and any remaining Qualified Nonelective Contributions thereafter shall be allocated to the Participant with the next lowest Compensation for that Plan Year. This allocation method shall continue in ascending order of Compensation until all such Qualified Nonelective Contributions are allocated. The allocation to any Participant shall not exceed the limits under section 415 of the Code. If two or more Participants have identical Compensation, the allocations to them shall be proportional.

(3) Qualified Nonelective Contributions for a Plan Year shall be contributed to the Trust within twelve (12) months after the close of such Plan Year.

(4) Qualified Nonelective Contributions shall only be allocated to Participants who receive Compensation during the Plan Year for which such contribution is made.

(d) The Administrator may, during a Plan Year, distribute to a Participant (or such Participant's Beneficiary if the Participant is deceased), any or all Excess Contributions or Excess Deferrals (whether Elective Deferrals, Company Contributions or Qualified Nonelective Contributions) allocable to that Participant's Account for that Plan Year, notwithstanding any contrary provision of the Plan. Such distribution may include earnings or losses (if any) attributable to such amounts, as determined by the Administrator.

(e) (1) The Administrator may recharacterize any or all Excess Contributions for a Plan Year as Employee contributions in accordance with the provisions of this subsection. Any Excess Contributions that are so recharacterized shall be treated as if the Participant had elected to instead receive cash Compensation on the earliest date that any Payroll Reduction Contribution made on behalf of the Participant during the Plan Year would have been received had the Participant originally elected to receive such amount in cash and then contributed such amount as an Employee contribution. To the extent required by the Internal Revenue Service, however, such recharacterized Excess Contributions shall continue to be treated as if such amounts were not recharacterized.

(2) The Administrator shall report any recharacterized Excess Contributions as Employee contributions to the Internal Revenue Service and to the affected Participants at such times and in accordance with such procedures as are required by the Internal Revenue Service. The Administrator shall take such other actions regarding the amounts so recharacterized as may be required by the Internal Revenue Service.

(3) Excess Contributions may not be recharacterized under this subsection more than two and one-half (2 1/2) months after the close of the Plan Year to which the recharacterization relates. Recharacterization is deemed to occur when the Participant is so notified (as required by the Internal Revenue Service). (4) The amount of Excess Contributions to be distributed or recharacterized shall be reduced by excess deferrals previously distributed for the taxable year ending in the same Plan Year and Excess Deferrals to be distributed for a taxable year will be reduced by Excess Contributions previously distributed or recharacterized for the Plan beginning in such taxable year.

(f) (1) The Administrator may distribute any or all Excess Contributions for a Plan Year in accordance with the provisions of this subsection. Such distribution may only occur after the close of such Plan Year and within twelve (12) months of the close of such Plan Year. In the event of the termination of the Plan, such distribution shall be made within twelve (12) months after such termination. Such distribution shall include the income allocable to the amounts so distributed, as determined under this subsection. The Administrator may make any special allocations of earnings or losses necessary to carry out the provisions of this subsection. A distribution of an Excess Contribution under this subsection may be made without regard to any notice or consent otherwise required pursuant to sections 411(a)(11) and 417 of the Code.

(2)(A) The income allocable to Excess Contributions distributed under this subsection shall equal the allocable gain or loss for the Plan Year. Income includes all earnings and appreciation, including such items as interest, dividends, rent, royalties, gains from the sale of property, appreciation in the value of stock, bonds, annuity and life insurance contracts, and other property, without regard to whether such appreciation has been realized.

(B) The allocable gain or loss for the Plan Year may be determined under any reasonable method consistently applied by the Administrator. Alternatively, the Administrator may, in its discretion, determine such allocable gain or loss for the Plan Year under the method set forth in subparagraph (C).

(C) Under this method, the allocable gain or loss for the Plan Year is determined by multiplying the income for the Plan Year allocable to Elective Deferrals (and amounts treated as Elective Deferrals) by a fraction, the numerator of which is the Excess Contributions by the Participant for the Plan Year and the denominator of which is the total Account balance of the Participant attributable to Elective Deferrals (and amounts treated as Elective Deferrals) as of the beginning of the Plan Year, increased by any Elective Deferrals (and amounts treated as Elective Deferrals) by the Participant for the Plan Year.

(3) Amounts distributed under this subsection (or other provisions of this section) shall first be treated as distributions from the Participant's subaccounts in the following order:

(A) from the Participant's Payroll Reduction Contribution subaccount (if such Excess Contribution is attributable to Elective Deferrals);

(B) from the Participant's Qualified Nonelective Contribution subaccount (if such Excess Contribution is attributable to Qualified Nonelective Contributions); and

(C) from the Participant's Company Contribution subaccount (if such Excess Contribution is attributable to Company Contributions).

(g)(1) The term "Excess Contribution" shall mean, with respect to a Plan Year, the excess of the Elective Deferrals (including any Qualified Nonelective Contributions and Matching Contributions that are treated as Elective Deferrals under sections 401(k)(2) and 401(k)(3) of the Code) on behalf of eligible Highly Compensated Employees for the Plan Year over the maximum amount of such contributions permitted under sections 401(k)(2) and 401(k)(3) of the Code.

(2) Any distribution of Excess Contributions for a Plan Year shall be made to Highly Compensated Employees on the basis of the amount of contributions by, or on behalf of, each such Highly Compensated Employee.

(3) The amount of Excess Contributions to be distributed or recharacterized shall be reduced by Excess Deferrals previously distributed for the taxable year ending in the same Plan Year and Excess Deferrals to be distributed for a taxable year will be reduced by Excess Contributions previously distributed or recharacterized for the Plan beginning in such taxable year.

4.10 Correction of Excess Deferrals.

(a) Excess Deferrals shall be corrected as provided in this section. The Administrator may also prevent anticipated Excess Deferrals as provided in this section. The Administrator may use any method of correction or prevention provided in this section or any combination thereof, as it determines in its sole discretion. A distribution of an Excess Deferral under this section may be made without regard to any notice or consent otherwise required pursuant to sections 411(a)(11) and 417 of the Code. This section shall be administered and interpreted in accordance with sections 401(k) and 402(g) of the Code.

(b) The Administrator may refuse to accept any or all prospective Elective Deferrals to be contributed by a Participant.

(c)(1) The Administrator may distribute any or all Excess Deferrals to the Participant on whose behalf such Excess Deferrals were made before the close of the Applicable Taxable Year. Distributions under this subsection include income allocable to the Excess Distribution so distributed, as determined under this subsection.

(2) Distribution under this subsection shall only be made if all the following conditions are satisfied:

(A) the Participant seeking the distribution designates the distribution as an Excess Deferral;

(B) the distribution is made after the date the Excess Deferral is received by the Plan; and

(C) the Plan designates the distribution as a distribution of an Excess Deferral.

(3) The income allocable to the Excess Deferral distributed under this subsection shall be determined in the same manner as under subsection (d)(3), except that income shall only be determined for the period from the beginning of the Applicable Taxable Year to the date on which the distribution is made.

(d)(1) The Administrator may distribute any or all Excess Deferrals to the Participant on whose behalf such Excess Deferrals were made after the close of the Applicable Taxable Year. Distribution under this subsection shall only be made if the Participant timely provides the notice required under subsection (d)(2) and such distribution is made after the Applicable Taxable Year and before the first April 15 following the close of the Applicable Taxable Year. Distributions under this subsection shall include income allocable to the Excess Deferrals so distributed, as determined under this subsection.

(2) Any Participant seeking a distribution of an Excess Deferral in accordance with this subsection must notify the Administrator of such request no later than the first March 15 following the close of the Applicable Taxable Year. The Administrator may agree to accept notification received after such date (but before the first April 15 following the close of the Applicable Taxable Year) if it determines that it would still be administratively practicable to make such distribution in view of the delayed notification. The notification required by this subsection shall be deemed made if a Participant's Elective Deferrals to the Plan in any Plan Year create an Excess Deferral.

(3) The income allocable to the Excess Deferral distributed under this subsection shall be determined in the same manner as under section 4.9(f)(2), except that the term "Excess Deferrals" shall be substituted for "Excess Contributions" and the term "Applicable Taxable Year" shall be substituted for "Plan Year." The Administrator may make any special allocations of earnings or losses necessary to carry out the provisions of this subsection.

(e) The following terms shall have the meanings specified:

(1) Applicable Taxable Year. The taxable year (for federal income tax purposes) of the Participant in which an Excess Deferral must be included in gross income (when made) in accordance with section 402(g) of the Code.

(2) Excess Deferral. A Participant's Elective Deferrals (and other contributions limited by section 402(g) of the Code), for an Applicable Taxable Year that are in excess of the limits imposed by section 402(g) of the Code for such Applicable Taxable Year.

4.11 Correction of Excess Aggregate Contributions.

(a) Excess Aggregate Contributions shall be corrected as provided in this section. The Administrator may use any method of correction or prevention provided in this section or any combination thereof, as it determines in its sole discretion. This section shall be administered and interpreted in accordance with sections 401(k) and 401(m) of the Code.

(b) The Administrator may refuse to accept any or all prospective Elective Deferrals to be contributed to a Participant.

(c) (1) The Company may, in its sole discretion, elect to contribute, as provided in section 4.1(b), a Qualified Nonelective Contribution in an amount necessary to satisfy any or all of the requirements of section 4.8.

(2) Qualified Nonelective Contributions for a Plan Year shall only be allocated to the Accounts of Participants who are not Highly Compensated Employees. Qualified Nonelective Contributions shall be allocated first to the Participant with the lowest Compensation for that Plan Year and any remaining Qualified Nonelective contributions thereafter shall be allocated to the Participant with the next lowest compensation for that Plan Year. This allocation method shall continue in ascending order of Compensation until all such Qualified Nonelective Contributions are allocated. The allocation to any Participant shall not exceed the limits under section 415 of the Code. If two or more Participants have identical Compensation, the allocations to them shall be proportional.

(3) Qualified Nonelective Contributions for a Plan Year shall be contributed to the Trust within twelve (12) months after the close of such Plan Year.

(4) Qualified Nonelective Contributions shall only be allocated to Participants who receive Compensation during the Plan Year for which such contribution is made.

(d) The Administrator may, during a Plan Year, distribute to a Participant (or such Participant's Beneficiary if the Participant is deceased), any or all Excess Aggregate Contributions allocable to that Participant's Account for that Plan Year, notwithstanding any contrary provision of the Plan. Such distribution may include earnings or losses (if any) attributable to such amounts, as determined by the Administrator.

(e) (1) The Administrator may forfeit any or all Excess Aggregate Contributions for a Plan Year in accordance with the provisions of this subsection. The amounts so forfeited shall not include any amounts that are nonforfeitable under section 6.5.

(2) Any forfeitures under this subsection shall be made in accordance with the procedures for distributions under subsection (f) except that such amounts shall be forfeited instead of being distributed.

(f) (1) The Administrator may distribute any or all Excess Aggregate Contributions for a Plan Year in accordance with the provisions of this subsection. Such distribution may only occur after the close of such Plan Year and within twelve (12) months of the close of such Plan Year. Such distributions shall be specifically designated by the Administrator as a distribution of Excess Aggregate Contributions. In the event of the complete termination of the Plan, such distribution shall be made within twelve (12) months after such termination. Such distribution shall include the income allocable to the amounts so distributed, as determined under this subsection. The Administrator may make any special allocations of earnings or losses necessary to carry out the provisions of this subsection. A distribution of an Excess Aggregate Contribution under this subsection may be made without regard to any notice or consent otherwise required pursuant to sections 411(a)(11) and 417 of the Code.

(2) (A) The income allocable to Excess Aggregate Contributions distributed under this subsection shall equal the allocable gain or loss for the Plan Year. Income includes all earnings and appreciation, including such items as interest, dividends, rent, royalties, gains from the sale of property, appreciation in the value of stock, bonds, annuity and life insurance contracts, and other property, without regard to whether such appreciation has been realized.

(B) The allocable gain or loss for the Plan Year may be determined under any reasonable method consistently applied by the Administrator. Alternatively, the Administrator may, in its discretion, determine such allocable gain or loss for the Plan Year under the method set forth in subparagraph (C).

(C) Under this method, the allocable gain or loss for the Plan Year is determined by multiplying the income for the Plan Year allocable to employee contributions, matching contributions and amounts treated as matching contributions by a fraction, the numerator of which is the Excess Aggregate Contributions for the Participant for the Plan Year and the denominator of which is the total Account balance of the Participant attributable to employee contributions, matching contributions and amounts treated as matching contributions as of the beginning of the Plan Year, increased by the employee contributions, matching contributions and amounts treated as matching contributions for the Participant for the Plan Year.

(3) Amounts distributed under this subsection (or other provisions of this section) shall first be treated as distributions from the Participant's subaccounts in the following order:

(A) from the Participant's Employee After-Tax Contribution subaccount (if such Excess Aggregate Contribution is attributable to Employee After-Tax Contributions);

(B) from the Participant's Qualified Nonelective Contribution subaccount (if such Excess Aggregate Contribution is attributable to Qualified Nonelective Contributions); and

(C) from the Participant's Company Contribution subaccount (if such Excess Aggregate Contribution is attributable to Company Contributions).

(g) (1) The term "Excess Aggregate Contribution" shall mean, with respect to a Plan Year, the excess of the aggregate amount of the matching contributions and employee contributions (including any Qualified Nonelective Contributions or elective deferrals taken into account in computing the Actual Contribution Percentage) actually made on behalf of eligible Highly Compensated Employees for the Plan Year over the maximum amount of such contributions permitted under section 401(m)(2)(A) of the Code.

(2) The terms "employee contributions" and "matching contributions" shall, for purposes of this section, have the meanings set forth in Treas. Reg. Section 1.401(m)-1(f).

(3) Any distribution of Excess Aggregate Contributions for a Plan Year shall be made to Highly Compensated Employees on the basis of the amount of contributions by, or on behalf of, each such Highly Compensated Employee.

4.12 Correction of Multiple Use.

(a) If the limitations of Treas. Reg. Section 1.401(m)-2 are exceeded for any Plan Year, then correction shall be made in accordance with the provisions of this section. This section shall be administered and interpreted in accordance with sections 401(k) and 401(m) of the Code.

(b) Any correction required by this section shall be calculated and administered in accordance with the provisions for correcting Excess Contributions (in section 4.9), Excess Aggregate Contributions (in section 4.11) or both, as the Administrator determines in its sole discretion. Any correction required by this section, to the extent possible, shall be made only with respect to those Highly Compensated Employees who are eligible in both the arrangement subject to section 401(k) of the Code and the Plan, as subject to section 401(m) of the Code.

ARTICLE V

Investment of Accounts

5.1 Election of Investment Funds.

(a) Except as otherwise prescribed in subsections (b), (c) and (d) below, upon enrollment in the Plan, each Participant shall direct that the funds in the Participant's Account be invested in increments of one percent (1%) in one or more of the investment options designated by the Administrator, which may include designated investment funds, specific investments or both. The investment choices made available shall be sufficient to allow compliance with section 404(c) of ERISA.

(b) Except as otherwise prescribed in Exhibit C to this Plan, Matching Contributions made with respect to Plan Years beginning on and after January 1, 1999 must be invested in Common Stock until the beginning of the fifth (5th) Plan Year following the Plan Year for which such contributions are made. Thereafter, a Participant may designate the investment of the Matching Contribution funds in accordance with the provisions of subsection (a) above. Notwithstanding anything herein to the contrary, the five-year restriction prescribed in this subsection (b) shall no longer apply immediately following a Participant's Severance from Service or on or after January 1 of the calendar year in which a Participant attains age 55.

(c) Except as otherwise determined by the Administrator, amounts held in a Participant's ESOP Contribution Account shall be invested in Common Stock. Notwithstanding the preceding sentence, any Participant who has attained age 55 and completed a Period of Participation of at least ten (10) years shall be permitted to direct that up to twenty-five percent (25%) of the total number of shares of Common Stock (rounded to the nearest whole integer) allocated to the Participant's ESOP Contribution Account as of the December 31 immediately preceding each Plan Year during the Qualified Election Period may be invested among the otherwise available investment options under the Plan in accordance with the provisions of subsection (a) above. With respect to a qualified Participant's final diversification election, fifty percent (50%) is substituted for twenty-five percent (25%) in determining the amount subject to the diversification election. Any direction to diversify hereunder may be made within 90 days after the close of each Plan Year during the Participant's Qualified Election Period, as defined below. Any direction made during the applicable 90-day period following any Plan Year may be revoked or modified at any time during such 90-day period. The diversification of the ESOP Contribution Account as provided herein shall be made through the sale by the Trustee of the number of shares of Common Stock directed by the Participant. The amount that may be invested among the otherwise available investment options under the Plan shall be equal to the proceeds of such sale. Any such diversification shall be implemented no later than the 180th day of the Plan Year in which the Participant's direction is made. All such directions shall be in accordance with any notice, rulings, or regulations or other guidance issued by the Internal Revenue Service with respect to section 401(a)(28)(B) of the Code. For the purposes of this section, the term "Qualified Election Period" shall mean the six (6) Plan Year period beginning with the later of the Plan Year in which the Participant attains age 55 or completes a Period of Participation of ten (10) years.

(d) Notwithstanding subsection (e) below, the Administrator shall maintain a General Motors Class H Stock Fund ("Fund H") and Raytheon Company Class A Stock Fund ("Fund I") as investment options under the Plan, subject to the limitations prescribed in this subsection (d), for four (4) complete Plan Years following the Effective Date; provided, however, that if at any time prior to the expiration of such four (4) year period, the aggregate fair market value of the assets invested in either Fund H or Fund I falls below five percent (5%) of the highest fair market value of the assets invested in Fund H or Fund I, respectively, the Administrator may, with six (6) months written notice to affected Participants, eliminate Fund H or Fund I, as applicable, as investment options under the Plan. Notwithstanding the foregoing, the Administrator may eliminate one or both funds at any time if the Administrator determines in good faith that such elimination is necessary under applicable law (including without limitation the prudence requirements of ERISA). When Fund H and Fund I are eliminated in accordance with this section 5.1(d), Participants with assets invested in Fund H or Fund I, as applicable, shall direct the transfer of such assets to other funds available under the Plan or, if no such election is made, the Administrator shall transfer such assets to a low risk fixed income fund as determined by the Administrator in its discretion. The only assets that may be invested in Fund H or Fund I are the General Motors Class H Stock Fund and Raytheon Company Class A Stock Fund, respectively, directly transferred to the Plan in connection with the mergers identified in Section 1.1(b). A Participant may not direct that any other funds in the Participant's Account be invested in Fund H or Fund I.

(e) In its discretion, the Administrator may from time to time designate new funds and, where appropriate, preclude investment in existing funds and provide for the transfer of Accounts invested in those funds to other funds selected by the Participant or, if no such election is made, to a low risk fixed income fund as determined by the Administrator in its discretion.

(f) Except as otherwise prescribed in subsections (b), (c) and (d) above, a Participant's investment election will apply to the entire Account of the Participant.

(g) In establishing rules and procedures under section 5.1, the following shall apply:

(1) Each Participant, Beneficiary or Alternate Payee shall affirmatively elect to self-direct the investment of assets in his or her Account, but such election may provide for default investments in the absence of specific directions from such Participant, Beneficiary or Alternate Payee.

(2) The investment directions of a Participant shall continue to apply after that Participant's death or incompetence until the Beneficiary (or, if there is more than one Beneficiary for that Account, all of the Beneficiaries), guardian or other representatives provide contrary direction.

(3) The Administrator may decline to implement investment designations if such investment, in the Administrator's judgment:

(A) would result in a prohibited transaction under section 4975 of the Code;

(B) would generate income taxable to the Trust Fund;

(C) would not be in accordance with the Plan and Trust;

(D) would cause a Fiduciary to maintain the indicia of ownership of any assets of the Trust Fund outside the jurisdiction of the district courts of the United States other than as permitted by section 404(b) of ERISA and Labor Reg.Section 2550.404(b)-1;

(E) would jeopardize the Plan's tax qualified status under the Code; (F) could result in a loss in excess of the amount credited to the Account; or (G) would violate any other requirements of the Code or ERISA.

(4) Except as otherwise prescribed in subsections (b), (c) and (d) above, the Administrator may establish reasonable restrictions on the frequency with which investment directions may be given, consistent with section 404(c) of ERISA.

(5) The Administrator may establish limits on the use of brokers, investment counsel or other advisors that may be utilized, including specifying that all investments must be made through a designated broker or brokers.

(6) The Administrator may establish limits on the types of investments that are permitted.

(h) Except as otherwise prescribed in subsections (b), (c) and (d) above, the Administrator shall establish such rules and procedures as may be advisable or necessary to carry out the provisions of this section, with such rules and procedures being consistent with section 404(c) of ERISA.

(i) The Administrator shall establish such rules and procedures as may be advisable or necessary to reasonably ensure that all transactions involving the investment funds comply with all applicable laws, including the securities laws.

5.2 Change in Investment Allocation of Future Deferrals. Except as otherwise prescribed in sections 5.1(b), (c) and (d), each Participant may elect to change the investment allocation of future contributions effective as of the first Trade Day subsequent to notice to the Recordkeeper by which it is administratively feasible to make such change. Any changes must be made either in increments of one percent (1%) of the Participant's Account or in a specified whole dollar amount and must result in a total investment of one hundred percent (100%) of the Participant's Account.

5.3 Transfer of Account Balances Between Investment Funds. Except as otherwise prescribed in sections 5.1(b), (c) and (d), each Participant may elect to transfer all or a portion of the amount in his or her Account between investment funds effective as of the first Trade Day following notice to the Recordkeeper by which it is administratively feasible to carry out such transfer. In determining the amount of the transfer, the Participant's Account shall be valued as of the close of business on the Trade Day on which notice is received; provided, however, that in any case where the notice is received after 4:00 p.m. Eastern Time (daylight or standard, whichever is in effect on the date of the call), the Account shall be valued as of the close of business on the next Trade Day. Such transfers must be made in either one percent (1%) increments of the entire Account or in a specified amount in whole dollars and, as of the completion of the transfer, must result in investment of one hundred percent (100%) of the Account. Transfers shall be effected by telephone notice to the Recordkeeper.

5.4 Ownership Status of Funds. The Trustee shall be the owner of record of the Plan assets. The Administrator shall have records maintained as of the Valuation Date for each investment option allocating a portion of the investment option to each Participant who has elected that his or her Account be invested in such investment option. The records shall reflect each Participant's portion of Common Stock, Raytheon Company Class A common stock and General Motors Class H common stock in cash and unitized shares of stock and shall reflect each Participant's portion of all other investment options as may be established by the Administrator in a cash amount.

5.5 Voting Rights. Participants whose Accounts are invested in Common Stock or Raytheon Company Class A common stock on the last business day of the second month preceding the record date (the "Voting Eligibility Date") for any meeting of stockholders have the right to instruct the Trustee as to voting at such meeting. The number of votes is determined by dividing the value of the shares in the Participant's Account by the closing price of the respective classes of stock on the Voting Eligibility Date. If the Trustee has not received instructions from a Participant as to voting of shares within a specified time, then the Trustee shall not vote those shares. If a Participant furnishes the Trustee with a signed vote direction card without indicating a voting choice thereon, the Trustee shall vote the Participant's shares as recommended by management. In addition, each Participant shall have the right to accept or reject any tender or exchange offer for shares of the respective classes of stock. The Trustee shall vote (or tender or exchange) all combined fractional shares of the respective classes of stock to the extent possible in the same proportion as the shares which have been voted (or tendered or exchanged) by each Participant. Any instructions as to voting (or tender or exchange) received from an individual Participant shall be held in confidence by the Trustee and shall not be divulged to the Adopting Employers or to any officer or employee thereof or to any other person.

5.6 Allocation of Earnings.

(a) (1) The Administrator, as of each Valuation Date, shall adjust the amounts credited to the Accounts (including Accounts for persons who are no longer Employees) so that the total of such Account balances equals the fair market value of the Trust Fund assets as of such Valuation Date. Except as otherwise provided herein, any changes in the fair market value of the Trust Fund assets since the preceding Valuation Date shall be charged or credited to each Account in the ratio that the balance in each such Account as of the preceding Valuation Date bears to the balances in all Accounts as of that Valuation Date with appropriate adjustments to reflect any distributions, allocations or similar adjustments to such Account or Accounts since that Valuation Date.

(2) To the extent that separate investment funds are established (as provided in section 5.1(a)), the adjustments required by subsection (a)(1) shall be made by applying subsection (a)(1) separately for each such investment fund so that any changes in the net worth of each such investment fund are charged or credited to the portion of each Account invested in such investment fund in the ratio that the portion of each such Account invested in such investment fund as of the preceding Valuation Date (reduced by any distributions made from that portion of such Account since that Valuation Date) bears to the total amount credited to such investment funds as of that Valuation Date (reduced by distributions made from such investment fund since that Valuation Date).

(3) Interim valuations, in accordance with the foregoing procedure, may be made at such time or times as the Administrator directs.

(b) The Administrator may, in its sole discretion, direct the Trustee to segregate and separately invest any Trust Fund assets. If any assets are segregated in this fashion, the earnings or losses on such assets shall be determined apart from other Trust assets and shall be adjusted on each Valuation Date, or at such other times as the Administrator deems necessary, in accordance with this section.

ARTICLE VI

Vesting

6.1 Elective Deferral, Employee After-Tax Contribution, Rollover Contribution and Qualified Nonelective Contribution Accounts. Each Participant shall have a nonforfeitable right to all amounts in the Participant's Elective Deferral, Employee After-Tax Contribution, Rollover Contribution and Qualified Nonelective Contribution Accounts.

6.2 Matching, ESOP and Employer Contribution Accounts.

(a) Except as otherwise prescribed in Exhibit C to this Plan, each Participant shall have a nonforfeitable right to his or her entire Account, including the Participant's Matching, ESOP and Employer Contribution Accounts.

(b) For purposes of this Section 6.2, all Hours of Service as a Leased Employee, if any, shall be taken into account for purposes of determining a Participant's nonforfeitable right to his or her Matching, ESOP and Employer Contribution Accounts, even though Leased Employees are not eligible to participate in the Plan.

6.3 Forfeitures.

(a) In the event that a Participant incurs a Severance from Service before attaining a nonforfeitable right to his or her Matching, ESOP or Employer Contributions, the Matching, ESOP or Employer Contribution Accounts will be forfeited as of the first day of the month immediately following the earliest of: (i) the date on which the Participant incurs a Period of Severance of five (5) consecutive years; (ii) death; or (iii) the date on which the Participant's Elective Deferral Account is distributed in accordance with ARTICLE VIII. Forfeitures of Matching, ESOP or Employer Contributions will be used to reduce future contributions of the Adopting Employers to the Plan.

(b) If, in connection with his or her Severance from Service, a Participant received a distribution of a portion of his or her entire Account when he or she did not have a nonforfeitable right to his or her Matching, ESOP or Employer Contribution Account, the Matching, ESOP or Employer Contributions that were forfeited, unadjusted by any subsequent gains or losses, shall be restored if he or she again becomes an Employee before incurring a Period of Severance of five (5) consecutive years.

6.4 Break in Service Rules

(a) Periods of Service. In determining the length of a Period of Service, the Administrator shall include all Periods of Service, except the following Periods of Service shall not be taken into account:

(1) in the case of a Participant who has never had a vested account balance, the Period of Service before any Period of Severance which equals or exceeds five (5) consecutive years; and

(2) in the case of a Participant who has had a vested account balance and who has incurred a Period of Severance which equals or exceeds five (5) years, the Period of Service after such Period of Severance shall not be taken into account for purposes of determining the nonforfeitable interest of such Participant in the Matching or ESOP Contributions allocated to his or her Account before such Period of Severance.

(b) Periods of Severance. In determining the length of a Period of Service, the Administrator shall include any period of time beginning on an Employee's Severance from Service Date and ending on the date on which he or she is next credited with an Hour of Service, provided that such Hour of Service is credited within the twelve- (12) consecutive month period following such Severance from Service Date.

(c) Other Periods. In making the determinations described in subsections (a) and (b) of this section, the second, third, and fourth consecutive years of a Layoff (from the first anniversary of the last day paid to the fourth anniversary of the last day paid) and any period in excess of one (1) year of an Authorized Leave of Absence shall be regarded as neither a Period of Service nor a Period of Severance.

ARTICLE VII

In-Service Withdrawals

7.1 Elective Deferrals and Qualified Nonelective Contributions.

(a) Subject to the terms and conditions prescribed in section 7.5, a Participant may withdraw all or a portion of his or her Elective Deferral Account or Qualified Nonelective Contribution Account either (1) on or after attainment of age fifty-nine and one-half (59 1/2), or (2) in the event of a hardship.

(b) In order to be entitled to a hardship withdrawal under this section, a Participant must satisfy the requirements of both subsection (c) and subsection (d). Whether a Participant is entitled to a withdrawal under this section is to be determined by the Administrator in accordance with nondiscriminatory and objective standards.

(c) (1) A Participant will be deemed to have experienced an immediate and heavy financial need necessary to satisfy the requirements of this subsection if the withdrawal is on account of:

(A) medical expenses described in section 213(d) of the Code incurred by the Participant, the Participant's spouse or any dependents of the Participant;

(B) the purchase (excluding mortgage payments) of a principal resident of the Participant;

(C) payment of tuition for the next twelve (12) months of post-secondary education for the Participant or his or her spouse, children or dependents; or

(D) the need to prevent the eviction of the Participant from his or her principal residence or the foreclosure on the mortgage of the Participant's principal residence.

(d) (1) A withdrawal under this subsection will be deemed necessary to satisfy an immediate and heavy financial need of the Participant if it satisfies the requirements of this subsection. To the extent the amount of the withdrawal would be in excess of the amount required to relieve the financial need of the Participant or to the extent such need may be satisfied from other resources that are reasonably available to the Participant, such withdrawal shall not satisfy the requirements of this subsection. For purposes of this subsection, a Participant's resources shall be deemed to include those assets of his or her spouse or minor children that are reasonably available to the Participant.

(2) A withdrawal may be treated as necessary to satisfy a financial need if the Administrator reasonably relies upon the Participant's representation that the need cannot be relieved:

(A) through reimbursement or compensation by insurance or otherwise;

(B) by reasonable liquidation of the Participant's assets to the extent such liquidation would not itself cause an immediate and heavy financial need;

(C) by cessation of Elective Deferrals under the Plan for at least twelve (12) months after receipt of the hardship withdrawal; or

(D) by other distributions or nontaxable (at the time of the loan) loans from plans maintained by the Adopting Employers or by any other employer or by borrowing from commercial sources on reasonable commercial terms.

(e) If a Participant receives a withdrawal for reasons of financial hardship, the Participant's Elective Deferrals shall be reduced to four percent (4%) (or such lower percentage as the Participant shall thereafter designate), if in excess thereof as of the date of the distribution, and shall not be increased during the twelve (12) months immediately subsequent to the date of distribution.

7.2 Employee After-Tax Contributions. Subject to the terms and conditions prescribed in section 7.5, a Participant may withdraw all or a portion of his or her Employee After-Tax Contribution Account.

7.3 Matching Contributions and Employer Contributions. Subject to the terms and conditions prescribed in section 7.5, after completion of a Period of Participation of five (5) years or more, a Participant may withdraw all or a portion of his or her Matching Contribution Account or Employer Contribution Account.

7.4 Rollover Contributions. Subject to the terms and conditions prescribed in section 7.5, a Participant may withdraw all or a portion of his or her Rollover Contribution Account.

7.5 General Terms and Conditions. All in-service withdrawals are subject to the following terms and conditions:

(a) In-service withdrawals of less than five hundred dollars ($500) will not be permitted.

(b) In determining the amount of any in-service withdrawal, the Participant's Account shall be valued as of the close of business on the Trade Day on which notice is received; provided, however, that in any case where the notice is received after 4:00 p.m. Eastern Time (daylight or standard, whichever is in effect on the date of the call), the Account shall be valued as of the close of business on the next Trade Day.

(c) Payment of the amount withdrawn will be made as soon as administratively feasible after the effective date of the withdrawal.

(d) In-service withdrawals from a Participant's Account will generally be made in cash. However, in-service withdrawals from Accounts invested in Common Stock, General Motors Class H common stock or Raytheon Company Class A common stock will be made in cash or stock (with cash for fractional or unissued shares) as elected by the Participant.

(e) Funds for in-service withdrawals will be taken on a pro-rata basis against the Participant's investment balances in his or her Account.

(f) In-service withdrawals may not be redeposited in the Plan.

(g) The Administrator may adopt such other rules and procedures as it deems necessary, in its sole discretion, to properly administer the in-service withdrawal provisions in this ARTICLE.

ARTICLE VIII

Distribution of Benefits

8.1 General.

(a) Except as otherwise provided in Exhibit B to this Plan (or otherwise required by section 4.5(b)), all benefits payable under this Plan shall be paid in the manner and at the times specified in this ARTICLE.

(b) All payment methods and distributions shall comply with the requirements of sections 401(a)(4) and 401(a)(9) of the Code and the regulations thereunder and, if necessary, shall be interpreted to so comply. All distributions shall comply with the incidental death benefit requirement of section 401(a)(9)(G) of the Code. Distributions shall comply with the regulations under section 401(a)(9) of the Code, including Treas. Reg. Section 1.401(a)(9)-2. The provisions of the Plan reflecting section 401(a)(9) of the Code override any distribution provisions in the Plan inconsistent with section 401(a)(9) of the Code.

8.2 Commencement of Benefits.

(a) A Participant (or Beneficiary) shall be entitled to a distribution of the nonforfeitable portion of his or her Account upon Severance from Service (or if earlier, an event described in subsections (e)(3), (4) and (5)).

(b) Except as otherwise provided in this section 8.2, payment of benefits to a Participant (or Beneficiary) shall commence within a reasonable period of time following the Participant's Severance from Service (or if earlier, an event described in subsections (e)(3), (4) and (5)).

(c) If the value of the nonforfeitable portion of the Participant's Account exceeds the maximum amount prescribed in section 411(a)(11) of the Code, then payment to the Participant shall not commence without the Participant's written consent, except as otherwise required by Section 8.2(f). Such written consent must be obtained no more than ninety (90) days before the commencement of the distribution. Notwithstanding the preceding provisions of this subsection (c), all distributions to a Participant's Beneficiary shall commence within a reasonable period of time following the Participant's death (no consent of the Beneficiary is required).

(d) Unless a Participant elects otherwise, distribution to the Participant shall commence no later than sixty (60) days after the close of the Plan Year in which the latest of the following events occurs:

(1) attainment by the Participant of Normal Retirement Age;

(2) the tenth (10th) anniversary of the date on which Participan commenced participation in the Plan; or

(3) Participant's Severance from Service.

(e) Distribution of the nonforfeitable portion of a Participant's Account attributable to Elective Deferrals and Qualified Nonelective Contributions shall generally commence in accordance with the general provisions of this section 8.2, but in no event before the earliest of:

(1) the Participant's Severance from Service;

(2) the Participant's attainment of age fifty-nine and one-half (59 1/2);

(3) the termination of the Plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan);

(4) the disposition of substantially all of the assets used by the Employer in a trade or business of the Employer but only with respect to an Employee who continues employment with the entity acquiring such assets;

(5) the disposition of the Employer's interest in a subsidiary, but only with respect to an Employee who continues employment with such subsidiary.

(f) A Participant who has attained age seventy and one-half (70 1/2) and is subject to the mandatory distribution requirements of section 401(a)(9) of the Code shall receive a lump sum distribution of his or her entire Account at the time distributions must commence in order to comply with such requirements. If additional amounts are allocated to such Participant's Account following such lump sum distribution, additional lump sum distributions of his or her entire Account shall be made at such times any mandatory distributions are required to comply with section 401(a)(9) of the Code. Such payments shall be made notwithstanding any contrary provisions of the Plan or election made by such Participant.

(g) If a Participant dies before the time when distribution is considered to have commenced in accordance with applicable regulations, then any remaining nonforfeitable portion of the Participant's Account shall be distributed within five (5) years after the Participant's death. If a distribution is considered to have commenced in accordance with the applicable regulations before the Participant's death, the remaining nonforfeitable portion of the Participant's Account shall be distributed at least as rapidly as under the method of distribution being used as of the date of the Participant's death.

8.3 Form of Distribution.

(a) Distributions under the Plan shall be made only in the form of a single, lump-sum payment of the entire nonforfeitable portion of the Participant's Account. Notwithstanding the preceding sentence, during the period beginning January 1, 1999 and ending September 30, 1999, a Participant who is otherwise entitled to receive a distribution under the Plan may elect to receive separate, lump-sum payments of the nonforfeitable portion of the Participant's ESOP Contribution Account (if any) and the nonforfeitable portion of the Participant's remaining Account.

(b) Distribution of the nonforfeitable portion of the Participant's Account that is invested in Common Stock, Raytheon Company Class A common stock (if any) or General Motors Class H common stock (if any) shall be made in cash or in-kind, at the election of the Participant (or Beneficiary). All other distributions under the Plan shall be made in cash (or cash equivalent).

8.4 Determination of Amount of Distribution. In determining the amount of any distribution hereunder, the nonforfeitable portion of a Participant's Account shall be valued as of the close of business on the Trade Day on which notice is received; provided, however, that in any case where the telephone notice is received after 4:00 p.m. Eastern Time (daylight or standard, whichever is in effect on the date of the call), the Account shall be valued as of the close of business on the next Trade Day.

8.5 Direct Rollovers.

(a) A Participant may elect that all or any portion of a distribution that would otherwise be paid as an Eligible Rollover Distribution shall instead be transferred as a Direct Rollover.

(b) The Administrator shall determine and apply rules and procedures as it deems reasonable with respect to Direct Rollovers. The Administrator may change such rules and procedures from time to time and shall not be bound by any previous rules and procedures it has applied.

(c) The following terms shall have the meanings specified:

(1) Direct Rollover. An available distribution that is paid directly to an Eligible Retirement Plan for the benefit of the distributee.

(2) Distributee. A Participant or former Participant. In addition, the Participant's or former Participant's Surviving Spouse or former spouse who is the Alternate Payee under a Qualified Domestic Relations Order, as defined in section 414(p) of the Code, are Distributees with regard to the interest of the spouse or former spouse.

(3) Eligible Retirement Plan. An individual retirement account described in section 408(a) of the Code, an individual retirement annuity (other than an endowment contract) described in section 408(b) of the Code, a qualified trust described in section 401(a) of the Code if such qualified trust is part of a plan that permits acceptance of Direct Rollovers or an annuity plan described in section 403(a) of the Code. In the case of a Direct Rollover for the benefit of the spouse or former spouse of a Participant, the term "Eligible Retirement Plan" shall only include an individual retirement account described in section 408(a) of the Code and an individual retirement annuity (other than an endowment contract) described in section 408(b) of the Code.

(4) Eligible Rollover Distribution. Any distribution under the Plan to a Participant, a Participant's spouse or a Participant's former spouse, except for the following:

(A) Any distribution to the extent the distribution is required under section 401(a)(9) of the Code.

(B) The portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation described in section 402(e)(4) of the Code).

(C) Returns of elective deferrals described in Treas. Reg.Section 1.415-6(b)(6)(iv) that are returned as a result of the limitations under section 415 of the Code.

(D) Corrective distributions of excess contributions and excess deferrals under qualified cash or deferred arrangements as described in Treas. Reg. Section 1.401(k)-1(f)(4) and Section 1.402(g)-1(e)(3), respectively, and corrective distributions of excess aggregate contributions as described in Treas. Reg.ss.1.401(m)-1(e)(3), together with the income allocable to these corrective distributions.

(E) Loans treated as distributions under section 72(p) of the Code and not excepted by section 72(p)(2) of the Code.

(F) Loans in default that are deemed distributions.

(G) Dividends paid on employer securities as described in section 404(k) of the Code.

(H) The costs of life insurance coverage.

(I) Similar items designated by the Internal Revenue Service in revenue rulings, notices, and other guidance of general applicability.

8.6 Notice and Payment Elections.

(a) The Administrator shall provide Participants or other Distributees of Eligible Rollover Distributions with a written notice designed to comply with the requirements of section 402(f) of the Code. Such notice shall be provided within a reasonable period of time before making an Eligible Rollover Distribution.

(b) Any elections concerning the payment of benefits under this ARTICLE shall be made on a form prescribed by the Administrator. The Participant or other Distributee shall submit a completed form to the Administrator at least thirty (30) days before payment is scheduled to commence, unless the Administrator agrees to a shorter time period. Any election made under this section shall be revocable until thirty (30) days before payment is scheduled to commence.

(c) An election to have payment made in a Direct Rollover shall only be valid if the Participant or other Distributee provides adequate information to the Administrator for the implementation of such Direct Rollover and such reasonable verification as the Administrator may require that the transferee is an Eligible Retirement Plan.

8.7 Qualified Domestic Relations Orders.

(a) Notwithstanding any contrary provision of the Plan, payments shall be made in accordance with any judgment, decree or order determined to be a Qualified Domestic Relations Order.

(b) (1) If the Plan receives a Domestic Relations Order, the Administrator shall promptly notify the Participant and each Alternate Payee of the receipt of such order and of the Plan's procedures for determining whether such order is a Qualified Domestic Relations Order. The Administrator shall, within a reasonable period after receipt of such order, determine whether it is a Qualified Domestic Relations Order and notify the Participant and each Alternate Payee of that determination.

(2) During any period in which the issue of whether a Domestic Relations Order is a Qualified Domestic Relations Order is being determined, the Administrator shall separately account for the amounts that would have been payable to the Alternate Payee during such period if the order had been determined to be a Qualified Domestic Relations Order.

(c) (1) A Domestic Relations Order meets the requirements of this subsection only if such order clearly specifies the following:

(A) the name and last known mailing address (if any) of the Participant and the name and mailing address of each Alternate Payee covered by the order;

(B) the amount or the percentage of the Participant's benefits to be paid by the Plan to each such Alternate Payee or the manner in which such amount or percentage is to be determined;

(C) the number of payments or period to which such order applies; and (D) each plan to which such order applies.

(2) A Domestic Relations Order meets the requirements of this subsection only if such order does not:

(A) require the Plan to provide any type or form of benefit or any option not otherwise provided under the Plan;

(B) require the Plan to provide increased benefits (determined on the basis of actuarial value); and

(C) does not require the payment of benefits to an Alternate Payee that is required to be paid to another Alternate Payee under another order previously determined to be a Qualified Domestic Relations Order.

(d) A domestic relations order shall not be treated as failing to meet the requirements of section 8.7(c)(2)(A) solely because such order requires that payment of benefits be made to an Alternate Payee:

(1) in the case of any payment before a Participant has separated from service, on or after the date on which the Participant attains (or would have attained) the Earliest Retirement Date;

(2) as if the Participant had retired on the date on which such payment is to begin under such order (but taking into account only the present value of the benefits actually accrued and not taking into account the present value of any employer subsidy for early retirement); and

(3) in any form in which such benefits may be paid under the Plan to the Participant (other than in the form of a qualified joint and survivor annuity with respect to the Alternate Payee and his or her subsequent spouse).

(e) A domestic relations order shall not be treated as failing to meet the requirements of section 8.7(c)(2)(A) solely because such order requires that payment of benefits be made to an Alternate Payee at a date before the Participant is entitled to receive a distribution. Such distribution shall be made to such Alternate Payee notwithstanding any contrary provision of the Plan.

(f) The following terms shall have the meanings specified:

(1) Alternate Payee. Any spouse, former spouse, child or other dependent of a Participant who is recognized by a Domestic Relations Order as having a right to benefits under the Plan with respect to such Participant.

(2) Domestic Relations Order. A judgment, decree or order relating to child support, alimony or marital property rights, as defined in section 414(p)(1)(B) of the Code.

(3) Earliest Retirement Date. The earlier of:

(A) the date on which the Participant is entitled to a distribution under the Plan; or

(B) the later of:

(i) the date the Participant attains age fifty (50); or

(ii) the earliest date on which the Participant could begin receiving benefits under the Plan if the Participant separated from service.

(4) Qualified Domestic Relations Order. A Domestic Relations Order that satisfies the requirements of subsection (c) and section 414(p)(1)(A) of the Code.

(g) If an Alternate Payee entitled to payment under this section is the spouse or former spouse of a Participant and payment will otherwise be made in an Eligible Rollover Distribution, then such spouse or former spouse may elect that all, or any portion, of such payment shall instead be transferred as a Direct Rollover. Such Direct Rollover shall be governed by the requirements of section 8.5.

(h) If a Domestic Relations Order directs that payment be made to an Alternate Payee before the Participant's Earliest Retirement Date and such Domestic Relations Order otherwise qualifies as a Qualified Domestic Relations Order, then the Domestic Relations Order shall be treated as a Qualified Domestic Relations Order and such payment shall be made to the Alternate Payee, even though the Participant is not entitled to receive a distribution under the Plan because he or she continues to be an Employee of the Employer.

(i) This section shall be interpreted and administered in accordance with section 414(p) of the Code.

8.8 Designation of Beneficiary.

(a) A Participant may designate a Beneficiary (including successive or contingent Beneficiaries) in accordance with this section 8.8. Such designation shall be on a form prescribed by the Administrator, may include successive or contingent Beneficiaries, shall be effective upon receipt by the Administrator and shall comply with such additional conditions and requirements as the Administrator shall prescribe. The interest of any person as Beneficiary shall automatically cease on his or her death and any further payments from the Plan shall be made to the next successive or contingent Beneficiary.

(b) A Participant may change his or her Beneficiary designation from time to time, without the consent or knowledge of any previously designated Beneficiary, by filing a new Beneficiary designation form with the Administrator in accordance with subsection (a).

(c) If a Participant dies without a designated Beneficiary surviving, the person or persons in the following class of successive beneficiaries surviving, any testamentary devise or bequest to the contrary notwithstanding, shall be deemed to be the Participant's Beneficiary: the Participant's (1) spouse, (2) children and issue of deceased children by right of representation, (3) parents, (4) brothers and sisters and issue of deceased brothers and sisters by right of representation, or (5) executors or administrators. If no Beneficiary can be located during the period of seven (7) years from the date of death, the Participant's Account shall be treated in the same manner as a forfeiture under section 6.3(a).

(d) Notwithstanding the foregoing provisions of this section, if a Participant is married at the time of his or her death, such Participant shall be deemed to have designated his or her surviving spouse as Beneficiary, unless such Participant has filed a Beneficiary designation under subsection (a) and such spouse has consented in writing to the election (acknowledging the effect of the election and specifically acknowledging the nonspouse Beneficiary) and such consent was witnessed by either the Administrator (or its delegate) or a notary public. Such consent shall not be required if the Participant does not have a spouse or the spouse cannot be located. Such consent shall not be required if the Participant is legally separated from his or her spouse or the Participant has been abandoned (under applicable local law) and the Participant has a court order to such effect, unless a Qualified Domestic Relations Order provides otherwise. If the Participant's spouse is legally incompetent to give consent, the spouse's legal guardian (even if the guardian is the Participant) may give consent.

8.9 Lost Participant or Beneficiary.

(a) All Participants and Beneficiaries shall have the obligation to keep the Administrator informed of their current address until such time as all benefits due have been paid.

(b) If any amount is payable to a Participant or Beneficiary who cannot be located to receive such payment, such amount may, at the discretion of the Administrator, be forfeited; provided, however, that if such Participant or Beneficiary subsequently claims the forfeited amount, it shall be reinstated and paid to such Participant or Beneficiary. Such reinstatement may, in the Administrator's sole discretion, be made from contributions by one or more Adopting Employers, forfeitures or Trust earnings, and shall be treated as a special allocation that supersedes the normal allocation rules.

(c) If the Administrator has not, after due diligence, located a Participant or Beneficiary who is entitled to payment within three (3) years after the Participant's Severance from Service, then, at the discretion of the Administrator, such person may be presumed deceased for purposes of this Plan. Any such presumption of death shall be final, conclusive and binding on all parties.

8.10 Payments to Incompetents. If a Participant or Beneficiary entitled to receive any benefits hereunder is adjudicated to be legally incapable of giving valid receipt and discharge for such benefits, the benefits may be paid to the duly authorized personal representative of such Participant or Beneficiary.

8.11 Offsets. Any transfers or payments made from a Participant's Account to a person other than the Participant pursuant to the provisions of this Plan shall reduce the Participant's Account and offset any amounts otherwise due to such Participant. Such transfers or payments shall not be considered a forfeiture for purposes of the Plan.

8.12 Income Tax Withholding. To the extent required by section 3405 of the Code, distributions and withdrawals from the Plan shall be subject to federal income tax withholding.

ARTICLE IX

Loans

9.1 Availability of Loans. Participants may borrow against all or a portion of the nonforfeitable balance in the Participant's Account, subject to the limitations set forth in this ARTICLE. Loans will be made available to all Participants on a reasonably equivalent basis and will not be made available to Highly Compensated Employees in an amount greater than the amount made available to other employees. Participants who have incurred a Severance from Service will not be eligible for a Plan loan.

9.2 Minimum Amount of Loan. No loan of less than five hundred dollars ($500) will be permitted.

9.3 Maximum Amount of Loan. No loan in excess of fifty percent (50%) of the Participant's nonforfeitable Account balance will be permitted. In addition, limits imposed by the Internal Revenue Code and any other requirements of applicable statute or regulation will be applied. Under the current requirements of the Internal Revenue Code, a loan cannot exceed the lesser of one-half (1/2) of the value of the Participant's nonforfeitable Account balance or fifty thousand dollars ($50,000) reduced by the excess of (a) the highest outstanding balance of loans from the Plan during the one-year period ending on the day before the date on which such loan was made over (b) the outstanding balance of loans from the Plan on the date on which such loan was made.

9.4 Effective Date of Loans. Loans will be effective as specified in the Administrator's rules then in effect.

9.5 Repayment Schedule. The Participant may select a repayment schedule of one, two, three, four or five (1, 2, 3, 4 or 5) years. If the loan is used to acquire any dwelling which, within a reasonable time is to be used (determined at the time the loan is made) as the principal residence of the Participant, the repayment period may be extended up to fifteen (15) years at the election of the Participant. All repayments will be made through payroll deductions in accordance with the loan agreement executed at the time the loan is made, except that, in the event of the sale of all or a portion of the business of the Employer or one of the Adopting Employers, or other unusual circumstances, the Administrator, through uniform and equitable rules, may establish other means of repayment. The loan agreement will permit repayment of the entire outstanding balance in one lump-sum and the repayment of any portion of the outstanding balance at any time (with appropriate adjustment to the remaining payment schedule as determined by the Administrator, in its sole discretion, on a uniform and nondiscriminatory basis). The repayment schedule shall provide for substantially level amortization of the loan. Loan repayments will be suspended under this Plan as permitted under section 414(u) of the Code.

9.6 Limit on Number of Loans. Except as otherwise provided herein, no more than two (2) loans may be outstanding at any time. If a Participant has more than two (2) loans outstanding on January 1, 1999, or thereafter on account of a transfer of assets from another plan in accordance with section 4.5, the Participant may not obtain a new loan until he or she has less than two (2) loans outstanding. The Administrator may, notwithstanding the foregoing provisions, alter the requirements of this section 9.6, or sections 9.2 or 9.5.

9.7 Interest Rate. The interest rate for a loan pursuant to this ARTICLE will be equal to the prime rate published in The Wall Street Journal on the first business day in each calendar quarter and such rate will apply to loans which are made at any time during each respective calendar quarter.

9.8 Effect Upon Participant's Account. Upon the granting of a loan to a Participant by the Administrator, the allocations in the Participant's Account to the respective investment funds will be reduced on a pro rata basis and replaced by the loan balance which will be designated as an asset in the Account. Such reduction shall be effected by reducing the Participant's Account in the following sequence, with no reduction of the succeeding Accounts until prior Accounts have been exhausted by the loan: Matching Contribution Account; Elective Deferral Account; ESOP Contribution Account, Rollover Contribution Account; and Employee After-Tax Contribution Account. Upon repayment of the principal and interest, the loan balance will be reduced, the Participant Accounts will be increased in the reverse order in which they were exhausted by the loan, and the loan payments will be allocated to the respective investment funds in accordance with the investment election then in effect.

9.9 Effect of Severance From Service and Nonpayment. In the event that a loan remains outstanding upon the Severance from Service of a Participant, the Participant will be given the option of continuing to repay the outstanding loan. In any case where payments on the outstanding loan are not made within ninety (90) days of the Participant's Severance from Service Date, the amount of any unpaid principal will be deducted from the Participant's account and reported as a distribution. If, as a result of layoff or Authorized Leave of Absence, a Participant, although still in a Period of Service, is not being compensated through the Employer's payroll system, loan payments will be suspended until the earliest of the first pay date after the Participant returns to active employment with the Employer, the Participant's Severance from Service Date, or the expiration of twelve (12) months from the date of the suspension. In the event the Participant does not return to active employment with the Employer, the Participant will be given the option of continuing to repay the outstanding loan. If the Participant fails to resume payments on the loan, the outstanding loan will be reported as a taxable distribution. In no event, however, shall the loan be deducted from the Participant's Account earlier than the date on which the Participant (i) incurs a Severance from Service, or (ii) attains age fifty-nine and one-half (59 1/2).

ARTICLE X

Contribution and Benefit Limitations

10.1 Contribution Limits.

(a) The Annual Additions that may be allocated to a Participant's Account for any Limitation Year shall not exceed the lesser of:

(1) thirty thousand dollars ($30,000); or

(2) twenty-five percent (25%) of the Participant's Compensation for that Limitation Year.

(b) If the Employer maintains any other Defined Contribution Plans then the limitations in subsection (a) shall be computed with reference to the aggregate Annual Additions for each Participant from all such Defined Contribution Plans.

(c) If the Annual Additions for a Participant would exceed the limits specified in this section, then the Annual Additions under this Plan for that Participant shall be reduced to the extent necessary to prevent such limits from being exceeded. Such reduction shall be made in accordance with section 10.4.

10.2 Overall Limits.

(a) With respect to Limitation Years beginning before January 1, 2000, if a Participant is participating in both a Defined Contribution Plan and a Defined Benefit Plan of the Employer, then the sum of the Defined Contribution Fraction and the Defined Benefit Fraction for any Limitation Year shall not exceed 1.0.

(b) If the sum of the Defined Contribution Fraction and the Defined Benefit Fraction would exceed 1.0, then the annual benefits under the Defined Benefit Plan shall be reduced to the extent necessary so that the sum of such fractions does not exceed 1.0.

10.3 Annual Adjustments to Limits. The dollar limits for Annual Additions and the dollar limits in the Defined Benefit Fraction and Defined Contribution Fraction shall be adjusted for cost-of-living to the extent permitted under section 415 of the Code.

10.4 Excess Amounts.

(a) The foregoing limits shall be limits on the allocation that may be made to a Participant's Account in any Limitation Year. If an excess Annual Addition would otherwise result from allocation of forfeitures, reasonable errors in determining Compensation or other comparable reasons, then the Administrator may take any (or all) of the following steps to prevent the excess Annual Additions from being allocated:

(1) return any contributions from the Participant, as long as such return is nondiscriminatory;

(2) hold the excess amounts unallocated in a suspense account and apply the balance of the suspense account against Matching or ESOP Contributions for that Participant made in succeeding years;

(3) hold the excess amounts unallocated in a suspense account and apply the balance of the suspense account against succeeding year Matching or ESOP Contributions;

(4) reallocate the excess amounts to other Participants.

(b) Any suspense account established under this section shall not be credited with income or loss unless otherwise directed by the Administrator. If a suspense account under this section is to be applied in a subsequent Limitation Year, then the amounts in the suspense account shall be applied before any Annual Additions (other than forfeitures) are made for such Limitation Year.

10.5 Definitions.

(a) The following terms shall have the meanings specified:

(1) Annual Addition. The sum for any Limitation Year of additions (not including Rollover Contributions) to a Participant's Account as a result of:

(A) Employer contributions (including Matching Contributions, ESOP Contributions, Qualified Nonelective Contributions and Elective Deferrals);

(B) Employee contributions;

(C) forfeitures; and

(D) amounts described in Code sections 415(l)(1) and 419A(d)(2).

(2) (A) Defined Benefit Fraction. A fraction, the numerator of which is the Projected Annual Benefit of the Participant under all Defined Benefit Plans of the Employer (determined as of the close of the Limitation Year) and the denominator of which is the Projected Annual Benefit the Participant would have under such plans (determined as of the close of the Limitation Year) if such plans provided an annual benefit equal to the lesser of:

(i) the product of 1.25 multiplied by ninety thousand dollars ($90,000); or

(ii) the product of 1.4 multiplied by one hundred percent (100%) of the Participant's average Compensation for the Participant's three (3) consecutive Years of Service that produce the highest average Compensation.

(B) For purposes of determining the Defined Benefit Fraction of a Participant (i) who was employed by an Adopting Employer on December 18, 1997 and immediately prior thereto was employed by General Motors Corporation or one of its affiliates or (ii) who transferred to an Adopting Company from General Motors Corporation or one of its affiliates after such date and before December 1, 1998, service for and Compensation received from General Motors Corporation and its affiliates, if any, shall be taken into account, and the Projected Annual Benefit under any Defined Benefit Plan of the Employer shall not be reduced as a result of the transfer of any assets or liabilities from a Defined Benefit Plan maintained by General Motors Corporation and its affiliates.

(3) Defined Benefit Plan. Any plan qualified under section 401(a) of the Code that is not a Defined Contribution Plan.

(4) (A) Defined Contribution Fraction. A fraction, the numerator of which is the sum of the Annual Additions to the Participant's Accounts as of the close of the Limitation Year, and the denominator of which is equal to the sum of the lesser of the following amounts determined for such Limitation Year and for each prior year of service with the Employer:

(i) the product of 1.25 multiplied by thirty thousand dollars ($30,000); or

(ii) the product of 1.4 multiplied by twenty-five percent (25%) of the Participant's Compensation.

(B) For purposes of determining the Defined Contribution Fraction of a Participant, services performed for, Compensation paid by and Annual Additions made by General Motors Corporation or any of its affiliates shall not be taken into account.

(5) Defined Contribution Plan. A plan qualified under section 401(a) of the Code that provides an individual account for each Participant and benefits based solely on the amount contributed to the Participant's Account, plus any income, expenses, gains and losses, and forfeitures of other Participants which may be allocated to such Participant's account.

(6) Limitation Year. The Plan Year, until the Employer adopts a different Limitation Year.

(7) Projected Annual Benefit. The annual benefit to which a Participant would be entitled, assuming: (A) the Participant continues in employment until Normal Retirement Age under the Plan; (B) the Participant's Compensation for the Limitation Year remains the same until such Normal Retirement Age; and

(C) all other relevant factors under the Plan for the Limitation Year will remain constant.

(b) For purposes of this ARTICLE, the term "Compensation" shall mean all amounts paid to an Employee for personal service actually rendered to the Employer, including, but not limited to, wages, salary, commissions, bonuses, overtime and other premium pay as specified in Reg. ss. 1.415-2(d)(2), but excluding deferred compensation, stock options, and other distributions that receive special tax treatment as specified in Reg. ss. 1.415-2(d)(3). For Plan Years beginning after 1997, Compensation for this purpose will include salary reduction amounts under section 125 cafeteria plans and section 401(k), 403(b) and 457 plans. This definition shall be interpreted in a manner consistent with the requirements of section 415 of the Code.

ARTICLE XI

Top-Heavy Rules

11.1 General. This ARTICLE shall only be applicable if the Plan becomes a Top-Heavy Plan under section 416 of the Code. If the Plan does not become a Top-Heavy Plan, then none of the provisions of this ARTICLE shall be operative. The provisions of this ARTICLE shall be interpreted and applied in a manner consistent with the requirements of section 416 of the Code and the regulations thereunder.

11.2 Vesting.

(a) If the Plan becomes a Top-Heavy Plan, then amounts in a Participant's Account attributable to Matching and ESOP Contributions shall be vested in accordance with this section, in lieu of ARTICLE VI, to the extent this section produces a greater degree of vesting. This section shall only apply to Participants who have at least an Hour of Service after the Plan becomes a Top-Heavy Plan.

(b) If applicable, amounts in a Participant's Account attributable to Matching and ESOP Contributions shall vest as follows:

Years of Top Heavy Service	Vested Percentage
Fewer than 3	0%
3 or more	100%

(c) If the Plan ceases to be a Top-Heavy Plan then subsection (b) shall no longer be applicable; provided, however, that in no event shall the vested percentage of any Participant be reduced by reason of the Plan ceasing to be a Top-Heavy Plan. Subsection (b) shall nevertheless continue to apply for any Participant who was previously covered by it and who has at least three (3) Years of Top-Heavy Service.

11.3 Minimum Contribution.

(a) For each Plan Year that the Plan is a Top-Heavy Plan, the Adopting Employers shall make a contribution to be allocated directly to the Account of each Non-Key Employee.

(b) The amount of the contribution (and forfeitures) required to be contributed and allocated for a Plan Year by this section is three percent (3%) of the Top-Heavy Compensation for that Plan Year of each Non-Key Employee who is both a Participant and an Employee on the last day of the Plan Year for which the contribution is made, with adjustments as provided herein. If the contributions (other than Rollover Contributions) allocated to the Accounts of each Key Employee for a Plan Year are less than three percent (3%) of his or her Top-Heavy Compensation, then the contribution required by the preceding sentence shall be reduced for that Plan Year to the same percentage of Top-Heavy Compensation that was allocated to the Account of the Key Employee whose Account received the greatest allocation of contributions (other than Rollover Contributions) for that Plan Year, when computed as a percentage of Top-Heavy Compensation.

(c) The contribution required by this section shall be reduced for a Plan Year to the extent of any contributions made and allocated under this Plan (as permitted under section 416 of the Code and the regulations thereunder. In addition, to the extent a Participant participates in any other plans of the Employer for a Plan Year, the contribution required by this section shall be reduced by any contributions allocated or benefits accrued under any such plans. Elective Deferrals shall be treated as if they were contributions for purposes of determining any minimum contributions required under subsection (b).

11.4 Definitions.

(a) The following terms shall have the meanings specified herein:

(1) Aggregated Plans.

(A) The Plan, any plan that is part of a "required aggregation group" and any plan that is part of a "permissive aggregation group" that the Adopting Employers treat as an Aggregated Plan.

(B) The "required aggregation group" consists of each plan of the Adopting Employers in which a Key Employee participates (in the Plan Year containing the Determination Date or any of the four (4) preceding Plan Years) and each other plan of the Adopting Employers which enables any plan of the Adopting Employers in which a Key Employee participates to meet the requirements of section 401(a)(4) or section 410(b) of the Code. Also included in the required aggregation group shall be any terminated plan that covered a Key Employee and was maintained within the five (5) year period ending on the Determination Date.

(C) The "permissive aggregation group" consists of any plan not included in the "required aggregation group" if the Aggregated Plan described in subparagraph (A) above would continue to meet the requirements of section 401(a)(4) and 410 of the Code with such additional plan being taken into account.

(2) Determination Date. The last day of the preceding Plan Year, or, in the case of the first plan year of any plan, the last day of such plan year. The computations made on the Determination Date shall utilize information from the immediately preceding Valuation Date.

(3) Key Employee.

(A) An Employee (or former Employee) who, at any time during the Plan Year containing the Determination Date or any of the four (4) preceding Plan Years, is:

(i) An officer of one of the Adopting Employers with annual Top-Heavy Compensation for the Plan Year greater than fifty percent (50%) of the amount in effect under section 415(b)(1)(A) of the Code for the calendar year in which that Plan Year ends;

(ii) one of the ten (10) Employees owning (or considered as owning under section 318 of the Code) the largest interest in one of the Adopting Employers, who has more than one-half of one percent (.5%) interest in such Adopting Employer, and who has annual Top-Heavy Compensation for the Plan Year at least equal to the maximum dollar limitation under section 415(c)(1)(A) of the Code for the calendar year in which that Plan Year ends;

(iii) a five percent (5%) or greater shareholder in one of the Adopting Employers; or

(iv) a one percent (1%) shareholder in one of the Adoptin Employers with annual Top-Heavy Compensation from the Adopting Employer of more than one hundred fifty thousand dollars ($150,000).

(B) For purposes of paragraphs (3)(A)(iii) and (3)(A)(iv), the rules of section 414(b), (c) and (m) of the Code shall not apply. Beneficiaries of an Employee shall acquire the character of such Employee and inherited benefits will retain the character of the benefits of the Employee who performed services.

(4) Non-Key Employee. Any Employee who is not a Key Employee.

(5) Super Top-Heavy Plan. A Top-Heavy Plan in which the sum of the present value of the cumulative accrued benefits and accounts for Key Employees exceeds ninety percent (90%) of the comparable sum determined for all Employees. The foregoing determination shall be made in the same manner as the determination of a Top-Heavy Plan under this section.

(6) Top-Heavy Compensation. The term Top-Heavy Compensation shall have the same meaning as the term Compensation has under section 10.5(b).

(7) Top-Heavy Plan. The Plan is a Top-Heavy Plan for a Plan Year if, as of the Determination Date for that Plan Year, the sum of (i) the present value of the cumulative accrued benefits for Key Employees under all Defined Benefit Plans that are Aggregated Plans and (ii) the aggregate of the accounts of Key Employees under all Defined Contribution Plans that are Aggregated Plans exceeds sixty percent (60%) of the comparable sum determined for all Employees. For purposes of determining whether the Plan is top-heavy, a Participant's accrued benefit in a defined benefit plan will be determined under a uniform accrual method which applies in all defined benefit plans maintained by the Employer or, where this is no such method, as if such benefit accrued not more rapidly than the slowest rate of accrual permitted under the fractional rule of section 411(b)(1)(C) of the Code.

(8) Years of Top-Heavy Service. The Period of Service with the Adopting Employers that might be counted under section 411(a) of the Code, disregarding all service that may be disregarded under section 411(a)(4) of the Code.

(b) The definitions in this section and the provisions of this ARTICLE shall be interpreted in a manner consistent with section 416 of the Code.

11.5 Special Rules.

(a) For purposes of determining the present value of the cumulative accrued benefit for any Participant or the amount of the Account of any Participant, such present value or amount shall be increased by the aggregate distributions made with respect to such Participant under the Plan during the Plan Year that includes the Determination Date and the four (4) preceding Plan Years (if such amounts would otherwise have been omitted).

(b) (1) In the case of unrelated rollovers and transfers, (i) the plan making the distribution or transfer is to count the distribution as a distribution under section 416(g)(3) of the Code, and (ii) the plan accepting the rollover or transfer is not to consider the rollover or transfer as part of the accrued benefit if such rollover or transfer was accepted after December 31, 1983, but is to consider it as part of the accrued benefit if such rollover or transfer was accepted before January 1, 1984. For this purpose, rollovers and transfers are to be considered unrelated if they are both initiated by the Employee and made from a plan maintained by one employer to a plan maintained by another employer.

(2) In the case of related rollovers and transfers, the plan making the distribution or transfer is not to count the distribution or transfer under section 416(g)(3) of the Code, and the plan accepting the rollover or transfer counts the rollover or transfer in the present value of the accrued benefits. For this purpose, rollovers and transfers are to be considered related if they are not unrelated under subsection (b)(1).

(c) If any individual is a Non-Key Employee with respect to any plan for any Plan Year, but such individual was a Key Employee with respect to such plan for any prior Plan Year, any accrued benefit for such Employee (and the account of such Employee) shall not be taken into account.

(d) Beneficiaries of Key Employees and former Key Employees are considered to be Key Employees and Beneficiaries of Non-Key Employees and former Non-Key Employees are considered to be Non-Key Employees.

(e) The accrued benefit of an Employee who has not performed any service for the Adopting Employer maintaining the Plan at any time during the five (5) year period ending on the Determination Date is excluded from the calculation to determine top-heaviness. However, if an Employee performs no services, such Employee's total accrued benefit is included in the calculation for top-heaviness.

11.6 Adjustment of Limitations.

(a) If this section is applicable, then the contribution and benefit limitations in section 10.5 shall be reduced. Such reduction shall be made by modifying section 10.5(a)(2)(A) of the definition of Defined Benefit Fraction to instead be "(i) the product of 1.0 multiplied by ninety thousand dollars ($90,000), or" and by modifying section 10.5(a)(4)(A) of the definition of Defined Contribution Fraction to instead be "(i) the product of 1.0 multiplied by thirty thousand dollars ($30,000), or".

(b) This section shall be applicable for any Plan Year in which either:

(1) the Plan is a Super Top-Heavy Plan, or

(2) the Plan both is a Top-Heavy Plan (but not a Super Top-Heavy Plan) and provides contributions (other than Rollover Contributions and forfeitures to the Account of any Non-Key Employee in an amount less than four percent (4%) of such Participant's Top-Heavy Compensation, as determined in accordance with section 11.3(b).

ARTICLE XII

The Trust Fund

12.1 Trust. During the period in which this Plan remains in existence, the Company or any successor thereto shall maintain in effect a Trust with a corporation and/or an individual(s) as Trustee, to hold, invest, and distribute the Trust Fund in accordance with the terms of such Trust.

12.2 Investment of Accounts. The Trustee shall invest and reinvest the Participant's accounts in the investment options available under the Plan in accordance with ARTICLE V, as directed by the Administrator or its delegate. The Administrator shall issue such directions in accordance with the investment options selected by the Participants which shall remain in force until altered in accordance with Article V.

12.3 Expenses. Expenses of the Plan and Trust shall be paid from the Trust.

12.4 Acquisition Loans. With respect to the ESOP Portion of the Plan, the Administrator may direct the Trustee to incur Acquisition Loans from time to time to finance the acquisition of Common Stock or to repay a prior Acquisition Loan. An Acquisition Loan shall be for a specific term, shall bear a reasonable rate of interest, and shall not be payable on demand except in the event of default. Acquisition loans may be secured by the pledge of the Financed Shares so acquired (or acquired with the proceeds of a prior Acquisition Loan which is being refinanced). No other Trust assets may be pledged as collateral for an Acquisition Loan, and no lender shall have recourse against Trust assets other than any Financed Shares remaining subject to pledge. If the lender is a party in interest (as defined in ERISA), the Acquisition Loan must provide for a transfer of Trust assets on default only upon and to the extent of the failure of the Trust to meet the payment schedule of the Acquisition Loan. Any pledge of Financed Shares must provide for the release of the shares so pledged as payments on the Acquisition Loan are made by the Trustee, and such Financed Shares are allocated to Participants' ESOP Contribution Accounts under Article IV. Payments of principal and/or interest on an Acquisition Loan shall be made by the Trustee (as directed by the Administrator) only from Employer contributions paid in cash to enable the Trust to repay such Acquisition Loan, from earnings attributable to such Employer contributions, and from any cash dividends received by the Trust on such Financed Shares. Except as required by section 409(h) of the Code and by Treasury Regulations sections 54.4975(b)(9), (10), or as otherwise required by applicable law, no Financed Shares may be subject to a put, call or other option, or a buy-sell or similar arrangement while held by, or distributed from, the Plan, whether or not the ESOP Portion of the Plan is an employee stock ownership plan, within the meaning of section 4975(e)(7) of the Code at the time.

12.5 Sale of Common Stock. With respect to the ESOP Portion of the Plan, subject to the approval of the Senior Vice President of Human Resources of the Company or other officer authorized by the Board of Directors to give such approval, the Administrator may direct the Trustee to sell shares of Common Stock to any person, including the Company and any Affiliates, provided such sale must be made at a price not less favorable to the Plan than fair market value. In the event that the Trustee is unable to make payments of principal and/or interest on an Acquisition Loan when due, the Administrator may direct the Trustee to sell any Financed Shares that have not yet been allocated to Participants' ESOP Contribution Accounts or to obtain an Acquisition Loan in an amount sufficient to make such payments.

ARTICLE XIII

Administration of The Plan

13.1 General Administration. The general administration of the Plan shall be the responsibility of the Company (or any successor thereto) which shall be the Administrator and named Fiduciary for purposes of ERISA. The Company shall have the authority, in its sole discretion, to construe the terms of the Plan and to make determinations as to eligibility for benefits and as to other issues within the "Responsibilities of the Administrator" described in this ARTICLE. All such determinations of the Company shall be conclusive and binding on all persons.

13.2 Responsibilities of the Administrator. Except as otherwise provided in ERISA, the Administrator (and any other named Fiduciaries) may allocate any duties and responsibilities under the Plan and Trust among themselves in any mutually agreed upon manner. Such allocation shall be in a written document signed by the Administrator (and any other named Fiduciaries) and shall specifically set forth this allocation of duties and responsibilities, which may include the following:

(a) Determination of all questions which may arise under the Plan with respect to questions of fact and law, including without limitation eligibility for participation, administration of Accounts, membership, vesting, loans, withdrawals, accounting, status of Accounts, stock ownership and voting rights, and any other issue requiring interpretation or application of the Plan.

(b) Establishment of procedures required by the Plan, such as notification to Employees as to joining the Plan, selecting and changing investment options, suspending deferrals, exercising voting rights in stock, withdrawing and borrowing Account balances, designation of Beneficiaries, election of method of distribution, and any other matters requiring a uniform procedure.

(c) Submission of necessary amendments to supplement omissions from the Plan or reconcile any inconsistency therein.

(d) Filing appropriate reports with the government as required by law.

(e) Appointment of a Trustee or Trustees, Recordkeepers, and investment managers.

(f) Review at appropriate intervals of the performance of the Trustee and such investment managers as may have been designated.

(g) Appointment of such additional Fiduciaries as deemed necessary for the effective administration of the Plan, such appointments to be by written instrument.

13.3 Liability for Acts of Other Fiduciaries. Each Fiduciary shall be responsible only for the duties allocated or delegated to said Fiduciary, and other Fiduciaries shall not be liable for any breach of fiduciary responsibility with respect to any act or omission of any other Fiduciary unless:

(a) The Fiduciary knowingly participates in or knowingly attempts to conceal the act or omission of such other Fiduciary and knows that such act or omission constitutes a breach of fiduciary responsibility by the other Fiduciary;

(b) The Fiduciary has knowledge of a breach of fiduciary responsibility by the other Fiduciary and has not made reasonable efforts under the circumstances to remedy the breach; or

(c) The Fiduciary's own breach of his or her specific fiduciary responsibilities has enabled another Fiduciary to commit a breach. No Fiduciary shall be liable for any acts or omissions which occur prior to his or her assumption of Fiduciary status or after his or her termination from such status.

13.4 Employment by Fiduciaries. Any Fiduciary hereunder may employ, with the written approval of the Administrator, one or more persons to render service with regard to any responsibility which has been assigned to such Fiduciary under the terms of the Plan including legal, tax, or investment counsel and may delegate to one or more persons any administrative duties (clerical or otherwise) hereunder.

13.5 Recordkeeping. The Administrator shall keep or cause to be kept any necessary data required for determining the Account status of each Participant. In compiling such information, the Administrator may rely upon its employment records, including representations made by the Participant in the employment application and subsequent documents submitted by the Participant to the Employer. The Trustee shall be entitled to rely upon such information when furnished by the Administrator or its delegate. Each Employee shall be required to furnish the Administrator upon request and in such form as prescribed by the Administrator, such personal information, affidavits and authorizations to obtain information as the Administrator may deem appropriate for the proper administration of the Plan, including but not limited to proof of the Employee's date of birth and the date of birth of any person designated by a Participant as a Beneficiary.

13.6 Claims Review Procedure.

(a) Except as otherwise provided in this section 13.6, the Administrator shall make all determinations as to the right of any person to Accounts under the Plan. Any such determination shall be made pursuant to the following procedures, which shall be conducted in a manner designed to comply with section 503 of ERISA:

(1) Step 1. Claims with respect to an Account should be filed by a claimant as soon as practicable after the claimant knows or should know that a dispute has arisen with respect to an Account, but at least thirty (30) days prior to the claimant's actual retirement date or, if applicable, within sixty (60) days after the death, Disability or Severance from Service of the Participant whose Account is at issue, by mailing a copy of the claim to the Benefits and Services Department, Raytheon Company, 141 Spring Street, Lexington, Massachusetts 02173.

(2) Step 2. In the event that a claim with respect to an Account is wholly or partially denied by the Administrator, the Administrator shall, within ninety (90) days following receipt of the claim, so advise the claimant in writing setting forth: the specific reason or reasons for the denial; specific reference to pertinent Plan provisions on which the denial is based; a description of any additional material or information necessary for the claimant to perfect the claim; an explanation as to why such material or information is necessary; and an explanation of the Plan's claim review procedure.

(3) Step 3. Within sixty (60) days following receipt of the denial of a claim with respect to an Account, a claimant desiring to have the denial appealed shall file a request for review by an officer of the Company or a benefit appeals committee, as designated by the Administrator, by mailing a copy thereof to the address shown in subsection (a)(1); provided, however, that such officer or any member of such benefit appeals committee, as applicable, may not be the person who made the initial adverse benefits determination nor a subordinate of such person.

(4) Step 4. Within thirty (30) days following receipt of a request for review, the designated officer or benefit appeals committee shall provide the claimant a further opportunity to present his or her position. At the designated officer or benefit appeals committee's discretion, such presentation may be through an oral or written presentation. Prior to such presentation, the claimant shall be permitted the opportunity to review pertinent documents and to submit issues and comments in writing. Within a reasonable time following presentation of the claimant's position, which usually should not exceed thirty (30) days, the designated officer or benefit appeals committee shall inform the claimant in writing of the decision on review setting forth the reasons for such decision and citing pertinent provisions in the Plan.

(b) Except as otherwise provided in subsection (a), the Administrator is the Fiduciary to whom the Plan grants full discretion, with the advice of counsel, to interpret the Plan; to determine whether a claimant is eligible for benefits; to decide the amount, form and timing of benefits; and to resolve any other matter under the Plan which is raised by a claimant or identified by the Administrator. All questions arising from or in connection with the provisions of the Plan and its administration, not herein provided to be determined by the Board of Directors, shall be determined by the Administrator, and any determination so made shall be conclusive and binding upon all persons affected thereby.

13.7 Indemnification of Directors and Employees. The Adopting Employers shall indemnify any Fiduciary who is a director, officer or Employee of the Employer, his or her heirs and legal representatives, against all liability and reasonable expense, including counsel fees, amounts paid in settlement and amounts of judgments, fines or penalties, incurred or imposed upon him in connection with any claim, action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of acts or omissions in his or her capacity as a Fiduciary hereunder, provided that such act or omission is not the result of gross negligence or willful misconduct. The Adopting Employers may indemnify other Fiduciaries, their heirs and legal representatives, under the circumstances, and subject to the limitations set forth in the preceding sentence, if such indemnification is determined by the Board of Directors to be in the best interests of the Adopting Employers.

13.8 Immunity from Liability. Except to the extent that section 410(a) of ERISA prohibits the granting of immunity to Fiduciaries from liability for any responsibility, obligation, or duty imposed under Title I, Subtitle B, Part 4, of said Act, an officer, Employee, member of the Board of Directors of the Employer or other person assigned responsibility under this Plan shall be immune from any liability for any action or failure to act except such action or failure to act which results from said officer's, Employee's, Participant's or other person's own gross negligence or willful misconduct.

ARTICLE XIV

Amendment Or Termination Of Plan

14.1 Right to Amend or Terminate Plan. The Company reserves the right at any time or times, by action of the Board of Directors, to modify, amend or terminate the Plan in whole or in part, in which event a certified copy of the resolution of the Board of Directors, authorizing such modification, amendment or termination shall be delivered to the Trustee and to the other Adopting Employers whose Employees are covered by this Plan, provided, however, that no amendment to the Plan shall be made which shall:

(a) reduce any vested right or interest to which any Participant or Beneficiary is then entitled under this Plan or otherwise reduce the vested rights of a Participant in violation of section 411(d)(6) of the Code;

(b) vest in the Adopting Employers any interest or control over any assets of the Trust;

(c) cause any assets of the Trust to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries; or

(d) change any of the rights, duties or powers of the Trustee without its written consent.

(e) Notwithstanding the foregoing provisions of this section or any other provisions of this Plan, any modification or amendment of the Plan may be made retroactively if necessary or appropriate to conform the Plan with, or to satisfy the conditions of, ERISA, the Code, or any other law, governmental regulation or ruling. In the alternative, subject to the conditions prescribed in subsections (a) through (e), the Plan may be amended by an officer of the Company authorized by the Board of Directors to amend the Plan, provided, however, that any such amendment does not, in the view of such officer, materially increase costs of the Plan to the Company or any Adopting Employer.

14.2 Amendment to Vesting Schedule. Any amendment that modifies the vesting provisions of ARTICLE VI shall either:

(a) provide for a rate of vesting that is at least as rapid for any Participant as the vesting schedule previously in effect; or

(b) provide that any adversely affected Participant with a Period of Service of at least three (3) years may elect, in writing, to remain under the vesting schedule in effect prior to the amendment. Such election must be made within sixty (60) days after the later of the:

(1) adoption of the amendment;

(2) effective date of the amendment; or

(3) issuance by the Administrator of written notice of the amendment.

14.3 Maintenance of Plan. The Adopting Employers have established the Plan with the bona fide intention and expectation that they will be able to make contributions indefinitely, but the Adopting Employers are not and shall not be under any obligation or liability whatsoever to continue contributions or to maintain the Plan for any given length of time.

14.4 Termination of Plan and Trust. The Plan and Trust hereby created shall terminate upon the occurrence of any of the following events:

(a) Delivery to the Trustee of a notice of termination executed by the Company specifying the date as of which the Plan and Trust shall terminate; or

(b) Adjudication of the Company as bankrupt or general assignment by the Company to or for the benefit of creditors or dissolution of the Company. Upon termination of this Plan, or permanent discontinuance of contributions hereunder, with or without written notification, the rights of each Participant to the amounts credited to that Participant's Account at such time shall be fully vested and nonforfeitable. In the event a partial termination of the Plan is deemed to have occurred, each Participant affected shall be fully vested in and shall have a nonforfeitable right to the amounts credited to that Participant's Account with respect to which the partial termination occurred.

14.5 Distribution on Termination.

(a) (1) If the Plan is terminated, or contributions permanently discontinued, an Adopting Employer, at its discretion, may (at that time or at any later time) direct the Trustee to distribute the amounts in a Participant's Account in accordance with the distribution provisions of the Plan. Such distribution shall, notwithstanding any prior provisions of the Plan, be made in a single lump-sum without the Participant's consent as to the timing of such distribution. If, however, an Adopting Employer (or an Affiliate) maintains another defined contribution plan (other than an employee stock ownership plan), then the preceding sentence shall not apply and the Adopting Employer, at its discretion, may direct such distributions to be made as a direct transfer to such other plan without the Participant's consent, if the Participant does not consent to an immediate distribution.

(2) If an Adopting Employer does not direct distribution under paragraph (1), each Participant's Account shall be maintained until distributed in accordance with the provisions of the Plan (determined without regard to this section) as though the Plan had not been terminated or contributions discontinued.

(b) If the Administrator determines that it is administratively impracticable to make distributions under this section in cash or that it would be in the Participant's best interest to make some or all of the distributions with in-kind property, it shall offer all Participants and Beneficiaries entitled to a distribution under this section a reasonable opportunity to elect to receive a distribution of the in-kind property being distributed by the Trust. Those Participants and Beneficiaries so electing shall receive a proportionate share of such in-kind property in the form (outright, in trust or in partnership) that the Administrator determines will provide the most feasible method of distribution.

(c) (1) Amounts attributable to elective contributions shall only be distributable by reason of this section if one of the following is applicable:

(A) the Plan is terminated without the establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan);

(B) an Adopting Employer has a sale or other disposition to an unrelated corporation of substantially all of the assets used by the Adopting Employer in a trade or business of the Adopting Employer with respect to an Employee who continues employment with the corporation acquiring such assets; or

(C) an Adopting Employer has a sale or other disposition to an unrelated entity of the Adopting Employer's interest in a subsidiary with respect to an Employee who continues employment with such subsidiary.

(2) For purposes of this subsection, the term "elective contributions" means employer contributions made to the Plan that were subject to a cash or deferred election under a cash or deferred arrangement.

(3) Elective contributions are distributable under subsections (c)(1)(B) and (C) above only if the Adopting Employers continue to maintain the Plan after the disposition.

ARTICLE XV

Additional Provisions

15.1 Effect of Merger, Consolidation or Transfer. In the event of any merger or consolidation with or transfer of assets or liabilities to any other plan or to this Plan, each Participant of the Plan shall be entitled to a benefit immediately after the merger, consolidation or transfer, which is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger, consolidation or transfer (if the Plan had been terminated).

15.2 No Assignment.

(a) Except as provided herein, the right of any Participant or Beneficiary to any benefit or to any payment hereunder shall not be subject to alienation, assignment, garnishment, attachment, execution or levy of any kind.

(b) Subsection (a) shall not apply to any payment or transfer permitted by the Internal Revenue Service pursuant to regulations issued under section 401(a)(13) of the Code.

(c) Subsection (a) shall not apply to any payment or transfer pursuant to a Qualified Domestic Relations Order.

(d) Subsection (a) shall not apply to any payment or transfer to the Trust in accordance with section 401(a)(13)(C) of the Code to satisfy the Participant's liabilities to the Plan or Trust in any one or more of the following circumstances:

(1) the Participant is convicted of a crime involving the Plan;

(2) a civil judgment (or consent order or decree) in an action is brought against the Participant in connection with an ERISA fiduciary violation; or

(3) the Participant enters into a settlement agreement with the Department of Labor or the Pension Benefit Guaranty Corporation over an ERISA fiduciary violation.

15.3 Limitation of Rights of Employees. This Plan is strictly a voluntary undertaking on the part of the Adopting Employers and shall not be deemed to constitute a contract between any of the Adopting Employers and any Employee, or to be a consideration for, or an inducement to, or a condition of the employment of any Employee. Nothing contained in the Plan shall be deemed to give any Employee the right to be retained in the service of any of the Adopting Employers or shall interfere with the right of any of the Adopting Employers to discharge or otherwise terminate the employment of any Employee of an Adopting Employer at any time. No Employee shall be entitled to any right or claim hereunder except to the extent such right is specifically fixed under the terms of the Plan.

15.4 Construction. The provisions of this Plan shall be interpreted and construed in accordance with the requirements of the Code and ERISA. Any amendment or restatement of the Plan or Trust that would otherwise violate the requirements of section 411(d)(6) of the Code or otherwise cause the Plan or Trust to cease to be qualified under section 401(a) of the Code shall be deemed to be invalid. Capitalized terms shall have meanings as defined herein. Singular nouns shall be read as plural, masculine pronouns shall be read as feminine and vice versa, as appropriate. References to "section" or "ARTICLE" shall be read as references to appropriate provisions of this Plan, unless otherwise indicated.

15.5 Company Determinations. Any determinations, actions or decisions of the Company (including but not limited to, Plan amendments and Plan termination) shall be made by its Board of Directors in accordance with its established procedures or by such other individuals, groups or organizations that have been properly delegated by the Board of Directors to make such determination or decision.

15.6 Continued Qualification. This Plan is amended and restated with the intent that it shall continue to qualify under sections 401(a), 401(k) and 4975(e)(7) of the Code as those sections exist at the time the Plan is amended and restated. If the Internal Revenue Service determines that the Plan does not meet those requirements as amended and restated, the Plan shall be amended retroactively as necessary to correct any such inadequacy. Section 7.2 shall not be effective until the date the Internal Revenue Service issues a favorable determination letter with respect to the Plan as amended and restated herein (including section 7.2). Until section 7.2 becomes effective in accordance with the immediately preceding sentence of this section 15.6, a Participant may withdraw all or a portion of his or her Employee After-Tax Contribution Account, subject to the condition that if a participant has a Period of Participation of less than five (5) years such Participant may not make any Employee After-Tax Contributions under the Plan for at least six (6) months after receipt of the in-service withdrawal.

15.7 Governing Law. This Plan shall be governed by, construed and administered in accordance with ERISA and any other applicable federal law; provided, however, that to the extent not preempted by federal law, this Plan shall be governed by, construed and administered under the laws of the Commonwealth of Massachusetts, other than its laws respecting choice of law.

Exhibit A

ADOPTING EMPLOYERS PARTICIPATING IN THE
RAYTHEON EMPLOYEE SAVINGS AND INVESTMENT PLAN
As of January 1, 1999

(Unless Indicated Otherwise)

Raytheon Systems Company; but only with respect to the following divisions, operations or similar cohesive groups:

Legacy Co.	Payroll	Eligible Division, Operation or Similar Cohesive Group
(A.) Training and Services		
HTSC (Int'l)	International	SCA
HTD		HR73
HSTX		STX Flex Serv Employees
RSES cc12	EX, NE	
RSSC cc87	EX, NE, H	Non-Union No-DC
HTSC	NE, H	All Non-Union SCA
HTI	NE, H	All non-Union SCA
RSSC cc87	H	IBEW, Local 898 (Eldorado AFB, TX)
RSSC cc87	H	IAM, Lodge 131 (Warner Robbins AFB, GA)
RSSC cc87	H	IBEW, Local 2131 (Onizuka AFB, CA)
RSSC cc87	H	ITPE, District 5 (Onizuka AFB, CA)
RSSC cc87	H	IBEW, Local 223 (Cape Cod AFS, MA)
RSSC cc87	H	IBEW, Local 340 (Beale AFB, CA)
RSSC cc87	H	IBT, Local 639 (Annapolis Junction, MD)
HTSC	H	IAMAW, Dist. Lodge 75, Local Lodge 2003 (Ft. Rucker, GA)
RSSC cc87	NE	Dept 8708 NASA Logistics (Annapolis, Junction, MD)
RSSC cc87	EX	Dept 8708 NASA Logistics (Annapolis, Junction, MD)
RSSC cc87	EX	Dept 8779 Onizuka AFB, CA
RSSC cc87	EX, NE, H	Dept 8793 PMEL PMO
RSSC cc87	NE, H	Dept 8729 ROTHR
RSSC cc87	EX, NE, H	Dept 8796 SSPARS PMO
RSSC cc87	EX, NE	Dept 8738 CISF
RSSC cc87	EX, NE	Dept 8712 SSPARS 2 (Beale AFB, CA)
RSSC cc87	EX, NE	Dept 8711 SSPARS 1
RSSC cc87	EX, NE	Dept 8704 SSPARS4 (El Dorado AFB, TX)
RSSC cc87	EX, NE, H	Dept 8789 NASA
RSSC cc87	EX, NE, H	Dept 8798 MSFC
RSSC cc87	EX, NE, H	Dept 8725 McCellan AFB
RSSC cc87	EX, NE, H	Dept 8780 FAA Depot
RSSC cc87	EX, NE	Dept 8703 SSPARS 3
RSSC cc87	EX	Dept 8781 STARS/DASR
RSSC cc87	NE, H	Dept 8781 STARS/DASR
RSSC cc87	EX	Dept 8721 IATC
RSSC cc87	NE, H	Dept 8721 IATC
RSSC cc87	EX, NE, H	Dept 8770 Trojan
RSSC cc87	EX	Dept Multiple TSSC (Washington, DC)
RSSC cc87	EX	Dept 8728 SEI
RSSC cc87	NE, H	Dept 8728 SEI

(B.) RSC Defense Systems

RES	H	IUPPE, Local 84 (Guards, Quincy)
RES	H	Independent (Guards, Raytheon)
RES	H	IAM, Lodge 587 (Portsmouth, RI)
HAC	H	IAM, Lodge 933 (Tucson, AZ)
HAC	H	IAM, Lodge 940 (Tucson, AZ) HMSC
HAC	H	IAM, Lodge 933 (Tucson, AZ) HEM
HAMI	NE	G&EC (Poutsbo, WA) SCA
HAMI	NE	G&ED (Keyport/Bangor, WA) SCA
RES	H	IBEW, Local 1505 (MA.)
RES	H	IAM, Lodge 1836 (MA.)
E-SYS	H(PS)	UPGWA, Local 263 (Garland, TX)
E-SYS	H(PS)	UAW, Local 967 (Greenville, TX)

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E-SYS	H(PS)	UAW, Local 848 (Garland, TX)
Serv-Air	H(PS)	JBN (Fayetteville, NC)
Serv-Air	H(PS)	JCP (Cherry Point, NC)
Serv-Air	H(PS)	JDG (San Diego, CA)
Serv-Air	H(PS)	JEL (El Toro, CA)
Serv-Air	H(PS)	JFB (Ft. Walton Beach, FL)
Serv-Air	H(PS)	JJN (Jacksonville, NC)
Serv-Air	H(PS)	JKH (Kaneche Bay, HI)
Serv-Air	H(PS)	JKN (Kirtland AFB, NM)
Serv-Air	H(PS)	JLK (Lexington, KY)
Serv-Air	H(PS)	JNO (New Orleans, LA)
Serv-Air	H(PS)	JNV (Norfolk, VA)
Serv-Air	H(PS)	JPC (Camp Pendeton, CA)
Serv-Air	H(PS)	JRK (Richmond, KY)
Serv-Air	H(PS)	JSC (North Island, CA)
Serv-Air	H(PS)	JTT (Tustin, CA)
Serv-Air	H(PS)	JWG (Warner Robins, GA)
Serv-Air	H(PS)	JYA (Yuma, AZ)
Serv-Air	H(PS)	U38100 JBV (Ft. Belvoir, VA)
Serv-Air	H(PS)	U38100 JDC (Washington, DC)
Serv-Air	H(PS)	U38100 JHF (Hurlburt Field, FL)
Serv-Air	H(PS)	U38100 JHI (Camp Smith, HI)
Serv-Air	H(PS)	U38100 JHI (Hickman AFB, HI)
Serv-Air	H(PS)	U38100 JMD (MacDill, FL)
Serv-Air	H(PS)	U38100 JMJ (McGuire AFB, NJ)
Serv-Air	H(PS)	U38100 JON (Offutt AFB, NE)
Serv-Air	H(PS)	U38100 JSCS (Colorado Springs, CO)
Serv-Air	H(PS)	U38100 JSI (Scott, IL)
Serv-Air	H(PS)	U38100 JTC (Travis AFB, CA)
Serv-Air	H(PS)	U38100 JTZ (Jtic, AZ)
Serv-Air	H(PS)	U38100 R (Richardson, TX)
Serv-Air	H(PS)	U38100 ZIC (Keflavik, Iceland)
Serv-Air	H(PS)	U38100 ZOJ (Okinawa, Japan)
Serv-Air	H(PS)	U38100 ZPP (Panama)
Serv-Air	H(PS)	U38100 ZRA (Ramstein, Germany)
Serv-Air	H(PS)	U38100 ZYJ (Yokota, Japan)
Serv-Air	H(PS)	U38100 ZOCK (Osan, South Korea)
Serv-Air	H(PS)	ZMU (Yongsan, South Korea)
Serv-Air	H(PS)	ZUM (Mildenhall, UK)
Serv-Air	H, EX	IBEW Local 2088 Mobile Sensors (effective June 12, 1999)

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Allied Signal	H	IAM, Local 1561 (Comm. Systems, Towson, MD)
Allied Signal	H	UPGWA, Local 270 (Comm.Systems, Towson, MD)
E-Systems	H	UAW, Local 298 (St. Petersburg, FL)

II. Cedar Rapids; but only with respect to the following divisions, operations or similar cohesive groups:

Legacy Co.	Payroll	Eligible Division, Operation or Similar Cohesive Group
	H	IAM, Lodge 831 (Cedar Rapids, IA) **

** Ceased Participating in the Plan August 26, 1999

III. Raytheon Aircraft Company; but only with respect to the following divisions, operations or similar cohesive groups:

Legacy Co.	Payroll	Eligible Division, Operation or Similar Cohesive Group
	EX, NE, H	Field Contract Employees -- Non-Union Ees.
	H	IAM, Lodge 733 (Aircraft--Wichita, KS)
	H	IAM, Lodge 2328 (Aircraft--Salina, KS)
	H	IAM, Lodge 2777 (T-34/44) (NAS Whiting Field, FL) (RASSC)
	H	NAS Whiting Field, FL (RASSC) -- Non-Union
	H	IAM, Lodge 2777 (UNFO) (NAS Pensacola, FL) (RASSC)
	EX, NE, H	U.S. Customs, FL (RASSC) -- Non-Union Ees.
	H	IAM, Lodge 2916 (NAS Corpus Christi, TX) (RASSC)
	H	IBT, Local 533 (NAS Fallon, NY) (RASSC)
	EX, NE, H	Pensacola, FL
	H	IAM District Lodge 142 (US Customs, FL (RASSC))
	EX, NE, H	Corpus Christi, TX
	EX, NE, H	AETC Contract (10/1/97), Sheppard, AFB
	EX, NE, H	Drug Enforcement Agency Contract, Ft. Worth
	EX, NE, H	Wright-Patterson AFB, TX

IV. Raytheon Engineers & Constructors; but only with respect to the following divisions, operations or similar cohesive groups:

Legacy Co.	Payroll	Eligible Division, Operation or Similar Cohesive Group
	H	IBEW Local 453 (Ft. Leonard Wood, MD)
	H	Mt. Pleasant, SC -- Non-Union
	H	Springfield, MO -- Non-Union
	H	USW, Local 7666 (Standard Havens, MO)

Exhibit B

Special Withdrawal and Distribution Provisions

This Exhibit B describes special withdrawal and distribution provisions that apply with respect to certain assets transferred directly from other retirement plans to the Plan in accordance with section 4.5 of the Plan. Except as otherwise provided herein, the special withdrawal and distribution provisions apply only with respect to the assets, together with earnings thereon, transferred from the other plans (hereinafter referred to as the "Transferred Account Balances").

As of January 1, 1999 (except as otherwise indicated), this Exhibit B includes special withdrawal and distribution provisions applicable to the Transferred Account Balances from the following retirement plan(s):

A. Serv-Air, Inc. Savings and Retirement Plan.

A. This paragraph A describes special withdrawal and distribution provisions applicable to Participants with Transferred Account Balances from the Serv-Air, Inc. Savings and Retirement Plan:

(1) Installment Distribution Option: Notwithstanding section 8.3 of the Plan, Participants can elect to receive their Transferred Account Balances in accordance with one of the following distribution options:

(a) Payment in a single, lump-sum; or

(b) Payment in substantially equal installments over a period certain designated by the Participant, which period shall not exceed the life expectancy of the Participant or the joint life expectancies of the Participant and his or her Beneficiary.

Exhibit C

Special Plan Provisions for Certain Adopting Employers

This Exhibit C describes special Plan provisions that apply with respect to the Adopting Employers expressly listed herein. Except as otherwise expressly provided herein, all special Plan provisions shall be effective on and after January 1, 1999.

A. Plan section 2.13(a) - Compensation

With respect to the Eligible Employees of the Adopting Employers listed below, the definition of the term "Compensation" as prescribed in Plan section 2.13(a) shall be replaced with the following (with subsections 2.13(b) - (d) continuing to apply):

(a) (1) Except as otherwise provided herein, the total wages, salaries, and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer to the extent that the amounts are includible in gross income, including, but not limited to (A) commissions paid salesmen, (B) compensation for services on the basis of a percentage of profits, (C) commissions on insurance premiums, (D) tips, (E) bonuses, (F) fringe benefits, (G) severance payments, (H) reimbursements or other expense allowances under a nonaccountable plan (as described in Treas. Reg. section 1.62-2(c)), (I) amounts described in sections 104(a)(3), 105(h) of the Code, but only to the extent that these amounts are includible in the gross income of the Employee, (J) the value of a nonqualified stock option granted to an Employee by the Employer, but only to the extent that the value of the option is includible in the gross income of the Employee for the taxable year in which granted, and (K) the amount includible in the gross income of an Employee upon making the election described in section 83(b) of the Code.

(2) Notwithstanding the foregoing, Compensation shall not include: (A) Employer contributions to a plan of deferred compensation which are not includible in the Employee's gross income for the taxable year in which contributed, or any distributions from a plan of deferred compensation (regardless of whether such amounts are includible in the gross income of the Employee when distributed); (B) amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or becomes no longer subject to a substantial risk of forfeiture; (C) amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; (D) other amounts which received special tax benefits, such as premiums for group-term life insurance to the extent that the premiums are not includible in the gross income of the Employee; and (E) severance payments received during the period beginning January 1, 1999 and ending September 30, 1999 by former Hughes Aircraft Corporation employees under the ETA severance pay plan.

(3) To the extent not otherwise excluded by subsection (a)(2), Compensation also shall not include: (A) reimbursements or other expense allowances, (B) fringe benefits (cash and noncash), (C) moving expenses, (D) deferred compensation, and (E) welfare benefits.

(4) In all cases, however, notwithstanding any exclusions above, Compensation shall include any amount which would otherwise be deemed Compensation under this subsection 2.13(a) but for the fact that it is deferred pursuant to a salary reduction agreement under this Plan or under any plan described in section 401(k) or 125 of the Code.

Effective November 1, 1999, the definition of Compensation prescribed above shall apply to all Participants who are not covered by a collective bargaining agreement ("Non-Union Participants") and the Participants in the following unions:

IAM Lodge 2777 (NAS Whiting Field, FL) IAM Lodge 2777 (NAS Pensacola, FL) IAM District Lodge 142, (US Customs, FL) IAM Lodge 2916 (NAS Corpus Christi, TX) IBT Local 533 (NAS Fallon, NV) IAM Lodge 933 (Tucson, AZ)

B. Plan sections 4.1(a) and (b) - Maximum Elective Deferrals and Employee After-Tax Contributions (Other Than 17%)

The maximum Elective Deferrals and Employee After-Tax Contributions (if applicable) of the Eligible Employees of the Adopting Employers listed below are prescribed below:

I. Raytheon Systems Company; but only with respect to the following divisions:

HTSC	H	IAMAW, Dist. Lodge 75, Local Lodge 2003 (Ft. Rucker, GA)	10%
HAC	H	IAM, Lodge 933 (Tucson, AZ)	12%
HAC	H	IAM, Lodge 940 (Tucson, AZ) (HMSC)	12%
HAC	H	IAM, Lodge 933 (Tucson, AZ) (HEM)	12%
E-Systems	H (PS)	UAW, Local 848 (Garland, TX)	18%
E-Systems	H	UAW, Local 298 (St. Petersburg, FL)	18%

Notwithstanding the preceding (to the extent applicable), effective November 1, 1999, the maximum Elective Deferrals and Employee After-Tax Contributions shall be 20% for all Participants who are not covered by a collective bargaining agreement ("Non-Union Participants") and the Participants in the following unions:

IAM Lodge 2777 (NAS Whiting Field, FL)
IAM Lodge 2777 (NAS Pensacola, FL)
IAM District Lodge 142, (US Customs, FL)
IAM Lodge 2916 (NAS Corpus Christi, TX)
IBT Local 533 (NAS Fallon, NV)
IAM Lodge 933 (Tucson, AZ)

C. Plan section 4.1(b) - Employee After-Tax Contributions

The Eligible Employees of the Adopting Employers listed below may make Employee After-Tax Contributions in accordance with section 4.1(b) of the Plan.

I. Raytheon Systems Company; but only with respect to the following divisions:

HAC	H	IAM, Lodge 933 (Tucson, AZ)
HAC	H	IAM, Lodge 940 (Tucson, AZ (HMSC))
HAC	H	IAM, Lodge 933 (Tucson, AZ (HEM))
Allied Signal	EX, NE, H	Salaried (Comm. Systems - Towson, MD)

Notwithstanding the preceding (to the extent applicable), effective November 1, 1999, Employee After-Tax Contributions may be made by all Participants who are not covered by a collective bargaining agreement ("Non-Union Participants") and the Participants in the following unions:

IAM Lodge 2777 (NAS Whiting Field, FL)
IAM Lodge 2777 (NAS Pensacola, FL)
IAM District Lodge 142, (US Customs, FL)
IAM Lodge 2916 (NAS Corpus Christi, TX)
IBT Local 533 (NAS Fallon, NV)
IAM Lodge 933 (Tucson, AZ)

D. Plan section 4.2 - Matching Contributions

I. The Adopting Employers listed below shall make Matching Contributions equal in value to one hundred percent (100%) of the total Elective Deferrals and Employee After-Tax Contributions (if applicable) made for each Pay Period by each Participant who is an Eligible Employee of each such Adopting Employer, but the total of such Matching Contributions for any eligible Participant shall not exceed four percent (4%) of a Participant's Compensation from such Adopting Employer for each such Pay Period. The Matching Contribution shall be made in either Common Stock or cash that is invested in Common Stock. The number of shares of Common Stock contributed by the Adopting Employer or acquired with Matching Contributions shall be allocated to the Participant's Account by the Trustee and such allocation shall equal the number of shares of Common Stock which the Trustee could have purchased for the Participant at the Current Market Value. Such Matching Contribution shall remain invested in Common Stock in accordance with section 5.1(b).

a. Raytheon Systems Company; but only with respect to the following divisions:

HAC	H	IAM, Lodge 933 (Tucson, AZ)
HAC	H	IAM, Lodge 940 (Tucson, AZ) (HMSC)
HAC	H	IAM, Lodge 933 (Tucson, AZ) (HEM)
HTSC	H	IAMAW, Dist. Lodge 75, Local Lodge 2003 (Ft. Rucker, GA)**

** The Matching Contribution formula prescribed above is effective February 1, 1999. See paragraph D.II. below for the Matching Contribution formula that applies during the period beginning January 1, 1999 and ending January 31, 1999.

II. The Adopting Employers listed below shall make Matching Contributions equal in value to fifty percent (50%) of the first six percent (6%) of the Elective Deferrals and Employee After-Tax Contributions (if applicable) made for each Pay Period by each Participant who is an Eligible Employee of each such Adopting Employer, but the total of such Matching Contributions for any eligible Participant shall not exceed three percent (3%) of a Participant's Compensation from such Adopting Employer for each such Pay Period. The Matching Contribution shall be made in either Common Stock or cash that is invested in Common Stock. The number of shares of Common Stock contributed by the Adopting Employer or acquired with Matching Contributions shall be allocated to the Participant's Account by the Trustee and such allocation shall equal the number of shares of Common Stock which the Trustee could have purchased for the Participant at the Current Market Value. Such Matching Contribution shall remain invested in Common Stock in accordance with section 5.1(b).

a. Raytheon Systems Company; but only with respect to the following divisions:

HTSC	H	IAMAW, Dist. Lodge 75, Local Lodge 2003 (Ft. Rucker, GA)**

** The Matching Contribution formula prescribed above is effective only during the period beginning January 1, 1999 and ending January 31, 1999. See paragraph D.I. for the Matching Contribution formula that applies after January 31, 1999.

III. The Adopting Employers listed below shall make Matching Contributions equal in value to fifty percent (50%) of the first six percent (6%) of the Elective Deferrals and Employee After-Tax Contributions (if applicable) made for each Pay Period by each Participant who is an Eligible Employee of each such Adopting Employer, but the total of such Matching Contributions for any eligible Participant shall not exceed three percent (3%) of a Participant's Compensation from such Adopting Employer for each such Pay Period. The Matching Contribution shall be made in cash and may be invested in accordance with section 5.1(a).

a. Raytheon Systems Company; but only with respect to the following divisions:

RES	H	IUPPE, Local 84 (Guards, Quincy)
RES	H	Independent (Guards, Raytheon)
RES	H	IAM, Lodge 587 (Portsmouth, RI)
Allied Signal	H	IAM, Local 1561 (Comm. Systems-Towson, MD)
Allied Signal	H	UPGWA, Local 270 (Comm. Systems, Towson, MD

b. Cedar Rapids; but only with respect to the following divisions:

	H	IAM, Lodge 831 (Cedar Rapids, IN)

c. Raytheon Aircraft Company; but only with respect to the following divisions:

	H	IAM, Lodge 733 (Aircraft-Witchita, KS)
	H	IAM, Lodge 2328 (Aircraft-Salina, KS)

IV. The Adopting Employers listed below shall make Matching Contributions equa in value to fifty percent (50%) of the first three percent (3%) of the Elective Deferrals and Employee After-Tax Contributions (if applicable) made for each Pay Period by each Participant who is an Eligible Employee of each such Adopting Employer, but the total of such Matching Contributions for any eligible Participant shall not exceed one and one-half percent (1.5%) of a Participant's Compensation from such Adopting Employer for each such Pay Period. The Matching Contribution shall be made in cash and may be invested in accordance with section 5.1(a).

a. Raytheon Systems Company; but only with respect to the following divisions:

E-Systems	H (PS)	UAW, Local 848 (Garland, TX)
E-Systems	H	UAW, Local 298 (St. Petersburg, FL)

E. Plan section 4.1(c)(2) - Qualified Nonelective Contributions - Specified Amounts

I. For each Plan Year, each Adopting Employer listed below shall make a Qualified Nonelective Contribution equal in value to the dollar amount designated below for each Hour of Service completed by its Eligible Employees, up to a maximum of forty (40) Hours of Service per week per Eligible Employee. The Qualified Nonelective Contributions shall be allocated to the Eligible Employees of each Adopting Employer in the same ratio as each such Eligible Employee's Hours of Service for the Plan Year bears to the total Hours of Service for all such Eligible Employees for the Plan Year (determined by limiting the Hours of Service per week per Eligible Employee to 40).

a. Raytheon Support Services Company

Hourly employees in Unit represented by International Brotherhood of Electrical Workers (Beale AFB)	$0.75 per Hour of Service
Salaried Employees (Beale AFB)	$0.75 per Hour of Service
Hourly Employees in Unit represented by International Brotherhood of Electrical Workers, Local 223 (Otis, AFB, MA)	$0.83 per Hour of Service

Salaried Employees (Otis, AFB)	$0.83 per Hour of Service
Employees at Warren/Southridge, MI	$0.16 per Hour of Service
All Employees at Rock Island, IL	$0.30 per Hour of Service

F. Plan section 4.1(d) - Employer Contributions

I. For each Plan Year, each Adopting Employer listed below shall make an Employer Contribution equal in value to the dollar amount designated below for each Hour of Service completed by its Eligible Employees. The Employer Contribution shall be allocated to the Eligible Employees of each Adopting Employer in the same ratio as each such Eligible Employee's Hours of Service for the Plan Year bears to the total Hours of Service for all such Eligible Employees for the Plan Year.

a. Raytheon Systems Company; but only with respect to the following divisions:

RSSC cc87	H	IBEW, Local 898 (Eldorado AFB, TX) $0.70 per Hour of Service
RSSC cc87	H	IAM, Dist. Lodge 131 (Warner Robins AFB, GA) $0.55 per Hour of Service
RSSC cc87	H	IBEW, Local 223 Service (Cape Cod AFB, MA) $0.98 per Hour of Service
RSSC cc87	H	IBEW, Local 340 (Beal AFB, CA) $0.90 per Hour of Service
RSSC cc87	NE	Dept. 8708 NASA Logistics (Annapolis Junction, MD) $0.10 per Hour of Service
RSSC cc87	EX	Dept. 8779 Onizuka AFB, CA $0.33 per Hour of Service
RSSC cc87	EX, NE, H	Dept. 8793 PMEL PMO $0.10 per Hour of Service
RSSC cc87	NE, H	Dept. 8729 ROTHR $0.10 per Hour of Service
RSSC cc87	EX, NE, H	Dept. 8796 SSPARS PMO $0.40 per Hour of Service
RSSC cc87	EX, NE	Dept. 8738 CISF $0.40 per Hour of Service
RSSC cc87	EX, NE	Dept 8712 SSPARS 2 (Beal AFB, CA) $0.90 per Hour of Service
RSSC cc87	EX, NE	Dept 8711 SSPARS 1 $0.98 per Hour of Service
RSSC cc87	EX, NE	Dept 8704 SSPARS 4 (El Dorado AFB, TX) $0.70 per Hour of Service
RSSC cc87	EX, NE, H	Dept. 8789 NASA $0.10 per Hour of Service
RSSC cc87	EX, NE, H	Dept. 8798 MSFC $0.10 per Hour of Service
RSSC cc87	EX, NE, H	Dept. 8725 McCellan AFB $0.10 per Hour of Service

RSSC cc87	EX, NE, H	Dept. 8780 FAA Depot $0.10 per Hour of Service
RSSC cc87	EX, NE	Dept. 8703 SSPARS 3 $0.65 per Hour of Service
RSSC cc87	EX	Dept. 8781 STARS/DASR $0.60 per Hour of Service
RSSC cc87	NE, H	Dept. 8781 STARS/DASR $0.40 per Hour of Service
RSSC cc87	EX	Dept. 8721 IATC $0.60 per Hour of Service
RSSC cc87	NE, H	Dept. 8721 IATC $0.40 per Hour of Service
RSSC cc87	EX, NE, H	Dept. 8770 Trojan $0.10 per Hour of Service
RSSC cc87	EX	Dept. Multiple TSSC (Wash., DC) $0.60 per Hour of Service
RSSC cc87	EX	Dept. 8728 SEI $0.60 per Hour of Service
RSSC cc87	NE, H	Dept. 8728 SEI $0.40 per Hour of Service
Serv-Air	H (PS)	JLK (Lexington, KY) $0.50 per Hour of Service

b. Raytheon Engineers and Constructors; but only with respect to the following divisions:

H	IBEW, Local 453 (Ft. Leonard Wood, MD) $0.15 per Hour of Service

II. For each Plan Year, each Adopting Employer listed below shall make an Employer Contribution equal to the percentage designated below of its Eligible Employees' Compensation for the Plan Year. The Employer Contribution shall be allocated to the Eligible Employees of each Adopting Employer in the same ratio as each such Eligible Employee's Compensation for the Plan Year bears to the total Compensation of all such Eligible Employees for the Plan Year.

a. Raytheon Systems Company; but only with respect to the following divisions:

RSSC	EX	Dept. 8708 NASA Logistics (Annapolis Junction, MD) 2.5% of base pay

b. Raytheon Aircraft Company; but only with respect to the following divisions:

EX, NE, H	AETC Contract (10/1/97), Sheppard AFB 1.75% of base pay

III. For each Plan Year, each Adopting Employer listed below shall make an Employer Contribution equal to the percentage designated below of its Eligible Employees' Compensation for the Plan Year. The Employer Contribution shall be allocated to the Eligible Employees of each Adopting Employer in the same ratio as each such Eligible Employee's Compensation for the Plan Year bears to the total Compensation of all such Eligible Employees for the Plan Year. For purposes of this subparagraph E, III of this Exhibit C to the Plan, the term "Compensation shall be defined as provided in paragraph A of this Exhibit C to the Plan.

a. Raytheon Aircraft Company; but only with respect to the following divisions:

H	Field Contract Employees - Non-Union Ees. 3% Gross Pay
H	IAM, Lodge 2777 (T-34/44) (NAS Whiting Field, FL) (RASSC) 3% Gross Pay
H	IAM, Lodge 2777 (UNFO) NAS Pensacola, FL) (RASSC) 3% Gross Pay
EX, NE, H	Pensacola, FL 3% Gross Pay
EX, NE, H	Corpus Christi, TX 3% Gross Pay

IV. For each Plan Year, each Adopting Employer listed below shall make an Employer Contribution equal to the percentage designated below of its Eligible Employees' Compensation for the Plan Year; provided, however, that in no event shall the Employer Contribution made with respect to any Eligible Employee exceed the maximum dollar amount designated below. The Employer Contribution shall be allocated to the Eligible Employees of each Adopting Employer in the same ratio as each such Eligible Employee's Compensation for the Plan Year bears to the total Compensation of all such Eligible Employees for the Plan Year.

a. Raytheon Aircraft Company; but only with respect to the following divisions:

H	NAS Whiting Field, FL (RASSC) - Non-Union 4% up to $500 per year
EX, NE, H	U.S. Customs, FL (RASSC) - Non-Union Ees. 1.75% up to $400 per year
H	IAM District Lodge 142 U.S. Customs, FL (RASSC) 1.75% up to $400 per year
EX, NE, H	Drug Enforcement Agency Contract, Ft. Worth 1.75% up to $400 per year
EX, NE, H	Wright-Patterson AFB, TX 1.75% up to $400 per year

V. For each Plan Year, each Adopting Employer listed below shall make an Employer Contribution equal to (i) with respect to Eligible Employees who were hired prior to April 22, 1996, 7% of each such Eligible Employee's Compensation; and (ii) with respect to Eligible Employees who were hired on and after April 22, 1996, 4% of each such Eligible Employee's Compensation. The Employer Contribution shall be allocated to each respective group of Eligible Employees in the same ratio as each such Eligible Employee's Compensation for the Plan Year bears to the total Compensation of all such respective Eligible Employees for the Plan Year.

a. Raytheon Systems Company; but only with respect to the following divisions:

Serv-Air	H, EX	IBEW Local 2088 Mobile Sensors (effective June 12, 1999)

G. Plan sections 4.3(a) and (b) - ESOP Contributions

The Adopting Employers listed below shall make an ESOP Contribution in accordance with section 4.3(a) of the Plan. In addition, for purposes of allocating the ESOP Contribution in accordance with section 4.3(b) of the Plan, only those Eligible Employees of each such Adopting Employer shall be taken into account.

a. Raytheon Systems Company; but only with respect to the following divisions:

RES	H	IUPPE, Local 84 (Guards, Quincy)
RES	H	Independent (Guards, Raytheon)
RES	H	IAM, Lodge 587 (Portsmouth, RI)
E-Systems	H(PS)	UAW, Local 848 (Garland, TX)
Serv-Air	H(PS)	U38100 JBV (Ft. Belvoir, VA)
Serv-Air	H(PS)	U38100 JDC (Washington, DC)
Serv-Air	H(PS)	U38100 JHF (Hurlburt Field, FL)
Serv-Air	H(PS)	U38100 JHI (Camp Smith, HI)
Serv-Air	H(PS)	U38100 JHI (Hickman AFB, HI)
Serv-Air	H(PS)	U38100 JMD (MacDill, FL)
Serv-Air	H(PS)	U38100 JMJ (McGuire AFB, NJ)
Serv-Air	H(PS)	U38100 JON (Offutt AFB, NE)
Serv-Air	H(PS)	U38100 JSCS (Colorado Springs, CO)
Serv-Air	H(PS)	U38100 JSI (Scott, IL)
Serv-Air	H(PS)	U38100 JTC (Travis AFB, CA)
Serv-Air	H(PS)	U38100 JTZ (Jtic, AZ)
Serv-Air	H(PS)	U38100 R (Richardson, TX)
Serv-Air	H(PS)	U38100 ZIC (Keflavik, Iceland)
Serv-Air	H(PS)	U38100 ZOJ (Okinawa, Japan)
Serv-Air	H(PS)	U38100 ZPP (Panama)
Serv-Air	H(PS)	U38100 ZRA (Ramstein, Germany)
Serv-Air	H(PS)	U38100 ZYJ (Yokota, Japan)
Serv-Air	H(PS)	U38100 ZOCK (Osan, South Korea)
E-Systems	H	UAW, Local 298 (St. Petersburg, FL)

b. Cedar Rapids; but only with respect to the following divisions:

	H	IAM, Lodge 831 (Cedar Rapids, IA)

c. Raytheon Aircraft Company; but only with respect to the following divisions:

	H	IAM, Lodge 733 (Aircraft - Wichita, KS)
	H	IAM, Lodge 2328 (Aircraft - Salinas, KS)

H. Plan section 6.2 - Vesting of Matching, ESOP and Employer Contribution Accounts

Each Eligible Employee of the Adopting Employers listed below shall have a nonforfeitable right to his or her Matching, ESOP and Employer Contribution Accounts upon the earliest of (or, if more favorable, under the terms of the transferee plan in the case of a direct transfer of assets to the Plan in accordance with sections 1.1(b) and 4.5(c)):

(1) the Participant's completion of a Period of Service of five (5) years;

(2) the Participant's completion of a Period of Participation of three (3) years;

(3) the Participant's Retirement, death while an Employee, Disability or attainment of Normal Retirement Age; or

(4) the Participant's Layoff or Severance from Service due to Qualified Military Service.

a. Raytheon Systems Company; but only with respect to the following divisions:

HTSC	H	IAMAW, Dist. Lodge 75, Local Lodge 2003 (Ft. Rucker, GA)
RES	H	IUPPE, Local 84 (Guards, Quincy)
RES	H	Independent (Guards, Raytheon)
RES	H	IAM, Lodge 587 (Portsmouth, RI)
HAC	H	IAM, Lodge 933 (Tucson, AZ)
HAC	H	IAM, Lodge 940 (Tucson, AZ) (HMSC)
HAC	H	IAM, Lodge 933 (Tucson, AZ) (HEM)
Allied Signal	H	IAM, Local 1561 (Comm. Systems, Towson, MD)
Allied Signal	H	UPGWA, Local 270 (Comm. Systems, Towson, MD)

b. Cedar Rapids; but only with respect to the following divisions:

H	IAM, Lodge 831 (Cedar Rapids, IA)

c. Raytheon Aircraft Company; but only with respect to the following divisions:

H	IAM, Lodge 733 (Aircraft - Witchita, KS)
H	IAM, Lodge 2328 (Aircraft - Salina, KS)

Exhibit D

Designation of Prior Year Method for ADP and ACP Testing
(Plan sections 4.8(c)(1) and (2))

Except as otherwise provided below, the Administrator shall use the "Current Year Method" for complying with the limits prescribed in section 4.8 of the Plan:

Testing Plan *	Plan Year(s)

* The "Testing Plan" can be the entire Plan, or one or more disaggregated "Testing Plans" as permitted under the applicable regulations or other guidance.

EXHIBIT 13

Five-Year Statistical Summary

(In millions except share amounts)	1999	1998 (Restated)	1997 (Restated)	1996 (Restated)	1995 (Restated)
Results of Operations					
Net sales	$19,841(1)	$19,419(4)	$13,593	$12,257	$11,836
Operating income	1,527(2)	2,006(5)	1,060(7)	1,192(9)	1,122(10)
Interest expense, net	713	711	359	154	171
Net income	404(3)	844(6)	511(8)	757(9)	795(11)
Diluted earnings per share	$1.19(3)	$2.47(6)	$2.11(8)	$3.15(9)	$3.24(11)
Dividends declared per share	0.80	0.80	0.80	0.80	0.75
Average diluted shares outstanding (in thousands)	340,784	341,861	241,886	240,165	245,397
Financial Position at Year-End					
Current assets	$8,931	$8,965	$9,155	$5,688	$5,279
Property, plant, and equipment, net	2,417	2,275	2,891	1,802	1,584
Total assets	28,110	28,232	28,520	11,358	9,999
Current liabilities	7,886	7,032	11,176	4,875	3,801
Long-term debt	7,298	8,163	4,406	1,500	1,488
Total debt	9,770	8,990	10,062	3,727	2,704
Stockholders' equity	10,959	10,797	10,386	4,575	4,273
General Statistics					
Total backlog	$28,420	$24,045(12)	$21,515	$12,251	$10,662
U.S. government backlog included above	16,107	14,622(12)	12,547	5,637	5,142
Capital expenditures	532	509	459	406	329
Depreciation and amortization	724	761	457	369	371
Number of employees (actual)	105,300	108,200	119,200	75,300	73,200

(1) Includes a charge of $200 million.

(2) Includes charges of $320 million and restructuring and special charges of $207 million, offset by $65 million of favorable adjustments to restructuring-related reserves.

(3) Includes charges of $320 million pretax and restructuring and special charges of $221 million pretax, offset by favorable adjustments to restructuring-related reserves of $65 million pretax, and a net gain on sales of operating units and investments of $23 million pretax. The impact of these items combined was a net charge of $276 million after-tax, or $0.81 per diluted share.

(4) Includes a charge of $310 million.

(5) Includes a charge of $310 million and restructuring and special charges of $252 million.

(6) Includes a charge of $310 million pretax, restructuring and special charges of $252 million pretax, and a net gain on sales of operating units of $141 million pretax. The impact of these items combined was a net charge of $271 million after-tax, or $0.79 per diluted share.

(7) Includes restructuring and special charges of $495 million.

(8) Includes restructuring and special charges of $495 million pretax and a net gain on sales of operating units of $72 million pretax. The impact of these items combined was a net charge of $275 million after-tax, or $1.14 per diluted share.

(9) Includes a special charge of $34 million pretax, $22 million after-tax, or $0.09 per diluted share.

(10) Includes a charge of $77 million and a special charge of $125 million.

(11) Includes a charge of $77 million pretax, a special charge of $125 million pretax, and a net gain on sales of operating units of $210 million pretax. The impact of these items combined was a net gain of $5 million after-tax, or $0.02 per diluted share.

(12) During 1998, the Company changed its method of reporting backlog at certain locations as discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Note: The Company has restated its financial statements for revenue related to bill and hold transactions at Raytheon Aircraft as more fully discussed in Note B to the financial statements. In addition, certain prior year amounts have been reclassified to conform to the current year presentation. In December 1997, the Company issued 102.6 million shares of Class A common stock and converted each share of Raytheon common stock into one share of Class B common stock in connection with the merger with Hughes Defense. All share and per share amounts have been restated to reflect the two-for-one stock split in October 1995.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Raytheon Company (the "Company") is a global technology leader that operates in three major business areas: Electronics, both defense and commercial, Engineering and Construction, and Aircraft. The Company is a leader in defense electronics, including missiles; radar; sensors and electro-optics; reconnaissance, surveillance, and intelligence; command, control, communication, and information; training; simulation and services; naval systems; air traffic control systems; and aircraft integration systems. The Company's results of operations include the results of Texas Instruments' defense business (TI Defense) which was acquired on July 11, 1997, and the defense business of Hughes Electronics Corporation (Hughes Defense) which merged with the Company on December 17, 1997. The Electronics segments were established in conjunction with the consolidation and reorganization of the Company's Electronics businesses and the creation of Raytheon Systems Company (RSC) in December 1997. RSC is comprised of the Defense Systems segment, the Sensors and Electronic Systems segment, the Command, Control, Communication and Information Systems segment, and the defense electronics portion of the segment that includes Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other. In the first quarter of 2000, RSC was eliminated and the Defense Systems and Sensors and Electronic Systems segments were combined into the new Electronic Systems segment. The Engineering and Construction segment offers full-service engineering and construction capabilities to clients worldwide. The Aircraft segment is one of the leading providers of business and special mission aircraft and delivers a broad line of jet, turboprop, and piston-powered airplanes to corporate and military customers worldwide.

Consolidated Results of Operations

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101), which among other guidance, clarifies certain conditions to be met in order to recognize revenue. After reexamining the terms underlying certain transactions of Raytheon Aircraft, the Company determined that revenue related to these transactions should be reversed. In view of the cumulative effect of the unrecorded adjustment on the results of future periods, the Company restated its annual and quarterly consolidated financial statements. The restatements were required to reverse sales that the Company believed were properly recorded as bill and hold sales when the manufacturing process was substantially complete and the rights of ownership of the aircraft had passed to the buyer, but before minor modifications had been completed and the physical delivery of the aircraft occurred. The restated financial statements reflect sales when final delivery of the aircraft occurred. As these adjustments relate to the timing of revenue recognition, all reversals are recognized in later periods. The financial statements and related notes set forth in this Annual Report reflect all such restatements.

Net sales in 1999 were $19.8 billion compared with $19.4 billion in 1998 and $13.6 billion in 1997. Sales to the U.S. Department of Defense were 53 percent of sales in 1999, 56 percent in 1998, and 34 percent in 1997. Total sales to the U.S. government, including foreign military sales, were 61 percent of sales in 1999, 66 percent in 1998, and 46 percent in 1997. The increases in 1998 are primarily a result of the merger with Hughes Defense and the acquisition of TI Defense. Total international sales, including foreign military sales, were 27 percent of sales in 1999, 26 percent in 1998, and 29 percent in 1997.

Gross margin in 1999 was $3.6 billion compared with $4.3 billion in 1998 and $2.7 billion in 1997, or 18.1 percent of sales in 1999, 21.9 percent in 1998, and 19.6 percent in 1997. Excluding the restructuring and special charges described below of $133 million, net in 1999 ($198 million of restructuring and special charges offset by $65 million of favorable adjustments to restructuring-related reserves), $85 million in 1998, and $401 million in 1997, gross margin was $3.7 billion in 1999, $4.3 billion in 1998, and $3.1 billion in 1997, or 18.7 percent of sales in 1999, 22.3 percent in 1998, and 22.5 percent in 1997. The decrease in gross margin as a percent of sales in 1999 is due to lower international revenues and more competitive pricing pressure in defense electronics.

Administrative and selling expenses were $1,550 million in 1999, $1,664 million in 1998, and $1,189 million in 1997. The increase in 1998 is due primarily to the merger with Hughes Defense and the acquisition of TI Defense, partially offset by the sale of the Company's home appliance, heating, air conditioning, and commercial cooking operations in September 1997. Excluding the restructuring charges described below of $9 million in 1999 and the special charges of $167 million in 1998 and $94 million in 1997, administrative and selling expenses decreased to 7.8 percent of sales in 1999 and 7.7 percent in 1998 from 8.1 percent in 1997. The decrease is due primarily to economies of scale resulting from the merger with Hughes Defense and the acquisition of TI Defense.

Research and development expenses were $508 million or 2.6 percent of sales in 1999, $582 million or 3.0 percent of sales in 1998, and $415 million or 3.1 percent of sales in 1997. The decrease in research and development expenses as a percent of sales in 1999 is due primarily to the elimination of duplicate research and development processes within the former RSC.

In the fourth quarter of 1997, the Company recorded a $220 million restructuring charge, which is included in cost of sales, to reduce the then newly formed RSC workforce by 12,800 employees and reduce space by approximately 11 million square feet at 34 facilities through sales, subleases, and lease terminations. In connection with these actions, the Company also accrued $584 million as liabilities assumed in connection with the merger with Hughes Defense and the acquisition of TI Defense as part of the allocation of purchase price and not as a charge to operations. The principal actions involve the consolidation of missile and other electronics systems' manufacturing and engineering, as well as the consolidation of certain component manufacturing into Centers of Excellence.

In the fourth quarter of 1998, the estimated number of employee terminations increased by approximately 1,200 employees, primarily comprised of manufacturing employees, however, the actual cost of termination per employee was lower than the original estimate. As a result of these changes in estimate, the total cost of employee severance decreased by $37 million. In the fourth quarter of 1998, the Company determined that facilities exit costs would run lower than the original estimate by $30 million because many of the facility actions were progressing ahead of the original schedule, reducing the amount of rent and occupancy costs, and costs to return certain facilities to the required condition were less than originally planned. In the fourth quarter of 1998, the Company committed to close two additional facilities and further reduce employment by approximately 1,400 positions. The total program cost of the actions was estimated at $67 million, comprised of $14 million of severance and other employee related costs and $53 million of facility closure and related costs.

In the third quarter of 1999, the Company recorded a $35 million restructuring charge, which is included in cost of sales, for higher than originally estimated exit costs related to the Hughes Defense and TI Defense actions. The estimate for employee related exit costs increased by $27 million for higher than planned severance and other termination benefit costs. The estimate for facility related exit costs increased by $8 million for additional lease termination costs expected to be incurred. The Company accrued $12 million of exit costs as liabilities assumed in connection with a minor acquisition. The Company recorded a $102 million restructuring charge in the third quarter of 1999, of which $93 million is included in cost of sales and $9 million is included in administrative and selling expenses, to further reduce the Electronics workforce by 2,200 employees and vacate and dispose of an additional 2.7 million square feet of facility space. Employee related exit costs of $55 million include severance and other termination benefit costs for manufacturing, engineering, and administrative employees. Facility related exit costs of $47 million include the costs for lease termination, building closure and disposal, and equipment disposition.

In the fourth quarter of 1999, the Company determined that the cost of the RSC restructuring initiatives would be $65 million lower than originally planned and recorded a favorable adjustment to the original $220 million restructuring charge. The reduction in the estimated costs related to lower than anticipated costs for severance and facilities. The primary reasons for the reduction in severance costs include a shift in the composition of severed employees, higher attrition resulting in the need for fewer severed employees, and more employees transferring to other locations within the Company. The estimated costs related to facilities were lower than anticipated due to the identification of alternative uses for assets originally identified for disposition, lower de-installation costs, and more rapid exit from facilities.

The total cost of the Electronics actions are currently estimated at $1.2 billion, of which $888 million pertains to exit costs. Approximately $453 million of the exit costs relate to employee severance and $435 million relate to facilities. Through December 31, 1999, Electronics employment had been reduced by approximately 10,900 people, and 9.5 million square feet had been vacated. The Company expects to essentially complete these restructuring actions in 2000. While these actions are intended to improve the Company's competitive position, there can be no assurances as to their ultimate success or that additional restructuring actions will not be required.

In the fourth quarter of 1997, the Company recorded a $75 million restructuring charge, which is included in cost of sales, to reduce the Raytheon Engineers & Constructors (RE&C) workforce by 1,000 employees and close or partially close 16 offices, reducing space by approximately 1.1 million square feet. The restructuring charge included $31 million for employee severance and $44 million for facilities exit. During the fourth quarter of 1998, the Company modified the plan for RE&C to close fewer facilities than originally estimated. As a result of this modification, the number of employee terminations was reduced from approximately 2,300 people to approximately 1,400 and the total cost of employee severance decreased by $11 million. Because higher than expected facilities exit costs were incurred at the locations being closed, the total estimated cost of facilities exit increased by $11 million. In October

1998, the Company announced plans for an additional 260 person reduction in the RE&C workforce and recorded an additional $33 million restructuring charge, which is included in cost of sales. The Company completed these actions during 1999 for $10 million less than planned due to lower facility exit costs. In the second quarter of 1999, the Company implemented additional restructuring plans to further reduce the RE&C workforce by 200 employees at a cost of $10 million. The Company recorded a restructuring charge of $10 million in the third quarter of 1999, which is included in cost of sales, to reduce the workforce by another 150 employees. The workforce affected by the 1999 restructuring actions were engineering and administrative employees. The total cost of the RE&C actions are currently estimated at $118 million, of which $63 million relate to employee severance and $55 million relate to facilities exit.

Through December 31, 1999, RE&C employment had been reduced by approximately 1,600 people, and 1.1 million square feet had been vacated. While these actions are intended to improve the Company's competitive position, there can be no assurances as to their ultimate success or that additional restructuring actions will not be required.

In 1999, the Company recorded the following restructuring charges and favorable adjustments to restructuring-related reserves, discussed above, and special charges, discussed below, which were included in the statements of income and classified as a reduction in net sales or included in cost of sales, administrative and selling expenses, or other expense as indicated below:

(In millions)	Net Sales	Cost of Sales	Admin. and Selling Expenses	Other Expense	Total
Restructuring charges					
Electronics		$128	$9		$137
RE&C		10			10
Favorable adjustments to restructuring-related reserves					
Electronics		(65)			(65)
Special charges					
Electronics					
Iridium LLC	$15	6		$14	35
Korean business venture		33			33
Exit PRT business		6			6
Total	$15	$118	$9	$14	$156

In 1999, the Company recorded a $35 million special charge to write down its minority investment and receivables related to Iridium LLC, which filed for Chapter 11 protection from creditors on August 13, 1999. The Company also recorded an additional $33 million special charge to further write down inventory and receivables related to a Korean business venture and a $6 million special charge to exit the personal rapid transit (PRT) business, including the costs to dispose of a test track. At December 31, 1999, the remaining assets related to the Korean business venture consisted of a $5 million receivable.

In 1998, the Company recorded the following restructuring charges, discussed above, and special charges, discussed below, which were included in the statements of income and classified as either cost of sales or administrative and selling expenses as indicated below:

(In millions)	Cost of Sales	Admin. and Selling Expenses	Total
Restructuring charges			
RE&C	$33		$33
Special charges			
RE&C asset impairment	52		52
Electronics			
Korean business venture		$42	42
Exit a line of business		83	83
Write down assets to be sold		42	42
Total	$85	$167	$252

During the second quarter of 1998, the Company's partner in a Commercial Electronics business venture in Korea began to experience financial difficulties. As a result, the Company recorded a $42 million special charge to recognize a permanent impairment of its investment in the business venture, reducing the book value of the investment to estimated fair value. During the third quarter of 1998, the financial condition of the business venture deteriorated further, and the Company recorded an additional $83 million special charge to exit a line of business, which included writing off its remaining investment in the Korean business venture.

In 1998, the Company also recorded a $52 million special charge for asset impairment related to the RE&C restructuring actions to exit two operations which were closed in 1999. The charges consisted of $45 million of goodwill associated with one of the operations to be exited and $7 million for the estimated loss on disposition of the other operation.

Also in 1998, the Company recorded a $42 million special charge to write down the assets of two operations in the Electronics businesses that the Company had decided to sell, to estimated fair value of approximately $125 million. One sale was completed during 1998 and the other during 1999. The operating results, which were not material, were included in the Company's results of operations through the date of sale.

In 1997, the Company recorded the following restructuring charges, discussed above, and special charges, discussed below, which were included in the statements of income and classified as either cost of sales or administrative and selling expenses as indicated below:

(In millions)	Cost of Sales	Admin. and Selling Expenses	Total
Restructuring charges			
Electronics	$220		$220
RE&C	75		75
Special charges			
RE&C contract valuations	50		50
Electronics			
Asset impairment	9		9
Write down assets to be sold		$48	48
One time merger costs	17	46	63
Aircraft asset impairment	30		30
Total	$401	$94	$495

In 1997, the Company recorded a $63 million special charge primarily for one-time costs in the Electronics businesses associated with the merger with Hughes Defense and the acquisition of TI Defense. The Company also recorded a $48 million special charge primarily to write down to estimated fair value certain assets in the Electronics businesses that the Company had decided to sell. The sale of these assets was completed in 1998 and the proceeds and loss on disposition were not material. A $9 million special charge was also recorded for an asset impairment.

Also in 1997, the Company recorded a $50 million special charge for contract valuations at RE&C and a $30 million special charge to recognize a permanent impairment at Raytheon Aircraft.

Operating income was $1,527 million or 7.7 percent of sales in 1999, $2,006 million or 10.3 percent of sales in 1998, and $1,060 million or 7.8 percent of sales in 1997. Excluding the restructuring and special charges described above of $142 million, net in 1999 ($207 million of restructuring and special charges offset by $65 million of favorable adjustments to restructuring-related reserves), $252 million in 1998, and $495 million in 1997, operating income as a percent of sales was 8.4 percent, 11.6 percent, and 11.4 percent in 1999, 1998, and 1997, respectively. The changes in operating income by segment are discussed below.

Interest expense, net was $713 million in 1999, $711 million in 1998, and $359 million in 1997. The increase in 1998 was due principally to the higher debt level resulting from the merger with Hughes Defense and the acquisition of TI Defense. During 1998, the Company issued $3.8 billion of long-term notes and debentures in order to secure favorable long-term rates. The weighted average cost of borrowing was 7.1 percent in 1999, 6.9 percent in 1998, and 6.8 percent in 1997.

Other income, net was $14 million in 1999, versus $142 million in 1998 which included a $141 million net gain on sales of operating units, and $65 million in 1997 which included a $72 million net gain on sales of operating units.

The effective tax rate was 44.8 percent in 1999, 41.3 percent in 1998, and 33.3 percent in 1997. The effective tax rate reflects primarily the U.S. statutory rate of 35 percent reduced by foreign sales corporation tax credits and research and development tax credits applicable to certain government contracts, increased by non-deductible amortization of goodwill. The increase in the effective tax rate in 1999 and 1998 was primarily due to the increase in non-deductible amortization of goodwill resulting from the merger with Hughes Defense.

In 1999, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-5, Reporting on the Costs of Start-Up Activities (SOP 98-5). This accounting standard requires that certain start-up and pre-contract costs be expensed as incurred. The Company recorded a charge of $53 million after-tax reflecting the initial application of SOP 98-5 and the cumulative effect of the change in accounting principle.

The impact of the 1999 restructuring and special charges, favorable adjustments to restructuring-related reserves, and net gain on sales of operating units and investments combined was a net charge of $133 million pretax and $86 million after-tax. The impact of the 1998 restructuring and special charges and net gain on sales of operating units combined was a net charge of $111 million pretax and $72 million after-tax. The impact of the 1997 restructuring and special charges and net gain on sales of operating units combined was a net charge of $423 million pretax and $275 million after-tax.

Net income in 1999 was $404 million, or $1.19 per diluted share on 340.8 million average shares outstanding. Net income in 1998 was $844 million, or $2.47 per diluted share on 341.9 million average shares outstanding. Net income in 1997 was $511 million, or $2.11 per diluted share on 241.9 million average shares outstanding. The Company issued 102.6 million shares of Class A common stock in December 1997 in connection with the merger with Hughes Defense.

The Company's total number of employees was approximately 105,300 at December 31, 1999, approximately 108,200 at December 31, 1998, and approximately 119,200 at December 31, 1997. The decreases are primarily a result of the restructuring initiatives outlined above.

Segment Results

Sales (In millions)	1999	1998 (Restated)	1997 (Restated)
Defense Systems	$ 5,215	$ 4,941	
Sensors and Electronic Systems	2,695	2,934	
Command, Control, Communication and Information Systems	3,576	3,529	
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	3,003	3,418	
Total Electronics	14,489	14,822	$ 8,972
Engineering and Construction	2,656	2,065	2,255
Aircraft	2,696	2,532	2,366
Total	$19,841	$19,419	$13,593

Operating Income (In millions)	1999	1998 (Restated)	1997 (Restated)
Defense Systems	$ 785	$ 880	
Sensors and Electronic Systems	332	556	
Command, Control, Communication and Information Systems	301	371	
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	8	225	
Total Electronics	1,426	2,032	$ 856
Engineering and Construction	(61)	(253)	19
Aircraft	162	227	185
Total	$1,527	$2,006	$1,060

Certain prior year segment amounts were reclassified to conform to the current year presentation. Information for the segments that comprise Total Electronics has not been presented for 1997 because the Company determined that it was impracticable to obtain the comparative information due to the significant acquisitions, divestitures, and reorganizations that took place during 1997. In keeping with the Company's on-going consolidation efforts and to further simplify its organizational structure, in the first quarter of 2000, RSC was eliminated and the Defense Systems and Sensors and Electronic Systems segments were combined into the new Electronic Systems segment. These organizational changes will be reflected in the Company's 2000 financial statements.

The Electronics businesses reported 1999 sales of $14.5 billion and operating income of $1,426 million, 1998 sales of $14.8 billion and operating income of $2,032 million, and 1997 sales of $9.0 billion and operating income of $856 million. In 1999, the Company recorded a $195 million contract-related operating charge of which $165 million was recorded as a reduction to net sales and $30 million was included in cost of sales. Approximately $130 million related to changes in estimates on three contracts. Two were fixed price U.S. government contracts that were in loss positions, of which one was expected to begin to realize certain efficiencies that have not materialized. The second recently completed the development phase at higher than expected costs resulting in a higher loss than originally anticipated, therefore, additional loss provisions were recorded. The third was a fixed price commercial program in a new line of business. The cost of this program was running higher than the initial projections, therefore, a loss provision was recorded. The significant increase in 1998 was attributable primarily to the merger with Hughes Defense and the acquisition of TI Defense. Additionally, the previously discussed restructuring and special charges decreased to $167 million in 1998 from $340 million in 1997.

Defense Systems reported 1999 sales of $5.2 billion, an increase from $4.9 billion in 1998. Operating income was $785 million in 1999 versus $880 million in 1998. The decrease in operating income was primarily due to the 1999 charges.

Sensors and Electronic Systems reported 1999 sales of $2.7 billion versus $2.9 billion in 1998. Operating income was $332 million in 1999 versus $556 million in 1998. The decrease in operating income was primarily due to the 1999 charges and higher margin programs completed in the prior year.

Command, Control, Communication and Information Systems reported 1999 sales of $3.6 billion versus $3.5 billion in 1998. Operating income was $301 million in 1999 compared to $371 million in 1998. The decrease in operating income was primarily due to the 1999 charges.

Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other reported 1999 sales of $3.0 billion down from $3.4 billion in 1998. Operating income was $8 million in 1999 compared to $225 million in 1998. The decrease in operating income was primarily due to the 1999 charges and higher margin programs completed in the prior year.

RE&C reported 1999 sales of $2.7 billion and an operating loss of $61 million, 1998 sales of $2.1 billion and an operating loss of $253 million, and 1997 sales of $2.3 billion and operating income of $19 million. In 1999, RE&C recorded a $125 million operating charge of which $20 million was recorded as a reduction to net sales and $105 million was included in cost of sales. The charge related to four troubled international fixed price contracts in loss positions that are experiencing schedule delays and cost overruns due to labor difficulties and subcontractor performance. Delays, cancellations, and cost growth on other projects have also contributed to the erosion in operating margins. These difficulties may continue into the forseeable future. Any additional cost growth or losses will have an adverse effect on the Company's financial position and results of operations. In 1998, RE&C recorded a non-recurring charge of $310 million consisting of a $153 million change in estimate on certain contracts and a $157 million charge related to certain contract claims. The charge related to the change in estimate was due to increased cost projections on several large turnkey projects. The charge related to contract claims was due to a change in methodology employed by the Company to pursue outstanding claims. In accordance with contract accounting rules, this charge was recorded as a reduction in net sales. In addition, RE&C recorded previously discussed restructuring and special charges of $85 million in 1998 and $125 million in 1997. The decrease in sales and operating income in 1998 was due primarily to the $310 million non-recurring charge. RE&C has undertaken corrective actions in an effort to improve cash flow management, reduce the overhead structure, and strengthen the management team.

Raytheon Aircraft reported 1999 sales of $2.7 billion and operating income of $162 million or 6.0 percent of sales, 1998 sales of $2.5 billion and operating income of $227 million or 9.0 percent of sales, and 1997 sales of $2.4 billion and operating income of $185 million or 7.8 percent of sales. The increase in sales was primarily due to increased demand for the King Air and Hawker aircraft. Excluding the 1997 special charge of $30 million discussed above, operating income was 9.1 percent of sales. The decline in operating income as a percent of sales in 1999 was due to increased development and start-up costs for the Premier I, Hawker Horizon, and JPATS aircraft, higher production costs, and commuter valuation costs.

Backlog consisted of the following at December 31:

(In millions)	1999	1998 (Restated)	1997 (Restated)
Electronics	$20,783	$17,648	$16,641
Engineering and Construction	3,355	3,888	2,900
Aircraft	4,282	2,509	1,974
Total backlog	$28,420	$24,045	$21,515
U.S. government backlog included above	$16,107	$14,622	$12,547

The increase in backlog in 1999 was due primarily to the receipt of several significant orders at Electronics and Aircraft. In the third quarter of 1998, the Company changed its method of reporting backlog at certain locations in order to provide a consistent method of reporting across and within the Company's businesses. Backlog includes the full value of contract awards when received, excluding awards and options expected in future periods. Prior to the change, contract values which were awarded but incrementally funded were excluded from reported backlog for some parts of the business. The one-time impact of this change was a $1.1 billion increase to Electronics backlog and a $0.9 billion increase to Engineering and Construction backlog, related principally to U.S. government contracts. Prior periods have not been restated for this change. Excluding this change, backlog remained essentially unchanged from December 31, 1998 to December 31, 1997.

Financial Condition and Liquidity

Net cash used in operating activities in 1999 was $317 million versus net cash provided by operating activities of $994 million in 1998. The decrease was due principally to increased working capital requirements and restructuring activities at the Electronics businesses. Net cash provided by operating activities was $1,044 million in 1997. In 1999 and 1998, the Company incurred cash expenditures of $426 million and $276 million, respectively, on restructuring and exit costs and $265 million and $56 million, respectively, of capital expenditures and period expenses related to restructuring and consolidation activities for RSC and RE&C combined. The Company expects to spend approximately $250 million on exit costs and approximately $50 million on capital expenditures and period costs related to restructuring actions in 2000. While the Company expects that the completion of restructuring and consolidation activities will reduce cash flow in the near term, over the next five years the Company expects to recover that investment.

The Company maintains an ongoing program under which it sells general and commuter aviation long-term receivables. During the fourth quarter of 1998, the Company initiated a program under which it sells government short-term receivables. Proceeds from the sale of government short-term receivables were $225 million in 1998. In addition, the Company maintains an ongoing program under which it sells engineering and construction short-term receivables. In 1999, the Company changed its method of reporting cash flows related to the origination and sale of financing receivables, which are now classified as cash flows from investing activities. Prior to the change, these amounts were classified as cash flows from operating activities. Prior year amounts have been reclassified to conform with the current year presentation.

Net cash used in investing activities was $400 million in 1999 versus net cash provided by investing activities of $617 million in 1998 and net cash used in investing activities of $2,937 million in 1997. Origination of financing receivables was $1,438 million in 1999, $1,339 million in 1998, and $1,317 million in 1997. Sale of financing receivables was $1,239 million in 1999, $1,105 million in 1998, and $1,182 million in 1997. Capital expenditures were $532 million in 1999, $509 million in 1998, and $459 million in 1997. The increase in 1998 was primarily due to the merger with Hughes Defense and the acquisition of TI Defense. Capital expenditures in 2000 are expected to approximate 1999 levels.

Proceeds from the sales of property, plant, and equipment were $102 million in 1999. Proceeds from the sales of property, plant, and equipment in 1998 were $700 million and included a $490 million property sale and five-year operating lease facility. The transaction was intended to diversify the Company's sources of funding and extend the term for a portion of the Company's financing obligations. Remaining lease payments approximate $83 million in 2000, $77 million in 2001, $64 million in 2002, and $215 million in 2003. The lease facility contains covenants that are substantially similar to those in the Company's senior credit facilities. Proceeds from the sales of property, plant, and equipment were $69 million in 1997.

In 1998, the Company made net payments for the purchase of acquired companies of $96 million, including $63 million for the acquisition of AlliedSignal's Communications Systems business. In 1997, net payments of $3,087 million were made in connection with the merger with Hughes Defense and the acquisition of TI Defense. Pursuant to the terms of the Master Separation Agreement (the "Separation Agreement"), which requires an adjustment based on net assets, the final purchase price for Hughes Defense has not been determined. Based on the terms and conditions of the Separation Agreement, the Company believes that it is entitled to a reduction in the purchase price, a position that Hughes Electronics disputes. The Company and Hughes Electronics have begun the process of negotiating a possible resolution of this matter. If the matter is not successfully resolved through negotiation, the Separation Agreement provides for binding arbitration. Accordingly, while the Company expects a reduction in purchase price from the original terms of the agreement, the amount, timing, and effect on the Company's financial position are uncertain. As a result of this uncertainty, no amounts have been recorded in the financial statements related to this expected reduction in purchase price. Any payment received from Hughes Electronics as a result of a reduction in purchase price will result in a corresponding reduction in goodwill and not be reflected in the income statement. Any payment received from Hughes Electronics for interest accrued on a reduction in purchase price, as provided in the Separation Agreement, will be reflected in the income statement in the period of receipt.

Pursuant to the terms of the Separation Agreement, Hughes Electronics delivered to the Company a balance sheet for Hughes Defense as of December 17, 1997 (the "Closing Balance Sheet"), the effective time of the merger with Hughes Defense. During the course of the Company's review of the Closing Balance Sheet, the Company identified numerous items requiring adjustment. As a result of this review, as well as the accrual of additional exit costs, the Company recorded a total of approximately $1 billion of adjustments, exit cost accruals, and additional goodwill during 1998. As a result of the different measurements of the purchase price allocation, additional annual goodwill amortization of approximately $26 million will be recorded. The Closing Balance Sheet included:

- Contracts in process of $2,226 million, which the Company reduced by $1,170 million to record additional contract loss provisions of $693 million, other contract adjustments of $272 million, billed and unbilled contract write-offs of $139 million, and contract claim write-offs of $66 million.

- Inventories of $343 million, which the Company reduced by $84 million primarily to record write-offs of excess and obsolete inventory.

- Other current assets of $208 million, which the Company increased by $612 million primarily to record additional deferred tax assets related to the Company's adjustments to the Closing Balance Sheet.

- Property, plant, and equipment of $1,103 million, which the Company reduced by $78 million to record an estimated fair value adjustment.

- Other long-term assets of $1,023 million, which the Company increased by $119 million primarily to record an increase in the value of certain prepaid pension assets.

- Current liabilities of $1,701 million, which the Company increased by $931 million to record $584 million of exit costs, $245 million of adjustments for unfavorable leases, $29 million related to liabilities for employee compensation and related taxes and benefits, and $14 million for additional environmental liabilities.

- Long-term liabilities of $1,069 million, which the Company reduced by $83 million primarily to reduce certain liabilities to estimated fair value.

As noted above, the adjustments recorded during 1998 were made as a result of the Company's review of the Closing Balance Sheet. The Company believes many of the same types of adjustments may also have been required in the September 28, 1997 Hughes Defense balance sheet which is included in the Company's Solicitation Statement/Prospectus dated November 10, 1997 (the "Prospectus"). As a result, the Company believes that the September 28, 1997 Hughes Defense balance sheet may contain items that are material departures from generally accepted accounting principles, therefore, investors are cautioned that the pro forma combined condensed financial statements contained in the Prospectus may not be representative of the combined company's actual financial position. Hughes Electronics and their independent accountants do not agree with the Company's assessment.

In September 1999, the Company sent Hughes Electronics a demand for mediation pursuant to the alternative dispute resolution process set forth in the Separation Agreement in connection with a separate claim against Hughes Electronics concerning the accuracy and completeness of disclosures made by Hughes Electronics to the Company prior to the merger.

In November 1999, the Company filed a complaint against Towers, Perrin, Forster & Crosby (TPF&C). The complaint arises out of a series of events concerning certain Hughes Electronics pension plans (the "Hughes Plans"), portions of which were acquired by the Company in connection with the merger with Hughes Defense. Specifically, the complaint alleges that the Company was damaged by false representations made to the Company by TPF&C regarding the amount of surplus in the Hughes Plans and errors committed by TPF&C in providing administrative services to the Hughes Plans. The complaint seeks damages in an amount to be determined at trial.

In 1999, the Company sold its Cedarapids, Inc. subsidiary for $170 million, other non-core business operations for $65 million in cash and $3 million in securities, and securities received as partial payment for previously divested businesses for $32 million. Total sales and operating income related to these divested businesses were $138 million and $3 million, respectively in 1999.

In 1998, the Company sold its commercial laundry business unit for $315 million in cash and $19 million in securities and its Raytheon Aircraft Montek subsidiary for $160 million. Also in 1998, the Company sold other non-core business operations for $273 million. Total sales and operating income related to these divested businesses were $372 million and $8 million, respectively in 1998.

In 1997, the Company sold its home appliance, heating, air conditioning, and commercial cooking operations for $522 million. Also during 1997, the Company sold its Switchcraft and Semiconductor divisions, which were part of Commercial Electronics, for $183 million. The Company has been divesting non-core assets as part of its strategy to focus and streamline its core businesses.

Dividends paid to stockholders were $269 million in 1999, $271 million in 1998, and $189 million in 1997. The quarterly dividend rate was $0.20 per share for each of the four quarters of 1999, 1998, and 1997. The increase in dividends paid in 1998 was due to the issuance of 102.6 million shares in connection with the merger with Hughes Defense.

Outstanding shares were reduced by the repurchase of 2.6 million shares for $150 million in 1999, 4.6 million shares for $247 million in 1998, and 1.7 million shares for $94 million in 1997.

Total debt was $9.8 billion at December 31, 1999 and $9.0 billion at December 31, 1998. The Company's outstanding debt has interest rates ranging from 5.7% to 7.375% and matures at various dates through 2028. Total debt, as a percentage of total capital, was 47.1 percent and 45.4 percent at December 31, 1999 and 1998, respectively.

The Company has bank agreement covenants. During 1999, the Company's most restrictive covenant was amended. The new covenant requires that the earnings before interest and taxes (EBIT) be at least 2.4 times net interest expense for the prior four quarters. Prior to the amendment, the requirement was that EBIT was at least three times net interest expense for the prior four quarters. The Company was in compliance with this covenant during 1999, 1998, and 1997.

The Company issued $3.8 billion of long-term notes and debentures in 1998 and $3.0 billion in 1997. These financings were used to refinance the debt associated with the merger with Hughes Defense and the acquisition of TI Defense and to take advantage of favorable long-term interest rates in order to reduce short-term borrowings.

In July 1999, the Company filed a shelf registration with the Securities and Exchange Commission registering the possible future issuance of up to $3.0 billion in debt and/or equity securities.

In March 2000, the Company issued $2.25 billion of long-term debt in a private placement consisting of $200 million of floating rate notes due in 2002, $800 million of 7.9% notes due in 2003, $850 million of 8.2% notes due in 2006, and $400 million of 8.3% notes due in 2010. Proceeds from the offering were used to repay outstanding short-term debt, extending the maturity of the Company's debt obligations.

Credit ratings for the Company were established by Moody's at P-2 for short-term borrowing and Baa2 for senior debt, Standard and Poor's at A-3 for short-term borrowing and BBB- for senior debt, and Duff & Phelps at D-3 for short-term borrowing and BBB- for senior debt.

Lines of credit with certain commercial banks totaling $4.1 billion at December 31, 1999 exist as standby facilities to support the issuance of commercial paper by the Company. These lines of credit bear interest based upon LIBOR and mature at various dates through 2002. At December 31, 1999, borrowings under these lines of credit totaled $1.4 billion.

The Company's need for, cost of, and access to funds are dependent on future operating results, as well as conditions external to the Company. The Company believes that its financial position will be sufficient to maintain access to the capital markets in order to support its current operations.

The following discussion covers quantitative and qualitative disclosures about the Company's market risk. The Company's primary market exposures are to interest rates and foreign exchange rates.

The Company meets its working capital requirements with a combination of variable rate short-term and fixed rate long-term financing. The Company enters into interest rate swap agreements or treasury rate locks with commercial and investment banks primarily to reduce the impact of changes in interest rates on financing arrangements. The Company also enters into foreign currency forward contracts with commercial banks to minimize fluctuations in the value of payments to international vendors and the value of foreign currency denominated receipts. The market-risk sensitive instruments used by the Company for hedging are entered into with commercial and investment banks and are directly related to a particular asset, liability, or transaction for which a firm commitment is in place. The Company also sells receivables through various special purpose entities and retains a partial interest that may include servicing rights, interest only strips, and subordinated certificates.

Financial instruments held by the Company which are subject to interest rate risk include notes payable, commercial paper, long-term debt, long-term receivables, investments, and interest rate swap agreements. The aggregate hypothetical loss in earnings for one year of those financial instruments held by the Company at December 31, 1999 and 1998, which are subject to interest rate risk resulting from a hypothetical increase in interest rates of 10 percent, is $7 million and $1 million after-tax, respectively. The hypothetical loss was determined by calculating the aggregate impact of a 10 percent increase in the interest rate of each variable rate financial instrument held by the Company at December 31, 1999 and 1998, which is subject to interest rate risk. Fixed rate financial instruments were not evaluated, as the risk exposure is not material.

The Company's outstanding foreign currency forward contracts include contracts to buy and/or sell British Pounds, Canadian Dollars, European Euros, German Marks, Netherlands Guilders, Norwegian Kroner, and Swiss Francs. All foreign exchange contracts were related to specific transactions for which a firm commitment existed, therefore, the associated market risk of these financial instruments and the underlying firm commitments in the aggregate is not material.

Year 2000 Date Conversion

The Year 2000 problem concerns the inability of information systems to recognize properly and process date-sensitive information beyond January 1, 2000. In January 1998, the Company initiated a formal comprehensive enterprise-wide program to identify and resolve Year 2000-related issues. The scope of the program included the investigation of all Company functions and products and all internally used hardware and software systems, including embedded systems in what are not traditionally considered information technology systems. The Company followed an eight-step risk management process grouped into two major phases: detection (planning and awareness, inventory, triage, and detailed assessment) and correction (resolution, test planning, test execution, and deployment).

To date, the Company has completed the transition from calendar 1999 to 2000 with no reported significant impact to operations. The Company will continue to evaluate Year 2000-related exposures at suppliers and customers over the next several months. The Company will also continue to monitor its systems, facilities, and products to ensure that latent defects do not manifest themselves over the next few months. Although the Company's Year 2000 conversion efforts were successful, remaining Year 2000 risks include potential product supply and other non-operational issues.

Since January 1998, the Company has spent approximately $116 million on the Year 2000 program, $20 million on the detection phase, and $96 million on the corrective action phase. Prior to 1998, expenditures on the program were insignificant. Total cost at completion of the program is currently estimated to be $119 million. All costs, except those for long-lived assets, are expensed as incurred. These costs include employees, inside and outside consultants and services, system replacements, and other equipment requirements. The Company has employed consultants in an advisory capacity, primarily in the detection phase. Total estimated costs of the Year 2000 program are predominantly internal. Although a number of minor information technology projects have been deferred as a result of the priority given to the Year 2000 program, no significant projects which would materially affect the Company's financial position or results of operations have been delayed.

Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). This accounting standard, which is effective for all fiscal quarters of fiscal years beginning after June 15, 2000, requires that all derivatives be recognized as either assets or liabilities at estimated fair value. The adoption of SFAS No. 133 is not expected to have a material effect on the Company's financial position or results of operations.

In November 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 100, Restructuring and Impairment Charges, which clarifies the accounting for and disclosure of certain expenses commonly reported in connection with exit activities and business combinations, and the recognition of impairment charges for intangible assets and other long-lived assets. In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements, which among other guidance, clarifies certain conditions to be met in order to recognize revenue. These Staff Accounting Bulletins are not expected to have a material effect on the Company's financial position or results of operations.

Forward-Looking Statements

Certain statements made in this Annual Report contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, regarding the Company's future plans, objectives, and expected performance. Specifically, statements that are not historical facts, including statements accompanied by words such as "believe," "expect," "anticipate," "estimate," "intend," or "plan" are intended to identify forward-looking statements and convey the uncertainty of future events or outcomes. The Company cautions readers that any such forward-looking statements are based on assumptions that the Company believes are reasonable, but are subject to a wide-range of risks, and there can be no assurance that actual results may not differ materially. Important factors that could cause actual results to differ include, but are not limited to: differences in anticipated and actual program results, the ultimate resolution of the contingencies and legal matters discussed in the notes to the financial statements, the ability to realize anticipated cost efficiencies, the ability to contain cost growth, particularly at Raytheon Aircraft (RAC) and RE&C, the ability to finance ongoing operations at attractive rates, the effect of market conditions, particularly as it affects the general aviation market, the impact of competitive products and pricing, the impact on recourse obligations of RAC due to changes in the collateral values of financed aircraft, risks inherent with large long-term fixed price contracts, particularly at RE&C and the Company's Electronics businesses, government customers' budgetary constraints, government import and export policies, termination of government contracts, financial and governmental risks related to international transactions, and the integration of acquisitions, among other things. Further information regarding the factors that could cause actual results to differ materially from projected results can be found in the Company's reports filed with the Securities and Exchange Commission, including "Item 1-Business" in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

Raytheon Company Consolidated Balance Sheets

(In millions except share amounts)	December 31, 1999	December 31, 1998 (Restated)
Assets		
Current assets		
Cash and cash equivalents	$ 230	$ 421
Accounts receivable, less allowance for doubtful accounts of $27 in 1999 and $21 in 1998	851	618
Contracts in process (note E)	5,215	4,859
Inventories (note F)	1,950	1,991
Deferred federal and foreign income taxes (note J)	490	840
Prepaid expenses and other current assets	195	236
Total current assets	8,931	8,965
Property, plant, and equipment, net (note G)	2,417	2,275
Goodwill, net of accumulated amortization of $986 in 1999 and $669 in 1998	14,034	14,396
Other assets, net (notes H and M)	2,728	2,596
Total assets	$ 28,110	$ 28,232
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current portion of long-term debt (note I)	$ 2,472	$ 827
Advance payments, less contracts in process of $1,792 in 1999 and $1,159 in 1998	1,599	1,251
Accounts payable	1,561	2,071
Accrued salaries and wages	549	703
Other accrued expenses (note D)	1,705	2,180
Total current liabilities	7,886	7,032
Accrued retiree benefits and other long-term liabilities (notes D and M)	1,414	1,679
Deferred federal and foreign income taxes (note J)	553	561
Long-term debt (note I)	7,298	8,163
Commitments and contingencies (note K)		
Stockholders' equity (note Q)		
Preferred stock, par value $0.01 per share, 200,000,000 shares authorized, none outstanding in 1999 and 1998		
Class A common stock, par value $0.01 per share, 450,000,000 shares authorized, 100,805,000 and 101,503,000 shares outstanding in 1999 and 1998, respectively after deducting 1,537,000 and 839,000 treasury shares in 1999 and 1998, respectively	1	1
Class B common stock, par value $0.01 per share, 1,000,000,000 shares authorized, 237,955,000 and 235,295,000 shares outstanding in 1999 and 1998, respectively after deducting 5,842,000 and 3,889,000 treasury shares in 1999 and 1998, respectively	2	2
Additional paid-in capital	6,475	6,272
Accumulated other comprehensive income	(69)	(50)
Treasury stock, at cost	(413)	(257)
Retained earnings	4,963	4,829
Total stockholders' equity	10,959	10,797
Total liabilities and stockholders' equity	$ 28,110	$ 28,232

The accompanying notes are an integral part of the financial statements.

Raytheon Company Consolidated Statements of Income

Years Ended December 31:	1999	1998	1997
(In millions except per share amounts)		(Restated)	(Restated)
Net sales	$ 19,841	$ 19,419	$ 13,593
Cost of sales	16,256	15,167	10,929
Administrative and selling expenses	1,550	1,664	1,189
Research and development expenses	508	582	415
Total operating expenses	18,314	17,413	12,533
Operating income	1,527	2,006	1,060
Interest expense, net	713	711	359
Other income, net	(14)	(142)	(65)
Non-operating expense, net	699	569	294
Income before taxes	828	1,437	766
Federal and foreign income taxes	371	593	255
Income before accounting change	457	844	511
Cumulative effect of change in accounting principle, net of tax	53	--	--
Net income	$ 404	$ 844	511
Earnings per share before accounting change			
Basic	$ 1.35	$ 2.50	$ 2.14
Diluted	1.34	2.47	2.11
Earnings per share			
Basic	$ 1.20	$ 2.50	$ 2.14
Diluted	1.19	2.47	2.11

The accompanying notes are an integral part of the financial statements.

Raytheon Company Consolidated Statements of Stockholders' Equity

Years Ended December 31, 1999, 1998, and 1997 (In millions except per share amounts)	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 1996 (restated)	$236	$ 308	$ (12)			$4,043		$4,575
Net income (restated)						511	$ 511	511
Other comprehensive income								
Foreign exchange translation adjustments							(32)	(32)
SFAS No. 115 valuation adjustment							26	26
SFAS No. 87 pension adjustment							(5)	(5)
Other comprehensive income				(11)			(11)	
Comprehensive income--1997 (restated)							$ 500	
Dividends declared--$0.80 per share						(209)		(209)
Common stock plan activity	2	172						174
Treasury stock activity (note Q)	(2)	(23)				(90)		(115)
Reduction of par value	(234)	234						--
Issuance of Class A common stock	$ 1	5,460						5,461
Balance at December 31, 1997 (restated)	1	2	6,151	(23)		4,255		10,386
Net income (restated)						844	$ 844	844
Other comprehensive income								
Foreign exchange translation adjustments							(9)	(9)
SFAS No. 115 valuation adjustment							(6)	(6)
SFAS No. 87 pension adjustment							(12)	(12)
Other comprehensive income				(27)			(27)	
Comprehensive income--1998 (restated)							$ 817	
Dividends declared--$0.80 per share						(270)		(270)
Common stock plan activity		121						121
Treasury stock activity					$(257)			(257)
Balance at December 31, 1998 (restated)	1	2	6,272	(50)	(257)	4,829		10,797
Net income						404	$ 404	404
Other comprehensive income								
Foreign exchange translation adjustments							(13)	(13)
SFAS No. 115 valuation adjustment							(6)	(6)
Other comprehensive income				(19)			(19)	
Comprehensive income--1999							$ 385	
Dividends declared--$0.80 per share						(270)		(270)
Common stock plan activity		203						203
Treasury stock activity					(156)			(156)
Balance at December 31, 1999	$ 1	$ 2	$6,475	$(69)	$(413)	$4,963		$10,959

The accompanying notes are an integral part of the financial statements.

Raytheon Company Consolidated Statements of Cash Flows

Years Ended December 31:	1999	1998	1997
(In millions)		(Restated)	(Restated)
Cash flows from operating activities			
Net income	$ 404	$ 844	$ 511
Adjustments to reconcile net income to net cash provided by operating activities, net of the effect of acquisitions and divestitures			
Depreciation and amortization	724	761	457
Net gain on sales of operating units and investments	(23)	(141)	(72)
(Increase) decrease in accounts receivable	(268)	209	233
Increase in contracts in process	(369)	(746)	(585)
Increase in inventories	(178)	(247)	--
Decrease in deferred federal and foreign income taxes	350	816	122
Decrease (increase) in prepaid expenses and other current assets	34	(106)	(60)
Increase in advance payments	349	459	32
(Decrease) increase in accounts payable	(497)	264	128
(Decrease) increase in accrued salaries and wages	(151)	28	363
Decrease in other accrued expenses	(515)	(776)	(283)
Other adjustments, net	(177)	(371)	198
Net cash (used in) provided by operating activities	(317)	994	1,044
Cash flows from investing activities			
Sale of financing receivables	1,239	1,105	1,182
Origination of financing receivables	(1,438)	(1,339)	(1,317)
Collection of financing receivables not sold	83	60	54
Expenditures for property, plant, and equipment	(532)	(509)	(459)
Proceeds from sales of property, plant, and equipment	102	700	69
Increase in other assets	(121)	(52)	(84)
Proceeds from sales of operating units and investments (note C)	267	748	705
Payment for purchase of acquired companies, net of cash received (note C)	--	(96)	(3,087)
Net cash (used in) provided by investing activities	(400)	617	(2,937)
Cash flows from financing activities			
Dividends	(269)	(271)	(189)
Increase (decrease) in short-term debt	771	(4,828)	(597)
Increase in long-term debt	10	3,757	2,889
Purchase of treasury shares	(150)	(247)	(94)
Proceeds under common stock plans	164	103	44
Net cash provided by (used in) financing activities	526	(1,486)	2,053
Effect of foreign exchange rates on cash	--	--	(1)
Net (decrease) increase in cash and cash equivalents	(191)	125	159
Cash and cash equivalents at beginning of year	421	296	137
Cash and cash equivalents at end of year	$ 230	$ 421	$ 296

The accompanying notes are an integral part of the financial statements.

Note A: Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Raytheon Company (Raytheon or the "Company") and all domestic and foreign subsidiaries. All material intercompany transactions have been eliminated. Certain prior year amounts have been reclassified to conform with the current year presentation.

Revenue Recognition

Sales under long-term contracts are recorded under the percentage of completion method. Costs and estimated gross margins are recorded as sales as work is performed based on the percentage that incurred costs bear to estimated total costs utilizing the most recent estimates of costs and funding. Some contracts contain incentive provisions based upon performance in relation to established targets which are recognized in the contract estimates when deemed realizable. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting earnings applicable to performance in prior periods in the current period. When the current contract estimate indicates a loss, provision is made for the total anticipated loss in the current period.

Sales from the Texas Instruments' defense business fixed price contracts in process at the time of acquisition were recorded as products were shipped or services were rendered.

Revenue from aircraft sales are recognized at the time of physical delivery of the aircraft. Revenue from certain qualifying non-cancelable aircraft lease contracts are accounted for as sales-type leases. The present value of all payments, net of executory costs, are recorded as revenue, and the related costs of the aircraft are charged to cost of sales. Associated interest, using the interest method, is recorded over the term of the lease agreements. All other leases for aircraft are accounted for under the operating method wherein revenue is recorded as earned over the rental aircraft lives. Service revenue is recognized ratably over contractual periods or as services are performed.

Research and Development Expenses

Expenditures for company-sponsored research and development projects are expensed as incurred.

Federal and Foreign Income Taxes

The Company and its domestic subsidiaries provide for federal income taxes on pretax accounting income at rates in effect under existing tax law. Foreign subsidiaries have recorded provisions for income taxes at applicable foreign tax rates in a similar manner.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term, highly liquid investments with original maturities of 90 days or less.

Contracts in Process

Contracts in process are stated at cost plus estimated profit but not in excess of realizable value.

Inventories

Inventories at Raytheon Aircraft are stated at the lower of cost (principally last-in, first-out) or market. All other inventories are stated at cost (principally first-in, first-out or average cost) but not in excess of realizable value.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Major improvements are capitalized while expenditures for maintenance, repairs, and minor improvements are charged to expense. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income.

Provisions for depreciation are generally computed on a combination of accelerated and straight line methods. Depreciation provisions are based on estimated useful lives as follows: buildings--20 to 45 years, machinery and equipment--3 to 10 years, and equipment leased to others--5 to 10 years. Leasehold improvements are amortized over the lesser of the remaining life of the lease or the estimated useful life of the improvement.

Goodwill

Goodwill is amortized on the straight-line method over its estimated useful life, but not in excess of 40 years. The Company evaluates the possible impairment of goodwill at each reporting period based on the undiscounted projected cash flows of the related business unit.

Impairment of Long-lived Assets

The Company evaluates the recoverability of long-lived assets by measuring the carrying amount of the assets against the related estimated undiscounted future cash flows. When an evaluation indicates that the future undiscounted cash flows are not sufficient to recover the carrying value of the asset, the asset is adjusted to its estimated fair value.

Investments

Investments include equity ownership of 20 percent to 50 percent in affiliated companies and of less than 20 percent in other companies. Investments in affiliated companies are accounted for under the equity method, wherein the Company's share of earnings and income taxes applicable to the assumed distribution of such earnings are included in net income. Other investments are stated at the lower of cost or fair value.

Comprehensive Income

The Company adopted Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (SFAS No. 130), during 1998. SFAS No. 130 established standards for reporting comprehensive income and its components, and is presented in the statement of stockholders' equity. The Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions (SFAS No. 87) pension adjustment is shown net of tax benefits of $6 million and $3 million in 1998 and 1997, respectively. The Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115) valuation adjustment is shown net of tax benefits of $3 million in both 1999 and 1998, and a tax provision of $14 million in 1997.

Translation of Foreign Currencies

Assets and liabilities of foreign subsidiaries are translated at current exchange rates and the effects of these translation adjustments are reported as a component of accumulated other comprehensive income in stockholders' equity. The balance at December 31, 1999 and 1998, was $(50) million and $(37) million, respectively. Foreign exchange transaction gains and losses in 1999, 1998, and 1997 were not material.

Pension Costs

The Company has several pension and retirement plans covering the majority of employees, including certain employees in foreign countries. Annual charges to income are made for the cost of the plans, including current service costs, interest on projected benefit obligations, and net amortization and deferrals, increased or reduced by the return on assets. Unfunded accumulated benefit obligations are accounted for as a long-term liability. The Company funds annually those pension costs which are calculated in accordance with Internal Revenue Service regulations and standards issued by the Cost Accounting Standards Board.

Interest Rate and Foreign Currency Contracts

The Company meets its working capital requirements with a combination of variable rate short-term and fixed rate long-term financing. The Company enters into interest rate swap agreements or treasury rate locks with commercial and investment banks primarily to reduce the impact of changes in interest rates on financing arrangements. Settlement accounting is used for interest rate swap agreements and treasury rate locks. The Company also enters into foreign currency forward contracts to minimize fluctuations in the value of payments due to international vendors and the value of foreign currency denominated receipts. The hedges used by the Company are transaction driven and are directly related to a particular asset, liability, or transaction for which a commitment is in place. Hedge accounting is used for foreign currency forward contracts. Unrealized gains and losses are classified in the same manner as the item being hedged and are recognized in income when the transaction is complete. Interest rate swap agreements, treasury rate locks, and foreign currency forward contracts are held to maturity and no exchange-traded or over-the-counter instruments have been purchased. Cash flows are recognized in the statement of cash flows in the same category as the related item. The impact on the Company's financial position and results of operations from likely changes in foreign exchange rates and interest rates is not material due to the minimizing of risk through the hedging of transactions related to specific assets, liabilities, or commitments.

Fair Value of Financial Instruments

The carrying value of certain financial instruments, including cash, cash equivalents, and short-term debt approximates estimated fair value due to their short maturities and varying interest rates. The carrying value of notes receivable approximates estimated fair value based principally on the underlying interest rates and terms, maturities, collateral, and credit status of the receivables. The carrying value of investments are based on quoted market prices or the present value of future cash flows and earnings, which approximate estimated fair value. The value of guarantees and letters of credit approximates estimated fair value. The estimated fair value of long-term debt was based on current rates offered to the Company for similar debt with the same remaining maturities and approximates the carrying value.

Employee Stock Plans

Proceeds from the exercise of stock options under employee stock plans are credited to common stock at par value and the excess is credited to additional paid-in capital. There are no charges or credits to income for stock options. The fair value at the date of award of restricted stock is credited to common stock at par value and the excess is credited to additional paid-in capital. The fair value is charged to income as compensation expense over the vesting period. Income tax benefits arising from restricted stock transactions, employees' premature disposition of stock option shares, and exercise of nonqualified stock options are credited to additional paid-in capital.

The Company adopted Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123) in 1996. The standard defines a fair value based method of accounting for employee stock options. The pro forma net income and earnings per share effect of the fair value based accounting are disclosed in Note L, Employee Stock Plans.

Accounting Pronouncements

Effective January 1, 1999, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-5, Reporting on the Costs of Start-Up Activities (SOP 98-5). This accounting standard requires that certain start-up and pre-contract costs be expensed as incurred. The Company reported a first quarter 1999 charge of $53 million after-tax, or $0.16 per diluted share, reflecting the initial application of SOP 98-5 and the cumulative effect of the change in accounting principle as of January 1, 1999.

Risks and Uncertainties

Companies, such as Raytheon, which are engaged in supplying defense-related equipment to the government, are subject to certain business risks peculiar to that industry. Sales to the government may be affected by changes in procurement policies, budget considerations, changing concepts of national defense, political developments abroad, and other factors. The Company has maintained a solid foundation of defense systems which meet the needs of the United States and its allies, as well as serving a broad government program base and range of commercial electronics businesses. These factors lead to the belief that there is high probability of continuation of the Company's current major defense programs.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note B: Restatement of Financial Statements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101), which among other guidance, clarifies certain conditions to be met in order to recognize revenue. After reexamining the terms underlying certain transactions of Raytheon Aircraft, the Company determined that revenue related to these transactions should be reversed. In view of the cumulative effect of the unrecorded adjustment on the results of future periods, the Company restated its annual and quarterly consolidated financial statements. The restatements were required to reverse sales that the Company believed were properly recorded as bill and hold sales when the manufacturing process was substantially complete and the rights of ownership of the aircraft had passed to the buyer, but before minor modifications had been completed and the physical delivery of the aircraft occurred. The restated financial statements reflect sales when final delivery of the aircraft occurred. As these adjustments relate to the timing of revenue recognition, all reversals are recognized in later periods. The financial statements and related notes set forth in this Annual Report reflect all such restatements.

Results of Operations

	Year Ended December 31, 1998	
(In millions except per share amounts)	Previously Reported	As Restated
Net sales	$ 19,530	$19,419
Cost of sales	15,248	15,167
Operating income	2,036	2,006
Federal and foreign income taxes	603	593
Net income	864	844
Diluted earnings per share	2.53	2.47

	Year Ended December 31, 1997	
(In millions except per share amounts)	Previously Reported	As Restated
Net sales	$ 13,673	$13,593
Cost of sales	10,985	10,929
Operating income	1,084	1,060
Federal and foreign income taxes	263	255
Net income	527	511
Diluted earnings per share	2.18	2.11

Financial Position

	December 31, 1998	
(In millions)	Previously Reported	As Restated
Inventories	$ 1,711	$ 1,991
Deferred taxes	809	840
Current assets	8,637	8,965
Total assets	27,939	28,232
Advance payments	865	1,251
Accounts payable	2,091	2,071
Other accrued expenses	2,194	2,180
Current liabilities	6,680	7,032
Stockholders' equity	10,856	10,797

Note C: Acquisitions and Divestitures

The Company acquired the Texas Instruments' defense business (TI Defense) in July 1997 and merged with the defense business of Hughes Electronics Corporation (Hughes Defense) in December 1997. The following unaudited pro forma financial information combines the results of operations of Raytheon, TI Defense, and Hughes Defense as if the acquisition and merger had taken place on January 1, 1997:

(In millions except per share amounts)	1997 (Restated)
Net sales	$ 21,279
Net income	548
Basic earnings per share	1.62
Diluted earnings per share	1.60

The pro forma results are not necessarily indicative of what the results of operations would have been if the transactions had occurred on the date indicated, do not reflect the cost and revenue synergies expected to be realized, and are not intended to be indicative of future results of operations.

The Hughes transaction, valued at $9.5 billion subject to post-closing adjustments, was comprised of approximately $5.5 billion in common stock and $4.0 billion in debt, which was assumed by the merged company. Pursuant to the terms of the Master Separation Agreement (the "Separation Agreement"), which requires an adjustment based on net assets, the final purchase price for Hughes Defense has not been determined. Based on the terms and conditions of the

Separation Agreement, the Company believes that it is entitled to a reduction in the purchase price, a position that Hughes Electronics disputes. The Company and Hughes Electronics have begun the process of negotiating a possible resolution of this matter. If the matter is not successfully resolved through negotiation, the Separation Agreement provides for binding arbitration. Accordingly, while the Company expects a reduction in purchase price from the original terms of the agreement, the amount, timing, and effect on the Company's financial position are uncertain. As a result of this uncertainty, no amounts have been recorded in the financial statements related to this expected reduction in purchase price. Any payment received from Hughes Electronics as a result of a reduction in purchase price will result in a corresponding reduction in goodwill and not be reflected in the income statement. Any payment received from Hughes Electronics for interest accrued on a reduction in purchase price, as provided in the Separation Agreement, will be reflected in the income statement in the period of receipt.

Pursuant to the terms of the Separation Agreement, Hughes Electronics delivered to the Company a balance sheet for Hughes Defense as of December 17, 1997 (the "Closing Balance Sheet"), the effective time of the merger with Hughes Defense. During the course of the Company's review of the Closing Balance Sheet, the Company identified numerous items requiring adjustment. As a result of this review, as well as the accrual of additional exit costs, the Company recorded a total of approximately $1 billion of adjustments, exit cost accruals, and additional goodwill during 1998. As a result of the different measurements of the purchase price allocation, additional annual goodwill amortization of approximately $26 million will be recorded. The Closing Balance Sheet included:

- Contracts in process of $2,226 million, which the Company reduced by $1,170 million to record additional contract loss provisions of $693 million, other contract adjustments of $272 million, billed and unbilled contract write-offs of $139 million, and contract claim write-offs of $66 million.

- Inventories of $343 million, which the Company reduced by $84 million primarily to record write-offs of excess and obsolete inventory.

- Other current assets of $208 million, which the Company increased by $612 million primarily to record additional deferred tax assets related to the Company's adjustments to the Closing Balance Sheet.

- Property, plant, and equipment of $1,103 million, which the Company reduced by $78 million to record an estimated fair value adjustment.

- Other long-term assets of $1,023 million, which the Company increased by $119 million primarily to record an increase in the value of certain prepaid pension assets.

- Current liabilities of $1,701 million, which the Company increased by $931 million to record $584 million of exit costs, $245 million of adjustments for unfavorable leases, $29 million related to liabilities for employee compensation and related taxes and benefits, and $14 million for additional environmental liabilities.

- Long-term liabilities of $1,069 million, which the Company reduced by $83 million primarily to reduce certain liabilities to estimated fair value.

Assets acquired in conjunction with the merger with Hughes Defense, including the adjustments noted above, include contracts in process of $1,056 million, inventories of $259 million, other current assets of $820 million, property, plant, and equipment of $1,025 million, and other assets of $1,142 million (primarily pension related). Liabilities assumed include debt of $4,033 million, current liabilities of $2,632 million, and long-term liabilities of $986 million. Goodwill resulting from the fair value of this transaction was $8,930 million.

As noted above, the adjustments recorded during 1998 were made as a result of the Company's review of the Closing Balance Sheet. The Company believes many of the same types of adjustments may also have been required in the September 28, 1997 Hughes Defense balance sheet which is included in the Company's Solicitation Statement/Prospectus dated November 10, 1997 (the "Prospectus"). As a result, the Company believes that the September 28, 1997 Hughes Defense balance sheet may contain items that are material departures from generally accepted accounting principles. Investors are cautioned that the pro forma combined condensed financial statements contained in the Prospectus may not be representative of the combined company's actual financial position. Hughes Electronics and their independent accountants do not agree with the Company's assessment.

In September 1999, the Company sent Hughes Electronics a demand for mediation pursuant to the alternative dispute resolution process set forth in the Separation Agreement in connection with a separate claim against Hughes Electronics concerning the accuracy and completeness of disclosures made by Hughes Electronics to the Company prior to the merger.

In November 1999, the Company filed a complaint against Towers, Perrin, Forster & Crosby (TPF&C). The complaint arises out of a series of events concerning certain Hughes Electronics pension plans (the "Hughes Plans"), portions of which were acquired by the Company in connection with the merger with Hughes Defense. Specifically, the complaint alleges that the Company was damaged by false representations made to the Company by TPF&C regarding the amount of surplus in the Hughes Plans and errors committed by TPF&C in providing administrative services to the Hughes Plans. The complaint seeks damages in an amount to be determined at trial.

TI Defense was acquired for $2.9 billion in cash. Assets acquired in conjunction with the acquisition of TI Defense include accounts receivable of $229 million, inventories of $223 million, other current assets of $126 million, and property, plant, and equipment of $306 million. Liabilities assumed include current liabilities of $646 million and long-term liabilities of $147 million. Goodwill resulting from the fair value of this transaction was $2,929 million.

In 1999, the Company sold its Cedarapids, Inc. subsidiary for $170 million, other non-core business operations for $65 million in cash and $3 million in securities, and securities received as partial payment for previously divested businesses for $32 million. The net gain resulting from these dispositions was $23 million.

In 1998, the Company acquired AlliedSignal's Communications Systems business for $63 million. Also in 1998, the Company sold its commercial laundry business unit for $315 million in cash and $19 million in securities, its Raytheon Aircraft Montek subsidiary for $160 million, and other non-core business operations for $273 million. The net gain resulting from these dispositions was $141 million.

In 1997, the Company sold its home appliance, heating, air conditioning, and commercial cooking operations for $522 million. Also in 1997, the Company sold its Switchcraft and Semiconductor divisions for $183 million. The net gain resulting from these dispositions was $72 million.

Note D: Restructuring and Special Charges

Restructuring charges and exit costs recognized in connection with business combinations include the cost of involuntary employee termination benefits and related employee severance costs, facility closures, and other costs associated with the Company's approved plans. Employee termination benefits include severance, wage continuation, medical, and other benefits. Facility closure and related costs include disposal costs of property, plant, and equipment, lease payments, lease termination costs, and net gain or loss on sales of closed facilities.

In 1999, the Company recorded the following restructuring charges, favorable adjustments to restructuring-related reserves, and special charges which were included in the statements of income and classified as a reduction in net sales or included in cost of sales, administrative and selling expenses, or other expense as indicated below:

(In millions)	Net Sales	Cost of Sales	Admin. and Selling Expenses	Other Expense	Total
Restructuring charges					
Electronics		$128	$9		$137
RE&C		10			10
Favorable adjustments to restructuring-related reserves					
Electronics		(65)			(65)
Special charges					
Electronics					
Iridium LLC	$15	6		$14	35
Korean business venture		33			33
Exit PRT business		6			6
Total	$15	$118	$9	$14	$156

In 1998, the Company recorded the following restructuring and special charges which were included in the statements of income and classified as either cost of sales or administrative and selling expenses as indicated below:

(In millions)	Cost of Sales	Admin. and Selling Expenses	Total
Restructuring charges			
RE&C	$33		$33
Special charges			
RE&C asset impairment	52		52
Electronics			
Korean business venture		$42	42
Exit a line of business		83	83
Writedown assets to be sold		42	42
Total	$85	$167	$252

In 1997, the Company recorded the following restructuring and special charges which were included in the statements of income and classified as either cost of sales or administrative and selling expenses as indicated below:

(In millions)	Cost of Sales	Admin. and Selling Expenses	Total
Restructuring charges			
Electronics	$220		$220
RE&C	75		75
Special charges			
RE&C contract valuations	50		50
Electronics			
Asset impairment	9		9
Write down assets to be sold		$48	48
One time merger costs	17	46	63
Aircraft asset impairment	30		30
Total	$401	$94	$495

Exit Costs and Restructuring Charges--Electronics

In the fourth quarter of 1997, the Company recorded a $220 million restructuring charge, which is included in cost of sales, to reduce the then newly formed RSC workforce by 12,800 employees and reduce space by approximately 11 million square feet at 34 facilities through sales, subleases, and lease terminations. In connection with these actions, the Company also accrued $584 million as liabilities assumed in connection with the merger with Hughes Defense and the acquisition of TI Defense as part of the allocation of purchase price and not as a charge to operations. The principal actions involve the consolidation of missile and other electronics systems' manufacturing and engineering, as well as the consolidation of certain component manufacturing into Centers of Excellence.

In the fourth quarter of 1998, the estimated number of employee terminations increased by approximately 1,200 employees, primarily comprised of manufacturing employees, however, the actual cost of termination per employee was lower than the original estimate. As a result of these changes in estimate, the total cost of employee severance decreased by $37 million. In the fourth quarter of 1998, the Company determined that facilities exit costs would run lower than the original estimate by $30 million because many of the facility actions were progressing ahead of the original schedule, reducing the amount of rent and occupancy costs, and costs to return facilities to the required condition were less than originally planned. In the fourth quarter of 1998, the Company committed to close two additional facilities and further reduce employment by approximately 1,400 positions. The total program cost of the actions was estimated at $67 million, comprised of $14 million of severance and other employee related costs and $53 million of facility closure and related costs.

In the third quarter of 1999, the Company recorded a $35 million restructuring charge, which is included in cost of sales, for higher than originally estimated exit costs related to the Hughes Defense and TI Defense actions. The estimate for employee related exit costs increased by $27 million for higher than planned severance and other termination benefit costs. The estimate for facility related exit costs increased by $8 million for additional lease termination costs expected to be incurred. The Company accrued $12 million of exit costs as liabilities assumed in connection with a minor acquisition. The Company recorded a $102 million restructuring charge in the third quarter of 1999, of which $93 million is included in cost of sales and $9 million is included in administrative and selling expenses, to further reduce the Electronics workforce by 2,200 employees and vacate and dispose of an additional 2.7 million square feet of facility space. Employee related exit costs of $55 million include severance and other termination benefit costs for manufacturing, engineering, and administrative employees. Facility related exit costs of $47 million include the costs for lease termination, building closure and disposal, and equipment disposition.

In the fourth quarter of 1999, the Company determined that the cost of the RSC restructuring initiatives would be $65 million lower than originally planned and recorded a favorable adjustment to the original $220 million restructuring charge. The reduction in the estimated costs related to lower than anticipated costs for severance and facilities. The primary reasons for the reduction in severance costs include a shift in the composition of severed employees, higher attrition resulting in the need for fewer severed employees, and more employees transferring to other locations within the Company. The estimated costs related to facilities were lower than anticipated due to the identification of alternative uses for assets originally identified for disposition, lower de-installation costs, and more rapid exit from facilities.

The restructuring and exit costs discussed above provide for severance and related benefits for approximately 17,600 employees and costs to vacate and dispose of approximately 14 million square feet of facility space. The Company is exiting facility space and terminating employees made redundant as a result of the merger with Hughes Defense and the acquisition of TI Defense and the subsequent reorganization of RSC. There were no major activities that will not be continued as a result of these actions. Employee related exit costs include

severance and other termination benefit costs for employees in various functional areas including manufacturing, engineering, and administration. Facility related exit costs include the costs for lease termination, building closure and disposal, and equipment disposition. Exit costs accrued in connection with the merger with Hughes Defense and the acquisition of TI Defense also include employee relocation and program moves. Owned facilities that will be vacated in connection with the restructuring activities will be sold. The Company will terminate leases or sublease space for non-owned facilities vacated in connection with restructuring. While these actions are intended to improve the Company's competitive position, there can be no assurances as to their ultimate success or that additional restructuring actions will not be required.

Electronics Exit Costs

(In millions)	1999	1998
Accrued liability at beginning of year	$399	$300
Charges and liabilities accrued		
Severance and other employee related costs	33	58
Facility closure and related costs	14	226
	47	284
Costs incurred		
Severance and other employee related costs	130	51
Facility closure and related costs	172	134
	302	185
Accrued liability at end of year	$144	$399
Cash expenditures	$302	$178
Number of employee terminations due to restructuring actions (actual)	3,300	3,600

Electronics Restructuring

(In millions)	1999	1998
Accrued liability at beginning of year	$164	$220
Charges and liabilities accrued		
Severance and other employee related costs	55	14
Facility closure and related costs	47	53
	102	67
Changes in estimate		
Severance and other employee related costs	(20)	(37)
Facility closure and related costs	(45)	(30)
	(65)	(67)
Costs incurred		
Severance and other employee related costs	36	53
Facility closure and related costs	35	3
	71	56
Accrued liability at end of year	$130	$164
Cash expenditures	$ 71	$ 56
Number of employee terminations due to restructuring actions (actual)	1,000	3,000

In addition to the $373 million and $241 million of restructuring and exit costs incurred in 1999 and 1998, respectively, the Company also incurred $265 million and $56 million of capital expenditures and period expenses in 1999 and 1998, respectively, related to the implementation of the Electronics businesses consolidation and reorganization. Note N, Business Segment Reporting, contains additional disclosures related to Electronics restructuring and exit costs and activities by segment.

Restructuring Charges--Engineering and Construction

In the fourth quarter of 1997, the Company recorded a $75 million restructuring charge, which is included in cost of sales, to reduce the Raytheon Engineers & Constructors (RE&C) workforce by 1,000 employees and close or partially close 16 offices, reducing space by approximately 1.1 million square feet. The restructuring charge included $31 million for employee severance and $44 million for facilities exit. During the fourth quarter of 1998, the Company modified the plan for RE&C to close fewer facilities than originally estimated. As a result of this modification, the number of employee terminations was reduced from approximately 2,300 people to approximately 1,400 and the total cost of employee severance decreased by $11 million. Because higher than expected facilities exit costs were incurred at the locations being closed, the total estimated cost of facilities exit increased by $11 million. In October 1998, the Company announced plans for an additional 260 person reduction in the RE&C workforce and recorded an additional $33 million restructuring charge, which is included in cost of sales. The Company completed these actions during 1999 for $10 million less than planned due to lower facility exit costs. In the second quarter of 1999, the Company implemented additional restructuring plans to further reduce the RE&C workforce by 200 employees at a cost of $10 million. The Company recorded a restructuring charge of $10 million in the third quarter of 1999, which is included in cost of sales, to reduce the RE&C workforce by another 150 employees. The employee reductions, expected to be completed within one year, primarily affected engineering, business development, and administrative employees. While these actions are intended to improve the Company's competitive position, there can be no assurances as to their ultimate success or that additional restructuring actions will not be required.

Engineering and Construction Restructuring Costs

(In millions)	1999	1998
Accrued liability at beginning of year	$ 66	$ 75
Charges and liabilities accrued		
Severance and other employee related costs	10	33
Facility closure and related costs	--	--
	10	33
Change in estimate		
Severance and other employee related costs	10	(11)
Facility closure and related costs	(10)	11
	--	--
Costs incurred		
Severance and other employee related costs	12	19
Facility closure and related costs	41	23
	53	42
Accrued liability at end of year	$ 23	$ 66
Cash expenditures	$ 53	$ 42
Number of employee terminations due to restructuring actions (actual)	300	1,300

Special Charges

In 1999, the Company recorded a $35 million special charge to write down its minority investment and receivables related to Iridium LLC, which filed for Chapter 11 protection from creditors on August 13, 1999. The Company also recorded an additional $33 million special charge to further write down inventory and receivables related to a Korean business venture and a $6 million special charge to exit the personal rapid transit (PRT) business, including the costs to dispose of a test track. At December 31, 1999, the remaining assets related to the Korean business venture consisted of a $5 million receivable.

In the second quarter of 1998, the Company's partner in a Commercial Electronics business venture in Korea began to experience financial difficulties. As a result, the Company recorded a $42 million special charge to recognize a permanent impairment of its investment in the business venture, reducing the book value of the investment to estimated fair value. During the third quarter of 1998, the financial condition of the business venture deteriorated further, and the Company recorded an additional $83 million special charge to exit a line of business, which included writing off its remaining investment in the Korean business venture.

The Company's partner in this business venture has filed for company reorganization, the Korean equivalent of Chapter 11 protection from creditors. As such, the Company does not expect to realize any future benefits from its remaining partnership interest in this business venture. Any remaining exposure related to the operations of the business venture is not expected to have a material adverse effect on the Company's financial position or results of operations.

Also in 1998, the Company recorded a $42 million special charge to write down the assets of two operations in the Electronics businesses that the Company had decided to sell to estimated fair value of approximately $125 million. One sale was completed during 1998 and the other during 1999. The operating results, which were not material, were included in the Company's results of operations through the date of sale.

In 1998, the Company also recorded a $52 million special charge for asset impairment related to the RE&C restructuring actions to exit two operations which were closed in 1999. The charge consisted of $45 million of goodwill associated with one of the operations to be exited and $7 million for the estimated loss on disposition of the other operation.

In 1997, the Company recorded a $63 million special charge primarily for one-time costs in the Electronics businesses associated with the merger with Hughes Defense and the acquisition of TI Defense. The Company also recorded a $57 million special charge primarily to write down to estimated fair value certain assets in the Electronics businesses that the Company had decided to sell. The sale of these assets was completed in 1998 and the proceeds and loss on disposition were not material.

Also in 1997, the Company recorded a $50 million special charge for contract valuations at RE&C and a $30 million special charge to recognize a permanent impairment at Raytheon Aircraft.

Note E: Contracts in Process

Contracts in process consisted of the following at December 31, 1999:

(In millions)	Cost Type	Fixed Price Type	Total
U.S. government end-use contracts			
Billed	$ 392	$ 339	$ 731
Unbilled	983	4,014	4,997
Less progress payments	(3)	(1,869)	(1,872)
	1,372	2,484	3,856
Other customers			
Billed	84	632	716
Unbilled	59	1,403	1,462
Less progress payments	--	(819)	(819)
	143	1,216	1,359
Total	$1,515	$3,700	$5,215

Contracts in process consisted of the following at December 31, 1998:

(In millions)	Cost Type	Fixed Price Type	Total
U.S. government end-use contracts			
Billed	$ 367	$ 562	$ 929
Unbilled	873	4,205	5,078
Less progress payments	--	(2,753)	(2,753)
	1,240	2,014	3,254
Other customers			
Billed	128	670	798
Unbilled	94	1,205	1,299
Less progress payments	--	(492)	(492)
	222	1,383	1,605
Total	$1,462	$3,397	$4,859

The U.S. government has a security title to unbilled amounts associated with contracts that provide for progress payments. Unbilled amounts are primarily recorded on the percentage of completion method and are recoverable from the customer upon shipment of the product, presentation of billings, or completion of the contract.

Included in contracts in process at December 31, 1999 and 1998, was approximately $406 million and $210 million, respectively, related to unapproved change orders and claims on construction contracts. Unapproved change orders and claims, primarily due to owner-directed changes, owner-caused delays, unforeseen conditions, or similar reasons, are included in contracts in process at their estimated realizable value. The Company believes that it has a contractual or legal basis for pursuing recovery of these unapproved change orders and claims, and that collection is probable. The settlement of these amounts depends on individual circumstances and negotiations with the counterparty, therefore, the timing of the collection will vary and approximately $247 million of collections are expected to extend beyond one year.

Billed and unbilled contracts in process include retentions arising from contractual provisions. At December 31, 1999, retentions amounted to $123 million and are anticipated to be collected as follows: 2000--$88 million, 2001--$18 million, and the balance thereafter.

Note F: Inventories

Inventories consisted of the following at December 31:	1999	1998
(In millions)		(Restated)
Finished goods	$ 280	$ 317
Work in process	1,322	1,193
Materials and purchased parts	510	746
Excess of current cost over LIFO values	(140)	(148)
	1,972	2,108
Less progress payments	(22)	(117)
Total	$1,950	$1,991

Included in inventories are amounts related to certain fixed price contracts under which sales are recorded as products are shipped. The inventory values from which the excess of current cost over LIFO values are deductible were $1,009 million and $880 million at December 31, 1999 and 1998, respectively.

Note G: Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at December 31:

(In millions)	1999	1998
Land	$ 74	$ 70
Buildings and leasehold improvements	1,906	1,828
Machinery and equipment	2,429	2,376
Equipment leased to others	312	201
	4,721	4,475
Less accumulated depreciation and amortization	(2,304)	(2,200)
Total	$ 2,417	$ 2,275

Depreciation expense was $295 million, $380 million, and $318 million in 1999, 1998, and 1997, respectively. In September 1998, the Company entered into a $490 million property sale and five-year operating lease facility.

Accumulated depreciation of equipment leased to others was $19 million and $10 million at December 31, 1999 and 1998, respectively. Future minimum lease payments from non-cancelable aircraft operating leases, which extend to 2014, amounted to $103 million.

At December 31, 1999, these payments were due as follows:

(In millions)	
2000	$ 27
2001	17
2002	14
2003	11
2004	6
Thereafter	28

Note H: Other Assets

Other assets consisted of the following at December 31:

(In millions)	1999	1998
Long-term receivables		
Due from customers in installments to 2012	$ 283	$ 222
Sales-type leases, due in installments to 2015	17	20
Other, principally due through 2007	27	42
Investments	210	266
Prepaid pension and other noncurrent assets	2,191	2,046
Total	$2,728	$2,596

The Company provides long-term financing principally to its aircraft customers. Long-term receivables include commuter airline receivables of $68 million and $113 million at December 31, 1999 and 1998, respectively. Since it is the Company's policy to have the aircraft serve as collateral for the commuter airline receivables, the Company does not expect to incur any material losses against the net book value of the long-term receivables.

The Company sells receivables, including government short-term receivables, general and commuter aviation long-term receivables, and engineering and construction short-term receivables to a bank syndicate and other financial institutions. The banks have a first priority claim on all proceeds, including the underlying equipment and any insurance proceeds, and have recourse against the Company, at varying percentages, depending upon the character of the receivables sold. For the general and commuter aviation long-term receivables, the underlying aircraft serve as collateral for the aircraft receivables, and the future resale value of the aircraft is an important consideration in the transaction. Based on experience to date with resale activities and pricing and the Company's plan to continue production into the forseeable future, the Company believes that any liability arising from these transactions will not have a material effect on the Company's financial position, liquidity, or results of operations.

In connection with the sale of receivables, the following special purpose entities continued in existence at December 31, 1999: Raytheon Receivables, Inc., Raytheon Aircraft Receivables Corporation, and Raytheon Engineers & Constructors Receivables Corporation. The Company sells receivables through these special purpose entities, retains the servicing rights, and receives a servicing fee which is recognized as collected over the remaining term of the related receivables sold. Estimated gains or losses from the sale of receivables are recognized in the period in which the sale occurs. In determining the gain or loss on each qualifying sale of receivables, the investment in the sold receivable pool is allocated between the portion sold and the portion retained based on their relative estimated fair values at the date of sale. The retained interest includes servicing rights, interest only strips, and subordinated certificates. These financial instruments are recorded at estimated fair value. No material gain or loss resulted from the sales of receivables. The balance of receivables sold to banks or financial institutions was $3,040 million and $3,002 million at December 31, 1999 and 1998, respectively.

Note I: Notes Payable and Long-term Debt

Debt consisted of the following at December 31:

(In millions)	1999	1998
Notes payable at a weighted average interest rate of 6.03% for 1999 and 6.71% for 1998	$1,422	$ 34
Commercial paper at a weighted average interest rate of 6.53% for 1999 and 5.91% for 1998	174	785
Current portion of long-term debt	876	8
Notes payable and current portion of long-term debt	2,472	827
Notes due 2000, 6.30%, not redeemable prior to maturity	500	499
Notes due 2001, 5.95%, not redeemable prior to maturity	499	498
Notes due 2002, 6.45%, not redeemable prior to maturity	986	981
Notes due 2003, 5.70%, not redeemable prior to maturity	398	397
Notes due 2005, 6.30%, not redeemable prior to maturity	447	447
Notes due 2005, 6.50%, not redeemable prior to maturity	737	735
Notes due 2007, 6.75%, redeemable at any time	966	961
Notes due 2008, 6.15%, redeemable at any time	744	743
Notes due 2010, 6.00%, redeemable at any time	249	248
Notes due 2010, 6.55%, redeemable at any time	298	298
Debentures due 2018, 6.40%, redeemable at any time	543	543
Debentures due 2018, 6.75%, redeemable at any time	346	346
Debentures due 2025, 7.375%, redeemable after 2005	363	363
Debentures due 2027, 7.20%, redeemable at any time	466	465
Debentures due 2028, 7.00%, redeemable at any time	248	247
Commercial paper backed by five year fixed for variable interest rate swap at 6.40%	375	375
Other notes with varying interest rates	9	25
Less installments due within one year	(876)	(8)
Long-term debt	7,298	8,163
Total debt issued and outstanding	$9,770	$8,990

The Company issued $3.8 billion of long-term notes and debentures in 1998 and $3.0 billion in 1997. These financings were used to refinance the debt associated with the merger with Hughes Defense and the acquisition of TI Defense and to take advantage of favorable long-term interest rates in order to reduce short-term borrowings.

Commercial paper in the amount of $375 million was classified as current portion of long-term debt at December 31, 1999, and long-term debt at December 31, 1998, due to Company borrowings of that amount which are supported by a five-year Syndicated Bank Credit Agreement combined with a five-year fixed for variable interest rate swap which matures in 2000.

The aggregate amounts of installments due on long-term debt for the next five years are:

(In millions)	
2000	$ 876
2001	502
2002	1,003
2003	403
2004	--

Lines of credit with certain commercial banks totaling $4.1 billion at December 31, 1999 exist as standby facilities to support the issuance of commercial paper by the Company. These lines of credit bear interest based upon LIBOR and mature at various dates through 2002. At December 31, 1999, borrowings under these lines of credit totaled $1.4 billion. Credit lines or commitments with banks were maintained by subsidiary companies amounting to $130 million and $202 million at December 31, 1999 and 1998, respectively. Compensating balance arrangements are not material.

The principal amounts of long-term debt were reduced by debt issue discounts and interest rate hedging costs of $76 million and $105 million, respectively, on the date of issuance, and are reflected as follows at December 31:

(In millions)	1999	1998
Principal	$ 8,309	$ 8,325
Unamortized issue discounts	(57)	(66)
Unamortized interest rate hedging costs	(78)	(88)
Installments due within one year	(876)	(8)
Long-term debt	$ 7,298	$ 8,163

The Company has bank agreement covenants. In 1999, the Company's most restrictive covenant was amended. The new covenant requires that the earnings before interest and taxes (EBIT) be at least 2.4 times net interest expense for the prior four quarters. Prior to the amendment, the requirement was that EBIT was at least three times net interest expense for the prior four quarters. The Company was in compliance with this covenant during 1999, 1998, and 1997.

Total interest payments were $725 million, $778 million, and $295 million in 1999, 1998, and 1997, respectively.

Note J: Federal and Foreign Income Taxes

Income reported for federal and foreign tax purposes differs from pretax accounting income due to variations between Internal Revenue Code requirements and the Company's accounting practices.

The provisions for federal and foreign income taxes consisted of the following:

(In millions)	1999	1998 (Restated)	1997 (Restated)
Current income tax expense			
Federal	$ 23	$ 46	$ 191
Foreign	6	7	9
Deferred income tax expense (benefit)			
Federal	319	549	53
Foreign	23	(9)	2
Total	$ 371	$ 593	$ 255

The provision for income taxes differs from the U.S. statutory rate due to the following:

	1999	1998 (Restated)	1997 (Restated)
Tax at statutory rate	35.0%	35.0%	35.0%
Goodwill amortization	12.2	7.9	3.3
Foreign sales corporation tax benefit	(2.8)	(1.3)	(2.2)
Research and development tax credit	(0.6)	(0.3)	(2.2)
Other, net	1.0	--	(0.6)
Total	44.8%	41.3%	33.3%

In 1999, 1998, and 1997, domestic income before taxes amounted to $746 million, $1,401 million, and $719 million, respectively, and foreign income before taxes amounted to $82 million, $36 million, and $47 million, respectively. Cash payments (refunds) were $102 million, $(16) million, and $169 million in 1999, 1998, and 1997, respectively. In 1998, net deferred tax assets were increased by $371 million in connection with acquisitions and subsequent adjustments to acquisitions.

Deferred federal and foreign income taxes consisted of the following at December 31:	1999	1998
(In millions)		(Restated)
Current deferred tax assets (liabilities)		
Long-term contracts	$ 294	$ 459
Inventory and other	135	115
Restructuring reserves	103	262
Inventory capitalization	(34)	(27)
Other	(8)	31
Deferred federal and foreign income taxes --current	$ 490	$ 840
Noncurrent deferred tax (liabilities) assets		
Pension	$ (553)	$ (521)
Depreciation and amortization	(259)	(159)
Revenue on leases	(101)	(104)
Postretirement benefits	332	249
Other	28	(26)
Deferred federal and foreign income taxes --noncurrent	$ (553)	$ (561)

At December 31, 1999, there were $20 million of taxes refundable included in prepaid expenses and other current assets. At December 31, 1998, there were $105 million of taxes payable included in accounts payable.

Note K: Commitments and Contingencies

At December 31, 1999, the Company had commitments under long-term leases requiring approximate annual rentals on a net lease basis as follows:

(In millions)		
	2000	$ 392
	2001	358
	2002	288
	2003	378
	2004	144
	Thereafter	747

Remaining lease payments under the Company's $490 million property sale and five-year operating lease facility, which are included in the table above, approximate $83 million in 2000, $77 million in 2001, $64 million in 2002, and $215 million in 2003. The lease facility contains covenants that are substantially similar to those in the Company's senior credit facilities. Certain lease commitments will be terminated or reduced in connection with facility and office closures and the optimization of facility utilization. Rent expense in 1999, 1998, and 1997 was $416 million, $283 million, and $136 million, respectively.

Defense contractors are subject to many levels of audit and investigation. Among agencies that oversee contract performance are the Defense Contract Audit Agency, the Inspector General, the Defense Criminal Investigative Service, the General Accounting Office, the Department of Justice, and Congressional Committees. Over recent years, the Department of Justice has convened Grand Juries from time to time to investigate possible irregularities by the Company in government contracting. Such investigations, individually and in the aggregate, are not expected to have a material adverse effect on the Company's financial position or results of operations.

The Company self-insures for losses and expenses for aircraft product liability up to a maximum of $50 million annually. Insurance is purchased from third parties to cover excess aggregate liability exposure from $50 million to $1.2 billion. This coverage also includes the excess of liability over $10 million per occurrence. The aircraft product liability reserve was $24 million at December 31, 1999.

The Company is involved in various stages of environmental investigation and cleanup related to remediation of various sites. All appropriate costs expected to be incurred in connection therewith have been accrued at December 31, 1999. Due to the complexity of environmental laws and regulations, the varying costs and effectiveness of alternative cleanup methods and technologies, the uncertainty of insurance coverage, and the unresolved extent of the Company's responsibility, it is difficult to determine the ultimate outcome of these matters, however, any additional liability is not expected to have a material effect on the Company's financial position, liquidity, or results of operations after giving effect to provisions previously recorded.

The Company issues guarantees and has banks issue, on its behalf, letters of credit to meet various bid, performance, warranty, retention, and advance payment obligations. Approximately $1,346 million and $1,527 million of these contingent obligations, net of related outstanding advance payments, were outstanding at December 31, 1999 and 1998, respectively. These instruments expire on various dates through 2005.

During October and November 1999, the Company and two of its officers were named as defendants in class action lawsuits. The complaints principally allege that the defendants violated federal securities laws by making false and misleading statements and by failing to disclose material information concerning the Company's financial performance, thereby causing the value of the Company's stock to be artificially inflated. The Company was also named as a nominal defendant and all of its directors (except one) were named as defendants in a derivative lawsuit. The derivative complaint contains allegations similar to those included in the above complaints and further alleges that the defendants breached fiduciary duties to the Company and allegedly failed to exercise due care and diligence in the management and administration of the affairs of the Company. Although the Company believes that it and the other defendants have meritorious defenses to the claims made in both the derivative complaint and the other complaints and intends to contest the lawsuits vigorously, an adverse resolution of the lawsuits could have a material adverse affect on the Company's financial position, liquidity, and results of operations in the period in which the lawsuits are resolved. The Company is not presently able to reasonably estimate potential losses, if any, related to the lawsuits.

The Company merged with Hughes Defense in December 1997. Pursuant to the terms of the Separation Agreement, which requires an adjustment based on net assets, the final purchase price for Hughes Defense has not been determined. Based on the terms and conditions of the Separation Agreement, the Company believes that it is entitled to a reduction in the purchase price, a position that Hughes Electronics disputes. The Company and Hughes Electronics have begun the process of negotiating a possible resolution of this matter. If the matter is not successfully resolved through negotiation, the Separation Agreement provides for binding arbitration. Concurrent with the negotiations, the parties have held initial discussions regarding the selection of a neutral arbitrator. Accordingly, while the Company expects a reduction in purchase price from the original terms of the agreement, the amount, timing, and effect on the Company's financial position are uncertain. As a result of this uncertainty, no amounts have been recorded in the financial statements related to this expected reduction in purchase price. Any payment received from Hughes Electronics as a result of a reduction in purchase price will result in a corresponding reduction in goodwill and not be reflected in the income statement. Any payment received from Hughes Electronics for interest accrued on a reduction in purchase price, as provided in the Separation Agreement, will be reflected in the income statement in the period of receipt.

In September 1999, the Company sent Hughes Electronics a demand for mediation pursuant to the alternative dispute resolution process set forth in the Separation Agreement in connection with a separate claim against Hughes Electronics concerning the accuracy and completeness of disclosures made by Hughes Electronics to the Company prior to the merger.

In November 1999, the Company filed a complaint against TPF&C. The complaint arises out of a series of events concerning certain Hughes Plans, portions of which were acquired by the Company in connection with the merger with Hughes Defense. Specifically, the complaint alleges that the Company was damaged by false representations made to the Company by TPF&C regarding the amount of surplus in the Hughes Plans and errors committed by TPF&C in providing administrative services to the Hughes Plans. The complaint seeks damages in an amount to be determined at trial.

In addition, various claims and legal proceedings generally incidental to the normal course of business are pending or threatened against the Company. While the ultimate liability from these proceedings is presently indeterminable, any additional liability is not expected to have a material effect on the Company's financial position, liquidity, or results of operations after giving effect to provisions already recorded.

Note L: Employee Stock Plans

The 1976 Stock Option Plan provides for the grant of both incentive and nonqualified stock options at an exercise price which is 100 percent of the fair value on the date of grant. No further grants are allowed under this plan. The 1991 Stock Plan provides for the grant of incentive stock options at an exercise price which is 100 percent of the fair value on the date of grant and nonqualified stock options at an exercise price which may be less than the fair value on the date of grant. The 1995 Stock Option Plan provides for the grant of both incentive and nonqualified stock options at an exercise price which is not less than 100 percent of the fair value on the date of grant.

The plans also provide that all stock options may be exercised in their entirety 12 to 24 months after the date of grant. Incentive stock options terminate 10 years from the date of grant, and those stock options granted after December 31, 1986 become exercisable to a maximum of $100,000 per year. Nonqualified stock options terminate 11 years from the date of grant or 10 years and a day if issued in connection with the 1995 Stock Option Plan. In 1997, the Company issued conversion stock options covering 4.8 million shares in substitution of nonqualified stock options held by employees of TI Defense and Hughes Defense. In accordance with the terms of the original grants, these replacement stock options have remaining exercise periods of up to eight years and become exercisable at various times through January 2001.

The 1991 Stock Plan also provides for the award of restricted stock and restricted units. The 1997 Nonemployee Directors Restricted Stock Plan provides for the award of restricted stock to nonemployee directors. Restricted awards are made at prices determined by the Compensation Committee of the Board of Directors and are compensatory in nature. Restricted stock and restricted unit awards vest over a specified period of time of not less than one year and not more than 10 years.

No further grants are allowed under the 1991 Stock Plan, 1995 Stock Option Plan, and 1997 Nonemployee Directors Restricted Stock Plan after March 26, 2001, March 21, 2005, and November 25, 2006, respectively.

Restricted stock awards entitle the participant to full dividend and voting rights. Unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances. Compensation expense is recognized over the vesting period. Awards of 849,900, 541,100, and 315,900 shares of restricted stock and restricted units were made to employees and directors at a weighted average value at the grant date of $45.68, $57.21, and $47.92 in 1999, 1998, and 1997, respectively. The required conditions for 72,600, 85,500, and 579,900 shares of restricted stock and restricted units were satisfied during 1999, 1998, and 1997, respectively. There were 1,336,600, 834,900, and 1,678,700 shares of restricted stock and restricted units outstanding at December 31, 1999, 1998, and 1997, respectively. The amount of compensation expense recorded was $16 million, $15 million, and $22 million in 1999, 1998, and 1997, respectively. In 1997, $12 million of compensation expense was related to accelerated vesting of restricted stock as a result of the merger with Hughes Defense.

There were 51.0 million, 53.7 million, and 52.8 million shares of common stock (including shares held in treasury) reserved for stock options and restricted stock awards at December 31, 1999, 1998, and 1997, respectively.

The 1976 Stock Option Plan, 1991 Stock Plan, 1995 Stock Option Plan, and 1997 Nonemployee Directors Restricted Stock Plan utilize Class B common stock.

Stock option information for 1999, 1998, and 1997 follows:

(Share amounts in thousands)	Shares	Weighted Average Option Price
Outstanding at December 31, 1996	12,570	$ 37.65
Granted	8,950	43.84
Exercised	(1,698)	31.18
Expired	(312)	49.13
Outstanding at December 31, 1997	19,510	$ 40.87
Granted	6,945	55.54
Exercised	(2,917)	35.44
Expired	(816)	51.13
Outstanding at December 31, 1998	22,722	$ 45.68
Granted	6,986	67.52
Exercised	(4,176)	40.82
Expired	(475)	55.13
Outstanding at December 31, 1999	25,057	$ 52.40

The following tables summarize information about stock options outstanding and exercisable at December 31, 1999:

(Share amounts in thousands)	Options Outstanding		
Exercise Price Range	Shares Outstanding at December 31, 1999	Weighted Average Contractual Remaining Life	Weighted Average Exercise Price
$14.51 to $29.63	1,884	3.1 years	$23.07
$31.24 to $49.19	5,112	5.6 years	$38.70
$51.06 to $59.31	11,412	7.2 years	$54.15
$59.44 to $73.97	6,649	9.5 years	$68.23
Total	25,057		

(Share amounts in thousands)	Options Exercisable	
Exercise Price Range	Shares Exercisable at December 31, 1999	Weighted Average Exercise Price
$14.51 to $29.63	1,806	$22.93
$31.24 to $49.19	4,457	$37.68
$51.06 to $59.31	8,631	$53.64
$59.44 to $73.97	--	--
Total	14,894	

Shares exercisable at the corresponding weighted average exercise price at December 31, 1999, 1998, and 1997, respectively, were 14.9 million at $45.14, 14.9 million at $41.58, and 13.0 million at $37.35.

The Company applies Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, in accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized for its stock-based compensation plans other than for restricted stock. The Company has adopted the disclosure-only provisions of SFAS No. 123, therefore, no compensation expense was recognized for the stock option plans. Had compensation expense for the Company's stock option plans been determined based on the fair value at the grant date for awards under these plans, consistent with the methodology prescribed under SFAS No. 123, the Company's net income and earnings per share would have approximated the pro forma amounts indicated below:

(In millions except per share amounts)	1999	1998 (Restated)	1997 (Restated)
Net income--as reported	$ 404	$ 844	$ 511
Net income--pro forma	332	800	468
Basic earnings per share--			
as reported	1.20	2.50	2.14
pro forma	0.98	2.37	1.96
Diluted earnings per share--			
as reported	1.19	2.47	2.11
pro forma	0.97	2.34	1.93

The weighted average fair value of each stock option granted in 1999, 1998, and 1997 is estimated as $22.25, $10.40, and $17.41, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	1999	1998	1997
Expected life	4 years	4 years	4 years
Assumed annual dividend growth rate	5%	6%	6%
Expected volatility	35%	15%	15%
Assumed annual forfeiture rate	5%	5%	5%

The risk free interest rate (month-end yields on 4-year treasury strips equivalent zero coupon) ranged from 4.6% to 6.2% in 1999, 4.4% to 5.7% in 1998, and 5.0% to 7.5% in 1997.

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts. SFAS No. 123 does not apply to awards prior to 1995.

Note M: Pension and Other Employee Benefits

The Company has several pension and retirement plans covering the majority of its employees, including certain employees in foreign countries. Total pension expense includes foreign pension expense of $10 million in 1999 and 1998, and $11 million in 1997. In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's U.S. employees may become eligible for these benefits.

Plan assets consist primarily of equity securities (including 6,163,000 shares of the Company's Class A and Class B common stock combined, with a fair value of $174 million at December 31, 1999, and fixed income securities (including $14 million of the Company's 6.75% notes due in 2007).

Effective December 31, 1998, the Company adopted Statement of Financial Accounting Standards No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits. This accounting standard revised the disclosure requirements for pension and other postretirement benefit plans. The measurement date is October 31. The information presented below includes the effect of acquisitions, subsequent adjustments to acquisitions, and divestitures.

Change in Benefit Obligation

	Pension Benefits		Other Benefits	
(In millions) December 31:	1999	1998	1999	1998
Benefit obligation at beginning .0of year	$ 10,794	$ 9,927	$ 1,426	$ 1,303
Service cost	365	338	29	30
Interest cost	720	703	97	98
Plan participants' contributions	28	27	--	--
Amendments	--	3	1	(2)
Actuarial (gain) loss	(381)	384	(157)	30
Acquisitions	12	182	--	75
Divestitures	(53)	(28)	(3)	(1)
Curtailments	--	2	--	--
Benefits paid	(856)	(744)	(117)	(107)
Benefit obligation at end of year	$ 10,629	$10,794	$ 1,276	$1,426

Change in Plan Assets

	Pension Benefits		Other Benefits	
(In millions) December 31:	1999	1998	1999	1998
Fair value of plan assets at beginning of year	$ 12,791	$ 12,188	$ 318	$ 289
Actual return on plan assets	1,477	1,388	35	22
Acquisitions	23	(203)	--	--
Divestitures	(74)	(40)	--	--
Company contribution	133	175	136	107
Plan participants' contributions	28	27	15	--
Benefits paid	(856)	(744)	(117)	(100)
Fair value of plan assets at end of year	$ 13,522	$ 12,791	$ 387	$ 318

Funded Status--unrecognized components

(In millions) December 31:	Pension Benefits 1999	Pension Benefits 1998	Other Benefits 1999	Other Benefits 1998
Funded status	$ 2,893	$ 1,997	$(889)	$(1,108)
Unrecognized actuarial (gain) loss	(1,630)	(894)	(160)	21
Unrecognized transition (asset) obligation	(12)	(18)	261	288
Unrecognized prior service cost	164	182	(8)	(14)
Prepaid (accrued) benefit cost	$ 1,415	$ 1,267	$(796)	$ (813)

Funded Status--recognized in balance sheets

(In millions) December 31:	Pension Benefits 1999	Pension Benefits 1998	Other Benefits 1999	Other Benefits 1998
Prepaid benefit cost	$ 1,815	$ 1,674	$ 17	$ 11
Accrued benefit liability	(441)	(453)	(813)	(824)
Intangible asset	9	15	--	--
Accumulated other comprehensive income	32	31	--	--
Prepaid (accrued) benefit cost	$ 1,415	$ 1,267	$(796)	(813)

Components of Net Periodic Benefit (Income) Cost

(In millions)	Pension Benefits 1999	Pension Benefits 1998	Pension Benefits 1997
Service cost	$ 365	$ 338	$ 143
Interest cost	720	703	332
Expected return on plan assets	(1,090)	(1,016)	(401)
Amortization of transition asset	(6)	(7)	(8)
Amortization of prior service cost	18	19	20
Recognized net actuarial gain	(28)	(30)	(21)
Loss (gain) due to curtailment/settlements	6	--	(6)
Net periodic benefit (income) cost	$ (15)	$ 7	$ 59

Components of Net Periodic Benefit Cost

(In millions)	Other Benefits 1999	Other Benefits 1998	Other Benefits 1997
Service cost	$ 29	$ 30	$ 10
Interest cost	97	98	57
Expected return on plan assets	(27)	(25)	(19)
Amortization of transition obligation	25	25	27
Amortization of prior service cost	(1)	(2)	(1)
Recognized net actuarial gain	(1)	(1)	(7)
(Gain) loss due to curtailment/settlements	(1)	1	11
Net periodic benefit cost	$ 121	$ 126	$ 78

Weighted Average Assumptions

	Pension Benefits		Other Benefits	
December 31:	1999	1998	1999	1998
Discount rate	7.50%	7.00%	7.50%	7.00%
Expected return on plan assets	9.375%	9.375%	9.375%	8.50%
Rate of compensation increase	4.50%	4.50%	4.50%	4.50%
Health care trend rate in the next year			9.00%	6.00%
Gradually declining to a trend rate of 5% in the years beyond			2006	2000

The effect of a one percent increase and decrease in the assumed health care trend rate for each future year for the aggregate of service and interest cost is $7 million and $(6) million, respectively, and for the accumulated postretirement benefit obligation is $81 million and $(66) million, respectively.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $405 million, $384 million, and $49 million, respectively, at December 31, 1999, and $515 million, $483 million, and $151 million, respectively, at December 31, 1998.

Under the terms of various savings and investment plans (defined contribution plans), covered employees are allowed to contribute up to a specific percentage of their pay, generally limited to $30,000 per year. The Company matches the employee's contribution, up to a maximum of generally between three and four percent of the employee's pay. Total expense for defined contribution plans was $193 million, $121 million, and $78 million in 1999, 1998, and 1997, respectively. The increase in 1999 was due to a plan change that increased the Company match. The increase in 1998 was due to the merger with Hughes Defense.

The Company's annual contribution to the Raytheon Employee Stock Ownership Plans is approximately one-half of one percent of salaries and wages, limited to $170,000 in 1999 and $160,000 in 1998 and 1997, of most U.S. salaried and hourly employees. The expense was $25 million, $18 million, and $15 million and the number of shares allocated to participant accounts was 295,000, 271,000, and 290,000 in 1999, 1998, and 1997, respectively.

Note N: Business Segment Reporting

The Company operates in three major business areas: Electronics, both defense and commercial, Engineering and Construction, and Aircraft. The Company is a leader in defense electronics, including missiles; radar; sensors and electro-optics; reconnaissance, surveillance, and intelligence; command, control, communication, and information; training; simulation and services; naval systems; air traffic control systems; and aircraft integration systems. The Engineering and Construction segment offers full-service engineering and construction capabilities to clients worldwide. The Aircraft segment is one of the leading providers of business and special mission aircraft and delivers a broad line of jet, turboprop, and piston-powered airplanes to corporate and military customers worldwide.

The Company adopted Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information (SFAS No. 131) during 1998. SFAS No. 131 established standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments. It also established standards for disclosures about products, services, and geographic areas.

Reportable segments within Electronics have been determined based upon product lines and include the following: Defense Systems; Sensors and Electronic Systems; Command, Control, Communication and Information Systems; Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other. Certain operating segments within Electronics have been aggregated as they exhibit similar long-term financial performance characteristics and do not meet the quantitative threshold. Of the identifiable segments within Total Electronics, all except Aircraft Integration Systems have combined operations of Hughes Defense, TI Defense, and Raytheon. All material intercompany transactions have been eliminated.

During the first quarter of 1999, the Company completed a reorganization of certain business segments to better align the operations with customer needs and to eliminate management redundancy. The Intelligence, Information, and Aircraft Integration Systems segment, with the exception of its Aircraft Integration Systems division, merged with Command, Control, and Communication Systems to create Command, Control, Communication and Information Systems. The Aircraft Integration Systems division was established as a separate segment called Aircraft Integration Systems.

In keeping with the Company's on-going consolidation efforts and to further simplify its organizational structure, in the first quarter of 2000, RSC was eliminated and the Defense Systems and Sensors and Electronic Systems segments were combined into the new Electronic Systems segment. These organizational changes will be reflected in the Company's 2000 financial statements.

Identifiable assets attributed to Unallocated Electronics Items consist primarily of goodwill and prepaid pension. While these assets have not been allocated back to the segments, the associated income statement impact, including goodwill amortization, has been included in the determination of segment operating income.

Change in net debt represents the Company's internal criteria for evaluating cash flow performance by the segments. This amount includes intercompany balances that are eliminated in consolidation and are not necessarily representative of actual cash flows determined in accordance with generally accepted accounting principles.

Information for the segments that comprise Total Electronics and all information related to the change in net debt has not been presented for 1997 because the Company determined that it was impracticable to obtain the comparative information due to the significant acquisitions, divestitures, and reorganizations that took place during 1997.

Operations by Business Segments

	Sales			Operating income		
(In millions)	1999	1998 (Restated)	1997 (Restated)	1999	1998 (Restated)	1997 (Restated)
Defense Systems	$ 5,215	$ 4,941		$ 785(2)	$ 880	
Sensors and Electronic Systems	2,695	2,934		332(3)	556	
Command, Control, Communication and Information Systems	3,576(1)	3,529		301(4)	371	
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	3,003	3,418		8(5)	225(7)	
Total Electronics	14,489	14,822	$ 8,972	1,426	2,032	$ 856(9)
Engineering and Construction	2,656	2,065	2,255	(61)(6)	(253)(8)	19(10)
Aircraft	2,696	2,532	2,366	162	227	185(11)
Total	$19,841	$19,419	$13,593	$ 1,527	$ 2,006	$ 1,060

	Capital expenditures			Depreciation and amortization		
(In millions)	1999	1998	1997	1999	1998	1997
Defense Systems	$ 203	$ 79		$ 161	$ 195	
Sensors and Electronic Systems	81	117		173	177	
Command, Control, Communication and Information Systems	76	72		173	165	
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	48	52		118	119	
Total Electronics	408	320	$ 257	625	656	$ 360
Engineering and Construction	8	41	18	20	28	33
Aircraft	116	148	184	79	77	64
Total	$ 532	$ 509	$ 459	$ 724	$ 761	$ 457

	Identifiable assets at December 31:			Change in net debt		
(In millions)	1999	1998 (Restated)	1997 (Restated)	1999	1998	1997
Defense Systems	$ 2,487	$ 2,286		$ (292)	$ (396)	
Sensors and Electronic Systems	1,956	1,823		(57)	(101)	
Command, Control, Communication and Information Systems	1,591	1,641		(316)	(161)	
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	1,844	1,993		70	(322)	
Unallocated Electronics Items	13,004	13,032		829	387	
Total Electronics	20,882	20,775	$22,599	234	(593)	
Engineering and Construction	1,521	1,478	1,758	163	(239)	
Aircraft	3,161	2,667	2,270	199	(130)	
Corporate	2,546	3,312	1,893	375	(235)	
Total	$28,110	$28,232	$28,520	$ 971	$ (1,197)	$ 6,178

(1) Includes a special charge of $15 million.

(2) Includes restructuring and special charges offset by favorable adjustments to restructuring-related reserves of $(11) million, net.

(3) Includes restructuring and special charges offset by favorable adjustments to restructuring-related reserves of $52 million, net.

(4) Includes restructuring and special charges offset by favorable adjustments to restructuring-related reserves of $28 million, net.

(5) Includes restructuring and special charges offset by favorable adjustments to restructuring-related reserves of $63 million, net.

(6) Includes a restructuring charge of $10 million.

(7) Includes special charges of $167 million.

(8) Includes restructuring and special charges of $85 million.

(9) Includes restructuring and special charges of $340 million.

(10) Includes restructuring and special charges of $125 million.

(11) Includes a special charge of $30 million.

The following tables summarize information related to Electronics restructuring and exit costs and activities by segment:

Electronics Restructuring and Exit Costs

(In millions)	Charges Accrued	Costs Incurred	Ending Balance
Defense Systems	$ 394	$ 305	$ 89
Sensors and Electronic Systems	252	163	89
Command,Control, Communication and Information Systems	145	95	50
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	97	51	46
Total	$ 888	$ 614	$ 274

Electronics Restructuring and Exit Activities

	Number of Employee Terminations	Square Feet Exited (thousands)
Defense Systems	3,200	4,000
Sensors and Electronic Systems	3,200	3,400
Command, Control, Communication and Information Systems	2,300	900
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	2,200	1,200
Total	10,900	9,500

Operations by Geographic Areas

(In millions)	United States	Outside United States (Principally Europe)	Consolidated
Sales to unaffiliated customers			
1999	$18,549	$1,292	$19,841
1998 (restated)	18,417	1,002	19,419
1997 (restated)	12,827	766	13,593
Long-lived assets at			
December 31, 1999	$18,984	$ 195	$19,179
Identifiable assets at			
December 31, 1998 (restated)	$27,227	$1,005	$28,232
December 31, 1997 (restated)	27,898	622	28,520

The country of origin was used to attribute sales to either United States or Outside United States. U.S. sales of $18,549 million, $18,417 million, and $12,827 million include export sales, principally to Europe, the Middle East, and Far East, of $1,668 million, $2,380 million, and $2,756 million in 1999, 1998, and 1997, respectively.

Sales to major customers, principally in Electronics, in 1999, 1998, and 1997, were: U.S. government (end user), $11,051 million, $11,167 million, and $5,787 million, respectively, U.S. Department of Defense, $10,511 million, $10,816 million, and $4,591 million, respectively, and U.S. government (foreign military sales), $1,015 million, $1,660 million, and $483 million, respectively.

Note O: Quarterly Operating Results (unaudited)

(In millions except per share amounts and stock prices)

1999	First	Second	Third	Fourth
	(Restated)	(Restated)	(Restated)	
Net sales	$ 5,025	$ 5,210	$ 4,776	$4,830
Gross margin	1,059	1,181	453	892
Net income (loss)	205	290(1)	(163)(2)	72(3)
Earnings (loss) per share				
Basic	0.61	0.86(1)	(0.48)(2)	0.21(3)
Diluted	0.60	0.84(1)	(0.48)(2)	0.21(3)
Cash dividends per share				
Declared	0.20	0.20	0.20	0.20
Paid	0.20	0.20	0.20	0.20
Common stock prices per the Composite Tape				
Class A--High	58.13	72.88	75.38	48.38
Class A--Low	50.75	57.38	43.75	21.25
Class B--High	58.88	74.63	76.56	49.88
Class B--Low	51.25	57.75	44.50	22.25

1998 (Restated)	First	Second	Third	Fourth
Net sales	$ 4,693	$ 5,037	$ 4,431	$5,258
Gross margin	1,037	1,127	760	1,328
Net income	228	263(4)	12(5)	341(6)
Earnings per share				
Basic	0.67	0.78(4)	0.04(5)	1.01(6)
Diluted	0.66	0.77(4)	0.04(5)	1.00(6)
Cash dividends per share				
Declared	0.20	0.20	0.20	0.20
Paid	0.20	0.20	0.20	0.20
Common stock prices per the Composite Tape				
Class A--High	59.50	59.19	59.63	58.56
Class A--Low	44.88	50.38	39.88	48.69
Class B--High	60.69	60.19	60.75	59.81
Class B--Low	45.75	51.44	40.69	49.31

1999 (Previously reported)	First	Second	Third
Net sales	$ 4,903	$ 5,202	$ 4,728
Gross margin	1,033	1,187	443
Net income (loss)	188	294(1)	(169)(2)
Earnings (loss) per share			
Basic	0.56	0.87(1)	(0.50)(2)
Diluted	0.55	0.86(1)	(0.50)(2)

1998 (Previously reported)	First	Second	Third	Fourth
Net sales	$ 4,574	$ 5,078	$ 4,436	$5,442
Gross margin	1,016	1,139	758	1,369
Net income	215	270(4)	11(5)	368(6)
Earnings per share				
Basic	0.63	0.80(4)	0.03(5)	1.09(6)
Diluted	0.63	0.79(4)	0.03(5)	1.08(6)

(1) Includes net gain on sales of operating units and securities received as partial payment for previously divested businesses of $5 million after-tax, or $0.01 per share.

(2) Includes charges of $190 million after-tax, restructuring and special charges of $144 million after-tax, and net gain on sales of operating units and securities received as partial payment for previously divested businesses of $8 million after-tax. The impact of these items combined was a net charge of $326 million after-tax, or $0.96 per share.

(3) Includes favorable adjustments to restructuring-related reserves of $42 million after-tax and net gain on sales of operating units and securities received as partial payment for previously divested businesses of $1 million after-tax. The impact of these items combined was a net gain of $43 million after-tax, or $0.13 per share.

(4) Includes special charges of $54 million after-tax and net gain on sales of operating units of $61 million after-tax. The impact of these items combined was a net gain of $7 million after-tax, or $0.02 per share.

(5) Includes a charge of $180 million after-tax, restructuring and special charges of $104 million after-tax, and net gain on sales of operating units of $3 million after-tax. The impact of these items combined was a net charge of $281 million after-tax, or $0.82 per share.

(6) Includes a net gain on sales of operating units of $3 million after-tax, or $0.01 per share.

Note: Earnings per share are computed independently for each of the quarters presented, therefore, the sum of the quarterly earnings per share may not equal the total computed for the year.

In the first quarter of 1999, the Company reported restated income before accounting change, basic earnings per share before accounting change, and diluted earnings per share before accounting change of $258 million, $0.77, and $0.76, respectively. As previously reported, these amounts were $241 million, $0.72, and $0.71, respectively.

Note P: Financial Instruments

At December 31, 1999 and 1998, the Company had outstanding interest rate swap agreements, treasury rate locks, and foreign currency forward contracts which minimized or eliminated risk associated with interest rate changes or foreign currency exchange rate fluctuations. All of these financial instruments were related to specific transactions and particular assets or liabilities for which a firm commitment existed. These instruments were executed with credit-worthy institutions and the majority of the foreign currencies were denominated in currencies of major industrial countries.

The following table summarizes major currencies and the approximate contract amounts associated with foreign exchange contracts at December 31:

	1999		1998	
(In millions)	Buy	Sell	Buy	Sell
British Pounds	$ 228	$ 63	$ 138	$ 100
Canadian Dollars	--	1	20	50
European Euros	24	2	--	--
German Marks	11	--	40	27
Netherlands Guilders	7	21	41	89
Norwegian Kroner	21	--	100	--
Swiss Francs	2	43	12	85
All other	53	10	49	25
Total	$ 346	$ 140	$ 400	$ 376

Buy amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies and sell amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies. Foreign exchange contracts that do not involve U.S. dollars have been converted to U.S. dollars for disclosure purposes.

Interest rate swap agreements were $381 million and $383 million at December 31, 1999 and 1998, respectively. The agreements outstanding at December 31, 1999 mature during 2000 and essentially fix the interest rates on a portion of variable rate debt. Under these agreements, the Company will pay the counterparties interest at a weighted average fixed rate of 6.5%, and the counterparties will pay the Company at a variable rate primarily equal to three-month LIBOR. The weighted average variable rate applicable to these agreements was 6.1% at December 31, 1999. Treasury rate locks were $250 million at December 31, 1999, mature during 2000, and essentially fixed the interest rates on a portion of long-term debt the Company was planning to issue. Note R, Subsequent Events, contains additional information about the planned debt issuance.

Foreign currency forward contracts, used primarily to minimize fluctuations in the values of foreign currency payments and receipts, have maturities at various dates through August 2003 as follows: $413 million in 2000, $44 million in 2001, $14 million in 2002, and $15 million in 2003. Estimated fair values for the interest rate swap agreements, treasury rate locks, and foreign currency forward contracts total $5 million at December 31, 1999.

Note Q: Stockholders' Equity

The Company has two classes of common stock--Class A and Class B. For all matters other than the election and removal of directors, Class A and Class B stockholders have equal voting rights. For the election or removal of directors only, the Class A stockholders have 80.1 percent of the total voting power and the Class B stockholders have the remaining 19.9 percent. Class A and Class B stockholders are entitled to receive the same amount per share of any dividends declared. Immediately following any dividend, split, subdivision, or other distribution of shares of Class A or Class B common stock, the number of shares must bear the same relationship to each other as immediately prior to such distribution. Except as indicated above, the rights of Class A and Class B stockholders are identical.

In December 1997, the Company issued 102.6 million shares of Class A common stock and converted each share of Raytheon common stock into one share of Class B common stock in connection with the merger with Hughes Defense. The Company has agreed with the former parent of Hughes Defense that it will not propose a plan of recapitalization or certain other equity transactions that would adversely affect the tax free status of the merger. Also, in December 1997, the Company retired 71.1 million shares of Class B common stock previously held in treasury. Prior to this retirement, the excess of cost over par value of treasury stock was charged proportionally to additional paid-in capital and retained earnings.

In February 1995, the Board of Directors authorized the repurchase of up to 12 million shares of the Company's common stock to allow the Company to repurchase shares from time to time when warranted by market conditions. In January 1998, the Board of Directors ratified and reauthorized the repurchase of the remaining 2.5 million shares originally authorized. There have been 11.8 million shares purchased under these authorizations through December 31, 1999. There were 1.7 million shares repurchased under this program during 1998 and 0.7 million shares repurchased under this program during 1999. In March 1999, the Board of Directors authorized the repurchase of up to an additional 6 million shares of the Company's common stock over the next three years. There were no shares repurchased under this program during 1999.

In November 1992, the Board of Directors authorized the purchase of up to 4 million shares of the Company's common stock per year over the next five years to counter the dilution due to the exercise of stock options. During 1997, there were 1.7 million shares repurchased under this program to offset 1.7 million shares issued due to the exercise of stock options.

In January 1998, the Board of Directors authorized the purchase of up to 5 million shares of the Company's common stock per year to counter the dilution due to the exercise of stock options. There were 1.9 million and 2.9 million shares repurchased under this program during 1999 and 1998, respectively, to offset 4.2 million and 2.9 million shares issued due to the exercise of stock options during 1999 and 1998, respectively.

The changes in shares of Class A and Class B common stock outstanding during 1999 are as follows:

(In thousands)	Class A	Class B
Balance at December 31, 1998	101,503	235,295
Common stock plan activity	--	4,613
Treasury stock activity	(698)	(1,953)
Balance at December 31, 1999	100,805	237,955

Basic earnings per share (EPS) excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Class A and Class B common stock have been aggregated in the basic and diluted EPS calculation which follows:

(In millions except per share amounts)	1999	1998 (Restated)	1997 (Restated)
Net income for basic and diluted EPS	$ 404	$ 844	$ 511
Share information (in thousands)			
Average common shares outstanding for basic EPS	337,351	337,882	238,915
Dilutive effect of stock options and restricted stock	3,433	3,979	2,971
Shares for diluted EPS	340,784	341,861	241,886
Basic EPS	$ 1.20	$ 2.50	$ 2.14
Diluted EPS	1.19	2.47	2.11

Stock options to purchase 12.5 million, 6.7 million, and 8.2 million shares of common stock outstanding at December 31, 1999, 1998, and 1997, respectively, were not included in the computation of diluted EPS because the stock options' exercise price was greater than the average market price of the Company's common stock during the year.

Note R: Subsequent Events

In February 2000, the Company sold its flight simulation and associated training business for $160 million.

In March 2000, the Company issued $2.25 billion of long-term debt in a private placement consisting of $200 million of floating rate notes due in 2002, $800 million of 7.9% notes due in 2003, $850 million of 8.2% notes due in 2006, and $400 million of 8.3% notes due in 2010. Proceeds from the offering were used to repay outstanding short-term debt, extending the maturity of the Company's debt obligations.

Company Responsibility for Financial Statements

The financial statements and related information contained in this Annual Report have been prepared by and are the responsibility of the Company's management. The Company's financial statements have been prepared in conformity with generally accepted accounting principles and reflect judgments and estimates as to the expected effects of transactions and events currently being reported. The Company's management is responsible for the integrity and objectivity of the financial statements and other financial information included in this Annual Report. To meet this responsibility, the Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are properly executed and recorded. The system includes policies and procedures, internal audits, and Company officers' reviews.

/s/ Franklyn A. Caine
Franklyn A. Caine
Senior Vice President and
Chief Financial Officer

/s/ Daniel P. Burnham
Daniel P. Burnham
Chairman and
Chief Executive Officer

The Audit Committee of the Board of Directors is composed solely of outside directors. The Committee meets periodically and, when appropriate, separately with representatives of the independent accountants, Company officers, and the internal auditors to monitor the activities of each.

Upon recommendation of the Audit Committee, PricewaterhouseCoopers LLP, independent accountants, were selected by the Board of Directors to audit the Company's financial statements and their report follows.

/s/ Daniel P. Burnham
Daniel P. Burnham
Chairman of the Board of Directors

Report of Independent Accountants

To the Board of Directors and Stockholders of Raytheon Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Raytheon Company at December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

The consolidated financial statements for each of the two years in the period ended December 31, 1998 have been restated as described in Note B.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Boston, Massachusetts
January 25, 2000, except for the information in Note R
as to which the date is March 7, 2000

EXHIBIT 21

Name of Subsidiary	Percentage Owned	Jurisdiction of Incorporation
AMI Instruments, Inc.	100%	Oklahoma
Advanced Electronics Systems International	100%	California
Amber Engineering, Inc.	100%	California
Thornwood Trust	100%	Massachusetts
Brasil Sistemas De Integracao Ltda	100%	Brazil
Data Logic, Inc.	100%	Delaware
Electronica Nayarit, S.A.	100%	Mexico
HE Microwave LLC	50%	Delaware
HRL LLC	50%	Delaware
Holwood Realty Company	100%	Delaware
Hughes (U.K.) Limited	91.288720%	England
Hughes Flight Training Limited	99%	England
Groom Aviation Limited	100%	England
Hughes Microelectronics Europa Limited	100%	United Kingdom
Hughes Microelectronics Europa Limited	100%	United Kingdom
Hughes Microelectronics Limited	100%	United Kingdom
Raytheon Microelectronics Espana, S.A.	99.999496%	Spain
Hughes Aircraft Systems International	100%	California
Circuitos Binaionales de Tijuana S.A. de C.V.	96%	Mexico
Hughes Europe N.V.	0.1%	Belgium
Hughes Airport Development Corporation Sdn Bhd	100%	Malaysia
Hughes Asia Pacific Hong Kong Limited	0.1%	Hong Kong
Hughes Australia International PTY Limited	0.001667%	Australia
Hughes Defence Systems Limited	100%	United Kingdom
Hughes Espana S.A.	99.999836%	Spain
Hughes Europe N.V.	99.900000%	Belgium
Hughes International Corporation	100%	Delaware
Circuitos Binaionales de Tijuana S.A. de C.V	4%	Mexico
Hughes (U.K.) Limited	0.000005%	England
Hughes Asia Pacific Hong Kong Limited	99.900000%	Hong Kong
Hughes Australia International PTY Limited	99.998333%	Australia
MARCOS Vermogensverwaltung GmbH	100%	Germany
Raytheon Training International GmbH	100%	Germany
Hughes Nadge Corporation	100%	Delaware
Hughes Research Analytics, Inc.	100%	Delaware
Hughes Simulation International, Inc.	100%	California
Hughes Systems Management International	100%	California
Hughes Training Italia	100%	Italy
International Electronics Systems, Inc.	100%	California
NEWCS, Inc.	100%	Delaware
Patriot Overseas Support Company	100%	Delaware
RAYCOM, INC.	51%	Korea
Raytag Limited	100%	Delaware
TAG Halbleiter GmbH	100%	Germany
Raytheon Advanced Systems Company	100%	Delaware

Name of Subsidiary	Percentage Owned	Jurisdiction of Incorporation
Raytheon Air Control Company	100%	Delaware
Raytheon Aircraft Holdings, Inc.	100%	Delaware
Raytheon Aerospace Company	100%	Kansas
Raytheon Aerospace Support Services Company	100%	Kansas
Raytheon Aircraft Charter & Managment, Inc.	100%	Kansas
Raytheon Aircraft Company	100%	Kansas
Arkansas Aerospace, Inc.	100%	Arkansas
Raytheon Aircraft (Bermuda) Ltd.	100%	Bermuda
Raytheon Aircraft Quality Support Company	100%	Kansas
Raytheon Aircraft Credit Corporation	100%	Kansas
Beech Aircraft Leasing, Inc.	100%	Kansas
Beech Airliner Lease Corporation	100%	Kansas
Beechcraft BB-209 Leasing, Inc.	100%	Kansas
Beechcraft Lease Corporation	100%	Kansas
Beechcraft Lease Special Purpose Company	100%	Kansas
Beechcraft UC-131 Leasing, Inc.	100%	Kansas
Beechcraft UC-134 Leasing, Inc.	100%	Kansas
Beechcraft UC-163 Leasing, Inc.	100%	Kansas
Beechcraft UC-58 Leasing, Inc.	100%	Kansas
Beechcraft UC-74 Leasing, Inc.	100%	Kansas
Beechcraft UE-106 Leasing, Inc.	100%	Kansas
Beechcraft UE-305 Leasing, Inc.	100%	Kansas
Beechcraft UE-307 Leasing, Inc.	100%	Kansas
Beechcraft UE-308 Leasing, Inc.	100%	Kansas
Beechcraft UE-311 Leasing, Inc.	100%	Kansas
Beechcraft UE-322 Leasing, Inc.	100%	Kansas
Beechcraft UE-331 Leasing, Inc.	100%	Kansas
Beechcraft UE-348 Leasing, Inc.	100%	Kansas
Beechcraft UE-349 Leasing, Inc.	100%	Kansas
Beechcraft UE-50 Leasing, Inc.	100%	Kansas
Beechcraft UE-54 Leasing, Inc.	100%	Kansas
Franco-American Lease Corporation	100%	Kansas
Franco-Kansas Lease Corporation	100%	Kansas
International Lease Corporation	100%	Kansas
Kansas Beechcraft Leasing, Inc.	100%	Kansas
Raytheon Aircraft Credit Lease Corporation	100%	Kansas
Raytheon Aircraft Credit Special Purpose Company	100%	Kansas
Raytheon Aircraft Lease Corporation	100%	Kansas
Raytheon Aircraft Lease Special Purpose Company	100%	Kansas
Raytheon Aircraft Leasing, Inc.	100%	Kansas
Raytheon Aircraft Receivables Corporation	100%	Kansas
Raytheon Aircraft Special Purpose Company	100%	Kansas
Raytheon Airliner Lease Corporation	100%	Kansas
Raytheon-Kansas Lease Corporation	100%	Kansas
UE-311 Leasing Corporation	100%	Kansas
Raytheon Aircraft Parts Inventory & Distribution Company	100%	Kansas
Raytheon Aircraft Regional Offices, Inc.	100%	Kansas
Raytheon Aircraft Services, Inc.	100%	Kansas
Raytheon Philippines, Inc.	99.98%	Republic of the Philippines
Raytheon Travel Air Company	100%	Kansas
Travel Air Insurance Company Ltd.	100%	Kansas
Travel Air Insurance Company (Kansas)	100%	Kansas
Raytheon Appliances Asia, Inc.	100%	Delaware
Raytheon Charitable Foundation	100%	Massachusetts

Name of Subsidiary	Percentage Owned	Jurisdiction of Incorporation
Raytheon Corporate Operations, Washington Inc.	100%	Delaware
Raytheon Credit Company	100%	Delaware
Raytheon Deutschland GmbH	100%	Germany
Raytheon Anschutz G.m.b.H.	100%	Germany
Anschutz Japan Co. Ltd.	80%	Japan
Arbeitsmedizinische Betreuungsgesellschaft Kieler Betriebe mbH	39%	Germany
Raytheon Standard Radio AB	100%	Sweden
Raytheon E-Systems, Inc.	100%	Delaware
Constellation Communications, Inc.	31.9%	Delaware
E-Systems Exports, Inc.	100%	Delaware
E-Systems Technologies Holding, Inc.	100%	Delaware
E-Systems Technologies International, Inc.	100%	Virgin Islands
Raytheon E-Systems Limited	100%	England
Raytheon Systems Company Australia Pty Ltd.	100%	Australia
Space Imaging, Inc.	30.693069%	Delaware
Raytheon ESSM Co.	100%	California
Raytheon Engineering and Maintenance Company	100%	Delaware
Raytheon Saudi Arabia Limited	35%	Saudi Arabia
Raytheon Engineers & Constructors International, Inc.	100%	Delaware
Raytheon Architects, Ltd.	100%	Colorado
Raytheon Catalytic Inc.	100%	Delaware
Raytheon Constructors International, Inc.	100%	Delaware
Badger America, Inc.	100%	Delaware
Harbert-Yeargin Inc.	100%	Delaware
Raytheon Constructors Inc.	100%	Delaware
Catalytic Industrial Maintenance Co., Inc.	100%	Delaware
Raytheon Constructors do Brasil Ltda.	0.0005%	Brazil
Specialty Technical Services, Inc.	100%	Pennsylvania
Rust Constructors Inc.	100%	Delaware
Raytheon Demilitarization Company	100%	Delaware
Raytheon Engineering Quality Services Corporation	100%	Delaware
Raytheon Engineers & Constructors (Ireland) Ltd.	100%	Delaware
Raytheon Engineers & Constructors Inc.	100%	Delaware
Asia Badger, Inc.	100%	Delaware
Badger Energy, Inc.	100%	Delaware
Badger Middle East, Inc.	100%	Delaware
Badger-SMAS Ltd.	51%	Saudi Arabia
Canadian Badger Company Limited	100%	Canada
DISA-Raytheon Ingenieria y Construccion, S. de R.L. de C.V.	49%	Mexico
Ebasco International Corporation	100%	Delaware
Shanghai Ebasco - ECEPDI Engineering Corporation	50%	Peoples Republic of China
Energy Overseas International, Inc.	100%	Delaware
Catalytic Servicios, S.A.	50%	Venezuela
Cosa-United, S.A.	19%	Venezuela
Gulf Design Corporation, Inc.	100%	Florida
Jackson & Moreland International, Inc.	100%	Massachusetts
McBride-Ratcliff and Associates, Inc.	100%	Texas
Polytec, S.A.R.L.	99.5%	France

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Name of Subsidiary	Percentage Owned	Jurisdiction of Incorporation
RE&C Receivables Corporation	100%	Delaware
Raytheon Engineers & Constructors (Aruba) Ltd.	100%	Delaware
Raytheon Engineers & Constructors (Panama) Ltd.	100%	Delaware
Raytheon Engineers & Constructors (Russia) Ltd.	100%	Massachusetts
Raytheon Engineers & Constructors (Trinidad and Tobago) Ltd.	100%	Delaware
Raytheon Engineers & Constructors B.V.	100%	Netherlands
International Refinery Constructors C.V.	49.5%	Netherlands
International Refinery Contractors (IRC) B.V.	50%	Netherlands
International Refinery Constructors C.V.	1%	Netherlands
Raytheon Engineers & Constructors France S.a.r.l.	0.2%	France
Raytheon Engineers & Constructors Mauritius Ltd.	100%	Mauritius
Raytheon Engineers & Constructors Canada Ltd.	100%	Canada
Raytheon Engineers & Constructors France S.a.r.l.	99.8%	France
Raytheon Engineers & Constructors Germany G.m.b.H.	100%	Germany
Raytheon Engineers & Constructors Italy S.r.l.	99%	Italy
Raytheon Engineers & Constructors Latin America, Inc.	100%	Delaware
MYA Badger SNC	50%	Venezuela
Raytheon Constructors do Brasil Ltda.	99.999500%	Brazil
Raytheon Engineers & Constructors Midwest, Inc.	100%	Delaware
Raytheon Engineers & Constructors Pty Limited	100%	South Africa
Raytheon Engineers & Constructors S.R.L.	100%	Romania
Raytheon Infrastructure Inc.	100%	New York
21st Century Rail Corporation	70%	Delaware
Raytheon Nuclear Inc.	100%	Delaware
Raytheon Quality Inspection Company	100%	Delaware
Raytheon-Ebasco (Malaysia) Sdn.	100%	Malaysia
Raytheon-Ebasco Indonesia Ltd.	100%	Delaware

Raytheon-Ebasco Overseas Ltd.	100%	Delaware
Secore Services Incorporated	50%	Georgia
United Engineers Far East, Ltd.	100%	Delaware
Gibsin Engineers, Ltd.	45%	Republic of China
United Engineers International, Inc.	100%	Pennsylvania
POSVEN C.A.	10%	Venezuela
United Mid-East, Inc.	100%	Delaware
UME/SMAS	75%	Saudi Arabia
Raytheon Engineers & Constructors Middle East Limited	100%	Colorado
Raytheon UAE Enterprises LLC	0.4875%	United Arab Emirates
Stearns Catalytic Ingenieria y Construccion Chile Limitada	97%	Chile
Raytheon Engineers & Constructors UK Ltd.	100%	Delaware
Raytheon Quality Programs Company	100%	Delaware
Raytheon-Ebasco Pakistan Ltd.	100%	Delaware
Stearns Catalytic Corporation	100%	Delaware
Raytheon Espana Limited	100%	Delaware
Raytheon Europe International Company	100%	Delaware
Raytheon Europe Management Services Ltd.	100%	Delaware
Raytheon European Management Co., Inc.	100%	Delaware

Name of Subsidiary	Percentage Owned	Jurisdiction of Incorporation
Raytheon European Management and Systems Company	100%	Delaware
Raytheon Gulf Systems Company	100%	Delaware
Raytheon Halbleiter GmbH	100%	Germany
Raytheon Hanford, Inc.	100%	Delaware
Raytheon Holding LLC	100%	Delaware
Raytheon International Support Company	100%	Delaware
Raytheon International Trade Ltd. (Capital)	100%	Virgin Islands
Raytheon International, Inc.	100%	Delaware
Raytheon Do Brasil Ltda.	99.980000%	Sao Paolo
Raytheon International Korea, Inc.	100%	Korea
Raytheon International, Mid-East Limited	100%	Delaware
Raytheon Investment Company	100%	Delaware
Raytheon Italy Liaison Company	100%	Delaware
Raytheon Korean Support Company	100%	Delaware
Raytheon Logistics Support & Training Company	100%	Delaware
Raytheon Logistics Support Company	100%	Delaware
Raytheon Marine Sales and Service Company	100%	Delaware
Raytheon Mediterranean Systems Company	100%	Delaware
Raytheon Middle East Systems Company	100%	Delaware
Raytheon Mideast Systems Company	100%	Delaware
Raytheon Overseas Limited	100%	Delaware
Raytheon Pacific Company	100%	Delaware
Raytheon Patriot Support Company	100%	Delaware
Raytheon Peninsula Systems Company	100%	Delaware
Raytheon Procurement Company, Inc.	100%	Delaware
Gesellschaft fuer Verteidgungs Systeme mbH	50%	Germany
Systems For Defense Company	50%	Delaware
Raytheon Radar Ltd.	100%	Delaware
Raytheon Receivables, Inc.	100%	Delaware
Raytheon STI Company	100%	Delaware
Raytheon Seismic Company	100%	Delaware
Raytheon Southeast Asia Systems Company	100%	Delaware
Raytheon Spanish Support Company	100%	Delaware
Raytheon Systems Canada Ltd.	100%	Canada
Advanced Toll Managment Corp.	50%	Canada
Raytheon Systems Company LLC	100%	Delaware
Raytheon Systems Development Company	100%	Delaware
Raytheon Systems International Company	100%	Delaware
Raytheon Systems Support Company	100%	Delaware
Raytheon Technical Services Company	100%	Delaware
Range Systems Engineering Company	100%	Delaware
Range Systems Engineering Support Company	100%	Delaware
Raytheon Canada Services Company Ltd.	100%	Canada
Raytheon Services Company Puerto Rico	100%	Delaware
Raytheon Support Services Company	100%	Delaware
Raytheon Technical Services Guam, Inc.	99.7%	Guam
Raytheon Technical Services International Company	100%	Delaware
Raytheon Training LLC	100%	Delaware
Raytheon Technical and Administration Services Ltd.	100%	Delaware
Raytheon Technologies Incorporated	100%	California
Raytheon United Kingdom Limited	100%	England
Computer Systems & Programming Limited	100%	England
Data Logic Altergo, Ltd.	100%	England
Data Logic Limited	100%	England
Data Logic Properties Limited	100%	England
Hallams (Electrical Contractors) Limited	100%	England
Penmar & Company Ltd.	100%	England
Raycab (North) Limited	100%	England
Raycab (South) Limited	100%	England
Raytheon Marine Europe Ltd.	100%	England
Magtex Limited	100%	England
Nautech Autohelm (Australia) Pty, Limited	100%	Australia
Nautech, Limited	100%	England
Raytheon Marine Limited	100%	England
Raytheon Systems Ltd.	100%	England
Raytheon Computer Products Europe Limited	99%	England
Raytheon TI Systems, Ltd.	100%	England
Raytheon-Tag Components Limited	100%	England
Square One Computer Services Limited	100%	England
Seismograph Service Corporation	100%	Delaware
Seismograph Service France	100%	France
Subsidiary X Company	100%	Delaware
Switchcraft de Mexico S.A. de C.V.	100%	Mexico
Thoray Electronics Corporation	50%	Delaware
Translant, Inc.	50%	Texas
Tube Holding Company, Inc.	100%	Connecticut
Xyplex Foreign Sales Corporation, Inc.	100%	Virgin Islands

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements of Raytheon Company on Form S-3 (File Nos. 333-82529; 33-59241; 333-27757 and 333-44321), Form S-4 (File Nos. 333-56117 and 333-45629) and Form S-8 (File No. 333-78219) of our report dated January 25, 2000, except for the information in Note R as to which the date is March 7, 2000 relating to the consolidated financial statements, which appears in the 1999 Annual Report to Stockholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 25, 2000 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Boston, Massachusetts
March 22, 2000

EXHIBIT 23.2

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders
of Raytheon Company:

Our audits of the consolidated financial statements referred to in our report dated January 25, 2000, except for the information in Note R as to which the date is March 7, 2000, appearing in the 1999 Annual Report to Stockholders of Raytheon Company (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Boston, Massachusetts
January 25, 2000

EXHIBIT 24

POWER OF ATTORNEY

RAYTHEON COMPANY

The undersigned hereby constitutes Thomas D. Hyde and Franklyn A. Caine, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, in connection with the preparation, execution and filing with the Securities and Exchange Commission (the "Commission"), under the Securities Exchange Act of 1934 of an Annual Report on Form 10-K of Raytheon Company (the "Company") and any amendments thereto for the Company's fiscal year ended December 31, 1999 with exhibits thereto, including, but not limited to, the Company's Audited Consolidated Financial Statements as of December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999 and Management's Discussion and Analysis of Financial Condition and Results of Operations for the Company's fiscal year ended December 31, 1999, and other documents in connection therewith (collectively, the "Form 10-K"), and all matters required by the Commission in connection with the Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney's-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 22, 2000

/s/ Daniel P. Burnham
Daniel P. Burnham

/s/ Barbara M. Barrett
Barbara M. Barrett

/s/ Ferdinand Colloredo-Mansfeld
Ferdinand Colloredo-Mansfeld

/s/ John M. Deutch
John M. Deutch

/s/ Thomas E. Everhart
Thomas E. Everhart

/s/ John R. Galvin
John R. Galvin

/s/ L. Dennis Kozlowski
L. Dennis Kozlowski

/s/ Henrique de Campos Meirelles
Henrique de Campos Meirelles

/s/ Thomas L. Phillips
Thomas L. Phillips

/s/ Dennis J. Picard
Dennis J. Picard

/s/ Warren B. Rudman
Warren B. Rudman

/s/ William R. Spivey
William R. Spivey

/s/ Alfred M. Zeien
Alfred M. Zeien

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8,931
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1.19