SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

/X/ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 1998.

/ / 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 ...

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, as of February 28, 1999, was approximately $17,823,904,334. 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 28, 1999:

336,184,525, consisting of 101,255,005 shares of Class A Common Stock and 234,929,520 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, 1998	Part I, Part II, Part IV
Portions of the Proxy Statement for Raytheon's 1999 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 1998 sales of more than $19.5 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. Simultaneously with the consummation of the Hughes Merger on December 17, 1997, Raytheon announced the creation of Raytheon Systems Company ("RSC") to integrate Raytheon's defense electronics businesses. RSC represents the combination and consolidation of the legacy defense organizations--the former defense operations of Hughes Electronics Corporation ("Hughes Defense") and the defense assets of Texas Instruments, Inc. ("TI Defense"), Raytheon E-Systems and Raytheon Electronics Systems. 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.

For public reporting purposes, certain operating segments within Electronics have been aggregated as they exhibit similar long-term financial performance characteristics and do not meet the quantitative threshold. All material intercompany transactions have been eliminated. During 1998 the reportable segments within Electronics included the following: Defense Systems; Sensors and Electronics Systems; Intelligence, Information, and Aircraft Integration Systems; and a combined group made up of Command, Control, and Communications Systems, Training and Services, and Commercial Electronics and Other.

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 was merged with Command, Control, and Communications Systems to create Command, Control, Communication, and Information Systems. The Aircraft systems division was established as a separate segment called Aircraft Integration Systems. The impact of this organizational change is reflected in the descriptions below, and will be incorporated into the Company's 1999 financial statements.

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 over $3 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 18 allied nations in addition to the U.S.

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 missile). Other missiles produced by DSS include Tomahawk, TOW, Stinger, Maverick, and Standard.

DSS also leads Raytheon's efforts as the prime contractor for the NATO Sea-Sparrow Surface to Air Missile System (NSSMS), DSS also produces the air- and surface-launched versions of the Sparrow missile for both the U.S. and foreign Navies. DSS also 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 also 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.

DSS strike weapons programs include 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. Also, Raytheon through DSS is the prime contractor for the U.S. Army's Enhanced Fiber Optic Guided Missile (EFOGM) demonstration program, which is intended to provide rapidly deployable, lethal and highly survivable technologies to the U.S. early entry forces.

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, reconaissance, 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 anticipated commercial night vision application is a night driving safety option on the model year 2000 Cadillac(R) DeVille(R)(1).

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

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, Communications and Information Systems. The Command, Control, Communications 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; large scale information retrieval, processing and distribution systems; and global broadcast systems.

C3I is part of a team under contract to design, develop, integrate and test the command, control, communications and intelligence sonar, combat control and architecture subsystems for the U.S. Navy's next generation attack submarine - - the New Attack Submarine or NSSN. The segment builds military communications systems and also a family of Extended Environment (E(2)) COTS computers and workstations.

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 provides the capability to integrate theater sensors and weapon systems ships, aircraft and land-based installations into an integrated air picture. The system has now successfully completed more than seven years of comprehensive at-sea testing, including several live fire tests, and is now facing the challenges of integration into the fleet. C3I also has capabilities in large-scale image processing and advanced signal processing.

C3I lead 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 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 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, China, Cyprus, Germany, Hong Kong, India, Jamaica, The Netherlands, Norway, Oman, Switzerland and Taiwan. Raytheon's Terminal Doppler Weather Radar (TDWR) system is being installed at 42 sites across the United States and Puerto Rico. The new Hong Kong airport is the first international installation of Raytheon's TDWR system. TDWR uses Doppler radar technology to warn air traffic controllers of sudden wind shifts, such as microbursts, which have been blamed for numerous aircraft accidents, particularly during takeoff and landing.

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

AIS specializes in the design and installation of interiors for executive and VIP/head-of-state aircraft. The segment also performs Special Operations Forces Support Activity (SOFSA) and is working on the Airborne Early Warning and Control (AEW&C) program. During 1998, Raytheon (through AIS) continued the U.S. Air Force's C-141 avionics modernization program which includes a "glass cockpit," a digital autopilot, an improved, integrated GPS navigation system, and enhanced situational awareness systems.

Training and Services. The Training and Services segment ("TSS") provides training services and integrated training programs; technical services; and logistics and support with operations throughout the U.S. and overseas.

TSS performs complete engineering and depot-level cradle-to-grave support to Raytheon-manufactured equipment and to various 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.

TSS is a world leader in providing and supporting range instrumentation systems and equipment 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. TSS 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.

TSS supplies professional services to a broad range of federal customers in the areas of space and earth sciences, scientific data management, transportation management, remote sensing, and computer networking. The segment 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.

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 Anshutz GmbH, located in Kiel, Germany, manufactures gyro compasses, autopilots, steering control systems, and integrated bridge systems for the commercial and military marine market.

In microelectronics and components, Raytheon is developing low noise amplifiers and power amplifiers for hand sets for the IRIDIUM(R)(2) global satellite communications project, which is designed to provide voice, paging, data, facsimile and location services anywhere on Earth. 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)(3) phone now being introduced in the cellular market.

(2) IRIDIUM is a registered trademark and service mark of Iridium I.P.L.L.C.
(3) StarTAC is a registered trademark of Motorola, Inc.

Aircraft

Raytheon Aircraft offers one of the broadest product lines in the general aviation market. Raytheon Aircraft manufactures, markets and supports piston-powered aircraft, jet props and light and medium jets for the world's commercial, regional 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 (Extended Performance) 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 business jet took its maiden flight on December 22, 1998. To date, more than 140 firm orders have been received for the Premier I. The Premier I is currently in a certification test program. In November 1996, Raytheon Aircraft announced a new super midsize business jet, the Hawker Horizon. The Horizon is currently in production leading to anticipated airplane certification and delivery in 2001.

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. Deliveries are scheduled to begin in 1999. Raytheon Aircraft also produced the U.S. Air Force's T-1A trainer, the military counterpart of the Beechjet 400A light jet, a C-12 militarized version of the King Air B200 and the U-125 search-and-rescue variant of the Hawker 800. The T-1A Jayhawk contract was completed in 1997. Raytheon Aircraft also produces two missile target drones for U.S. and allied forces.

Raytheon Aerospace manages approximately 1,500 aircraft at over 245 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, established in 1997, 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.

Engineering and Construction

Raytheon Engineers and Constructors ("RE&C") is one of the largest engineering, construction, operations and maintenance firms serving markets throughout the world. Its markets include: fossil and nuclear power; process automation consulting services; petroleum and gas; polymers and chemicals; food and consumer products; environmental services, including chemical munitions destruction; infrastructure and transportation.

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 project worth more than $700 million to build a dam and power plant on the Lower Agno River at San Roque, on the island of Luzon in the Philippines (the earth and rock fill dam will be approximately 3,600 feet long and 650 feet high, making it one of the largest embankment dams in the world); (ii) a contract to install a coal pulverization and injection system to fuel a blast furnace at a steel mill in Maryland; (iii) construction of a chemical weapons destruction facility in Pine Bluff, Arkansas, part of a $512 million contract to build and operate the plant, (iv) construction of a new satellite launch complex for The Boeing Company at Cape Canaveral Air Station, Florida, and (v) work on the $1.1 billion Hudson-Bergen light rail project in New Jersey.

Financial information about Operations by Business Segments and Operations by Geographic Areas is contained in Note O to Raytheon's Financial Statements for the years ended December 31, 1998, 1997 and 1996 and is incorporated herein by reference.

Consolidations

In January 1998, Raytheon announced plans to reduce the RSC workforce by 8,700 employees and reduce facility space by approximately 8 million square feet. In October 1998, the Company announced previously planned actions to accelerate and expand these initiatives, thereby reducing employment by a total of 12 percent by the end of 1998 and another 4 percent in 1999, for a total reduction of 16 percent, or approximately 14,000 positions by the end of 1999. RSC will also vacate an additional 2 million square feet at 8 facilities and complete all facility related actions by the end of 1999 through sales, subleases and lease termination. The principal actions involve the consolidation of missile and other electronic systems manufacturing and engineering, as well as the consolidation of certain component manufacturing, into Centers of Excellence.

In January 1998, Raytheon also announced plans to reduce the RE&C workforce by 1,000 employees and close or partially close 16 offices, or approximately 1.1 million square feet. Raytheon is reassessing the structure and operations of this business, while implementing the previously announced cost reduction initiatives. In the fourth quarter of 1998, the Company (i) modified the plan announced in January 1998 to close fewer facilities and (ii) announced plans for an additional 260 person reduction in the RE&C workforce.

SALES TO THE UNITED STATES GOVERNMENT

Sales to the United States Government (the "Government"), principally to the Department of Defense ("DoD"), were $12.827 billion in 1998 and $6.270 billion in 1997 representing 66.1% of total sales in 1998 and 46.1% in 1997. Approximately $6.799 billion of the increase is due to the acquisition of TI Defense and the merger with Hughes Defense. Of these sales, $1.660 billion in 1998 and $483 million in 1997 represented purchases made by the Government on behalf of foreign governments.

DIVESTITURES AND ACQUISITIONS

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 1998 as set forth below. In addition, pursuant to agreements with the U.S. government in connection with the acquisitions of Hughes Defense and TI Defense, Raytheon divested a portion of each of its Second Generation Ground-Based Electro-Optics, Focal Plane Array and Monolithic Microwave Integrated Circuits assets as described below.

On December 31, 1998, Raytheon sold its Transportation Management Solutions business to Orbital Sciences Corporation for approximately $21 million.

On December 18, 1998, Raytheon sold its Sonobuoy business to Undersea Sensor Systems, Inc., a subsidiary of Ultra Electronics, Inc., for approximately $23 million.

On November 29, 1998, Raytheon sold its Raytheon Aircraft Company Montek subsidiary to Moog, Inc. for approximately $160 million.

On October 21, 1998, Raytheon sold a portion of its Second Generation Ground-Based Electro-Optics assets (formerly a part of Hughes Defense), as well as a portion of its Focal Place Array assets (formerly part of TI Defense), to DRS Technologies, Inc. for approximately $45 million.

On September 17, 1998, Raytheon sold its Raytheon Systems Limited Flight Training business to GE Capital for approximately $66 million.

On September 9, 1998, Raytheon acquired AlliedSignal Inc.'s Communications Systems business for approximately $63 million.

On August 21, 1998, Raytheon sold its E-MASS, Inc. robotic tape storage subsidiary to Advanced Digital Information Corporation for approximately $25 million.

On May 18, 1998, Raytheon sold it electronic controls business (formerly part of the appliances segment) to EGO Group of Germany for approximately $36 million.

On May 5, 1998, Raytheon sold its Commercial Laundry business to a company organized by Bain Capital, Inc. and Raytheon Commercial Laundry management for approximately $334 million.

On March 31, 1998, Raytheon sold its Seiscor subsidiary to Pulse Communications, Inc. for approximately $13 million.

On January 13, 1998, Raytheon sold the Monolithic Microwave Integrated Circuits (MMIC) operations of former TI Defense to TriQuint Semiconductor Inc. for approximately $39 million.

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 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 in 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. 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.

As a result of the 1985 Balanced Budget and Emergency Deficit Reduction Control Act, the federal deficit and changing world order conditions, DoD budgets have been subject to increasing pressure resulting in an uncertainty as to the future effects of DoD budget cuts. Raytheon has, nonetheless, maintained a solid foundation of tactical defense systems which meets the needs of the United States and its allies, while serving a broad government program base and wide range of commercial electronics businesses. These factors lead management to believe that there is high probability of continuation of Raytheon's current major tactical defense programs.

See "Item 1. Business -- 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, 1998 was $24.045 billion compared with $21.515 billion at the end of 1997. The 1998 amount includes funded backlog of $14.622 billion from the Government compared with $12.547 billion at the end of 1997. During the third quarter of 1998, Raytheon changed its method of reporting backlog at certain locations in order to provide a consistent method of reporting across and within Raytheon businesses. The company 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.

Approximately $3.817 billion of the overall backlog figure represents the unperformed portion of direct orders from foreign governments. Approximately $2.556 billion of the overall backlog represents non-government foreign backlog.

Backlog in the Engineering and Construction segment was $3.888 billion at the end of 1998 compared with $2.900 billion at the end of 1997. Design and construction contracts in this segment typically take from eighteen months to several years to perform.

Aircraft segment backlog was $2.509 billion at the end of 1998 versus $1.974 billion at the end of 1997. The increase was primarily due to the receipt of orders for general aviation aircraft including Horizon, Premier I and Hawker 800XP.

Approximately $9.569 billion of the $24.045 billion 1998 year-end backlog is not expected to be filled during the following twelve months.

RESEARCH AND DEVELOPMENT

During 1998, Raytheon derived net sales of $4.372 billion ($2.115 billion in 1997 and $1.496 billion in 1996) pursuant to Government contracts for research and development. In addition, during 1998 Raytheon expended $582.1 million on research and development efforts compared with $415.1 million in 1997 and $323.3 million in 1996. These expenditures principally have been for product development for the Government and for aircraft products.

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 28 through 32 of the Company's Annual Report to Stockholders for the year ended December 31, 1998 for information regarding the "Year 2000" issue as it relates to the Company and the Company's suppliers.

COMPETITION

The military and commercial industries in which Raytheon operates are highly competitive. Raytheon's competitors range from highly resourceful small concerns, which engineer and produce specialized items, to large, diversified firms.

The Electronics businesses are 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 ongoing 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.

Competition in the Engineering and Construction segment 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.

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 liability, 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.

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 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 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.

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 affect on the Company's operations.

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.

EMPLOYMENT

As of December 31, 1998, Raytheon had approximately 108,200 employees compared with approximately 119,200 employees at the end of 1997. The decrease is mainly due to layoffs within Raytheon Systems Company and RE&C, divestitures of Seiscor, BSG/Remco, Commercial Laundry and Raytheon Aircraft Company Montek, offset by the acquisition of the Communications Division of Allied Signal, Inc. See "Part I, Divestitures and Acquisitions." 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, for the most part, successfully negotiated labor agreements without significant work stoppages, with the exception of a nine week strike that occurred during the summer of 1996 at the Cedar Rapids, Inc. facility located in Cedar Rapids, Iowa. Raytheon currently has collective bargaining relationships with 13 different labor organizations involving 39 separate labor agreements.

INTERNATIONAL SALES

Of total sales, Raytheon's sales to customers outside the United States (including foreign military sales) were 26%, 29% and 28% in 1998, 1997 and 1996, 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. Although international sales as a percentage of Raytheon's total sales decreased slightly from 1997 to 1998 (primarily due to the merger of Hughes Defense and acquisition of TI Defense), it is anticipated that, consistent with the Company's goals, such percentage of international sales will increase. 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.

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 (formerly the Foreign Military Sales Act) for export from the United States of many of Raytheon's products. In the case of certain sales of defense equipment and services to foreign governments, the Government's Executive Branch must notify Congress at least 15 to 30 days (depending on the location of the sale) prior to authorizing such sales. During that time, Congress may take action to block the proposed sale.

FACTORS THAT COULD AFFECT FUTURE RESULTS -- FORWARD LOOKING STATEMENTS

Statements in this filing which are not historical facts are forward looking statements under the provisions of the Private Securities Litigation Reform Act of 1995. All forward looking statements involve risks and uncertainties. The Company wishes to caution readers that the following important factors, among others, in some cases have affected, and in the future could affect, the Company's actual results and could cause its actual results in fiscal 1999 and beyond to differ materially from those expressed in any forward looking statements made by, or on behalf of, the Company.

Important factors that could cause actual results to differ materially include but are not limited to (i) the effect of global economic conditions, (ii) the success of and investment in new product development, (iii) product demand and market acceptance, (iv) the timing of new business awards, (v) the introduction of competing products or technologies by competitors, (vi) the successful conversion of defense products and technology to commercially viable

products, (vii) the ability to protect proprietary information and technology or to obtain necessary licenses on commercially reasonable terms, (viii) the ability to obtain and retain skilled workers, (ix) the ability to obtain and maintain a strong supplier base and the capacity to meet product demand, (x) the trade policies of foreign governments (xi) the risks inherent in large, long-term fixed-price contracts, (xii) competitive pressures and other risks identified below by business segment and (xiii) the success of strategic acquisition or divestiture actions.

Total Electronics Segment. In the domestic defense electronics segment, important factors that could cause actual results to differ materially include, in addition to those factors described in the preceding paragraph, (i) the uncertainties surrounding Congressional appropriations and/or Department of Defense funding, (ii) contract provisions for price determination, cost controls and limitations and audit, (iii) the ability of government customers to terminate existing contracts, wholly or partially, for their own convenience with a requirement to pay only for work performed or committed with a reasonable allowance for profit, (iv) advanced design problems and associated technological difficulties with the potential for cost overruns, (v) changes in procurement policies, (vi) the changing needs for and changes in the type of weapon systems to be procured, (vii) political developments domestically and internationally and (viii) changes in the competitive landscape due to the consolidation of the U.S. or global defense industry.

With respect to the international defense electronics market, important factors that could cause actual results to differ materially include, in addition to those noted above, (i) delays in placing orders, (ii) the ability of foreign customers to finance purchases, (iii) uncertainties and restrictions concerning the availability of funding credit or guarantees, (iv) changing military and political alliances, (v) U.S. or foreign export controls and trade restrictions, (vi) government policies with respect to restrictions on doing business with certain countries, (vii) governmental industrial cooperation requirements, (viii) foreign exchange risks, (ix) increased international competition and cross-border consolidation of competition, (x) the adequacy and availability of transportation, (xi) the complexity and necessity of using foreign representatives and consultants and (xii) the uncertainty of complying with the laws of specific countries and of U.S. laws affecting the activities of U.S. companies abroad.

In the commercial electronics segment, important factors that may cause actual results to differ materially include, in addition to those noted above, (i) product demand, including continued expansion of the satellite telecommunications and telecommunications systems markets and (ii) consumer spending patterns affecting recreational boat sales and favorable economic conditions for commercial marine products and sales.

Engineering and Construction Segment. In the engineering and construction segment, important factors that could cause actual results to differ materially include, in addition to those noted above, (i) the effects of global, regional and country-specific economic conditions in light of our business and international backlog, (ii) performance risks for existing and future contracts, (iii) conditions in the capital markets and the availability of project financing, (iv) international political and labor conditions, (v) the timing of contract receipt and funding, (vi) the availability of infrastructure funding for improvements to U.S. highways and (vii) the ability of the Company to successfully implement its consolidation and cost reduction plans for RE&C.

Aircraft Segment. In the aircraft segment, important factors that could cause actual results to differ materially include, in addition to those noted above, (i) market perceptions of and government regulations affecting regional aircraft, (ii) government legislation affecting aviation, such as user fees, (iii) price pressures within the market, (iv) the ability to meet scheduled timetables for the introduction of new products, (v) delays in U.S. Government export approvals and (v) third party financing availability.

Consolidation and Reorganization of Raytheon Systems Company. The Company continues its consolidation and reorganization of Raytheon Systems Company. However, the Company may encounter difficulties or may not realize the full benefits expected from such integration. The success of Raytheon Systems Company will require, among other things, the continued execution of the consolidation and reorganization planned. The challenges include the integration of numerous geographically separated manufacturing facilities and research and development centers. The success of this plan will be significantly influenced by the Company's ability to retain key employees, to integrate differing management structures and to realize anticipated cost synergies, all of which will require significant management time and resources. Any material delays or unexpected costs incurred in connection with such integration could have a material adverse effect on the Company's business, operating results or financial condition and there can be no assurance that additional restructuring actions will not be required.

Contract Accounting. Contract accounting requires the use of estimates in determining progress toward completion in order to record revenue and profit in the current period. This process includes the ongoing evaluation of risks and uncertainties inherent in the performance of contracts. Since many contracts extend over a long period of time, revisions in estimates may have the effect of adjusting earnings in the current period that are applicable to performance in prior periods.

Year 2000 Data Conversion. While the Company expects to resolve all Year 2000 risks without material adverse impact on results of operations, liquidity, or financial condition, important factors that could cause actual results to differ materially include (i) the Company's ability to detect all Year 2000 problems, (ii) the Company's ability to achieve successful and timely resolution of all Year 2000 issues, and (iii) the preparedness of the Company's critical suppliers to avoid Year 2000 related service and delivery interruptions.

See Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 28 through 32 of the Company's Annual Report to Stockholders for the year ended December 31, 1998 for information regarding the Company's efforts with respect to Year 2000 issues and status thereof.

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, 1998, the Company utilized approximately 53 million square feet of floor space for manufacturing, engineering, research, administration, sales and warehousing, approximately 95% of which was located in the United States. Of such total, approximately 40% was owned, approximately 55% was leased, and approximately 5% was made available under facilities contracts for use in the performance of United States Government contracts. At December 31, 1998 the Company had approximately 3.3 million square feet of additional floor space that was not in use, including approximately 2 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.

A summary of the utilized floor space at December 31, 1998, by business segment, follows:

(in square feet with 000's omitted)

	Leased	Owned	Gov't Owned	Total
Total Electronics	23,332	17,079	2,541	42,952
Engineering & Construction	2,260	80	0	2,340
Aircraft	3,249	3,727	0	6,976
Corporate (includes international sales offices)	619	258	0	877
	29,460	21,144	2,541	53,145

See "Part I, Item 3 -- Legal Proceedings," and Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 28 through 32 of the Company's Annual Report to Stockholders for the year ended December 31, 1998 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

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 United States 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 are still pending, 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. Such remaining claims were dismissed, the dismissal of which are now on appeal.

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.

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.

The Company is vigorously defending these actions, and believes both that it has strong defenses to the claims asserted against it and that it has claims for contribution against other entities. 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 L 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: 48

Daniel P. Burnham: Director of the Company since July 1,1998. President and Chief Executive Officer of the Company since December 1, 1998. From July 1, 1998 until December 1, 1998 Mr. Burnham served as President and Chief Operating Officer of the Company. 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: 52

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: 63

Kenneth C. Dahlberg: Executive Vice President and President and Chief Operating Officer of Raytheon Systems Company since December 1997. Prior to assuming his present position, Mr. Dahlberg was Senior Vice President of Hughes Aircraft Company from September 1994 and Vice President of Hughes Electronics Corporation from May 1993. Age: 54

Peter R. D'Angelo: Executive Vice President and Chief Financial Officer since April 1997. Prior to assuming his present position, Mr. D'Angelo was Executive Vice President, Chief Financial Officer and Controller since March 1995; Vice President, Chief Financial Officer and Controller from January 1995; Vice President and Corporate Controller from 1992 and Controller - Missile Systems Division from 1984. Age: 60

Dennis 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: 50

David S. Dwelley: Vice President - Strategic Business Development since April 1991. Age: 59

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: 47

Michele C. Heid: Vice President - 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: 44

Thomas D. Hyde: Senior Vice President, Secretary and General Counsel since September 1998. Prior to assuming his present position, Mr. Hyde was Senior Vice President and General Counsel from February 1998; and Vice President and General Counsel from February 1994. Age: 50

James L. Infinger: Vice President - 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: 41

Dennis J. Picard: Director since 1989 and Chairman since December 1998. Prior to assuming his present position, Mr. Picard was Chairman and Chief Executive Officer since March 1991. Prior thereto, Mr. Picard was President from 1989. Age: 66

Robert A. Skelly: Vice President - Assistant to the Executive Office since February 1994. Prior to assuming his present position, Mr. Skelly was Vice President - Administration, Environmental Quality and Procurement from September 1992. Age: 56

William H. Swanson: Executive Vice President and Chairman and Chief Executive Officer of Raytheon Systems Company since December 1997. Prior to assuming his present position, Mr. Swanson was Executive Vice President and General Manager-Raytheon Electronic Systems Division from March 1995; Senior Vice President and General Manager - Missile Systems Division from 1990. Age: 50

John C. Weaver: Executive Vice President, Business Development and Chairman of Raytheon International, Inc. since May 1998. Prior to assuming his present position, Mr. Weaver was Executive Vice President, Business Development and Engineering from December 1997. Prior thereto, Mr. Weaver was President and Chief Operating Officer of Hughes Aircraft Company from 1990. Age: 65

Arthur E. Wegner: Executive Vice President and Chairman and Chief Executive Officer of Raytheon Aircraft Company since March 1995. Prior to assuming his present position, Mr. Wegner was Senior Vice President and Chairman and Chief Executive Officer of Raytheon Aircraft from July 1993. Age: 61

On March 10, 1999, the Company announced Mr. D'Angelo's intention to retire after 37 years of service with the Company. Also on March 10, 1999, the Company announced the appointment of Franklyn A. Caine to the position of Senior Vice President and Chief Financial Officer, succeeding Mr. D'Angelo. Mr. Caine currently is the Executive Vice President and Chief Financial Officer of Wang Laboratories, Inc., a position he has held since 1994. It is anticipated that Mr. Caine will assume his position with the Company on or about April 1, 1999.

PART II

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

At December 31, 1998, there were approximately 282,238 record holders of the Company's Class A common stock and 19,086 record holders of the Company's Class B common stock. Additional information required by this Item 5 is contained on page 56 of Raytheon's Annual Report to Stockholders for the year ended December 31, 1998 and in Note P to Raytheon's Financial Statements for the years ended December 31, 1998, 1997 and 1996 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 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.

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, 1998 on page 27 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, 1998 on pages 28 through 32 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, 1998 on page 38 and is incorporated herein by reference.

Item 8. Financial Statements and Supplemental 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, 1998 in Note P and on pages 33 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 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 28, 1999 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/A.

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 28, 1999 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 28, 1999 under the caption "Security 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 28, 1999 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 1998 Annual Report to Stockholders, are hereby incorporated by reference:

Balance Sheets at December 31, 1998 and 1997

Statements of Income for the Years Ended December 31, 1998, 1997 and 1996

Statements of Stockholders' Equity for the Years Ended December 31, 1998, 1997 and 1996

Statements of Cash Flows for the Years Ended December 31, 1998, 1997 and 1996

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

Schedule II, Reserves for the Three Years Ended December 31, 1998

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

None.

(c) Exhibits

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

2.1 Asset Purchase Agreement dated as of January 4, 1997 between Raytheon Company and Texas Instruments Incorporated, heretfore filed as an exhibit to Former Raytheon's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 6, 1997, is hereby incorporated by reference.

2.2 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.

2.3 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 Registration Statement on Form S-8, File No. 333-45629, is hereby incorporated by reference.

10.3 Raytheon Company 1995 Stock Option Plan, filed as an exhibit to the Company's Registration Statement on Form S-8, File No. 333-45629, is hereby incorporated by reference.

10.4 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: Peter R. D'Angelo, Dennis J. Picard, 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 HE Holdings, Inc. 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. HE Holdings 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: John C. Weaver, Barry L. Abrahams, Kenneth C. Dahlberg, Gerald H. Putman, George E. Speake, William C. Bowes, Louise L. Francesconi, Robert L. Horowitz, John T. Kuelbs, Charles A. Leader, David L. McPherson, Charles S. Ream, Terry Snyder, Donald R. Infante, Frederick C. McNutt, David P. Molfenter and Jack O. Pearson. Such agreements are designed to provide the executive with certain payments if still employed by 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 HE Holdings 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. HE Holdings has entered into Executive Retention Agreements in the form of Agreement filed as Exhibit 10.11 with each of the following executives: John C. Weaver, Barry L. Abrahams, Kenneth C. Dahlberg, Gerald H. Putman, George E. Speake, William C. Bowes, Louise L. Francesconi, Robert L. Horowitz, John T. Kuelbs, Charles A. Leader, David L. McPherson, Charles S. Ream, Terry Snyder, Donald R. Infante, Frederick C. McNutt, David P. Molfenter and Jack O. Pearson. Such agreements are designed to provide the executive with certain payments if still employed by 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 Form of HE Holdings, Inc. 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. HE Holdings has entered into Executive Retention Agreements in the form of Agreement filed as Exhibit 10.12 with 86 other of its executives. The agreements are designed to provide the executive with certain payments if still employed by the Company at the end of the first and second years after the GM Spin-Off Merger Effective Time, all as more fully described in the form of Agreement.

10.13 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.

10.14 Consulting Agreement dated September 1, 1998 between Raytheon Company and Warren B. Rudman.*

10.15 Consulting Agreement dated April 1, 1998 between Raytheon Company and John Deutch.*

10.16 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.

10.17 Raytheon Company $3 billion Credit Facility -- 364-day 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.

10.18 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.

10.19 HE Holdings, Inc. $2 billion Credit Facility -- 364-day 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 Termination Replacement and Restatement Agreement dated as of May 1, 1998 among Raytheon Company and the Lenders named therein establishing a new Facility R 364-Day Credit Agreement 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.

10.21 Termination Replacement and Restatement Agreement dated as of May 1, 1998 among Raytheon Company and the Lenders named therein establishing a new Facility H 364-Day Credit Agreement 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.

10.22 Termination Replacement and Restatement Agreement dated as of March 18, 1999 among Raytheon Company and the Lenders named therein establishing a new Facility H 364-Day Credit Agreement.*

10.23 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.*

10.24 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.*

10.25 Raytheon Savings and Investment Plan, heretofore filed as an exhibit to the Company's S-8 Registration Statement No. 333-56117 on June 5, 1998, as amended and restated effective January 1, 1999, is filed herewith.*

10.26 Raytheon Employee Savings and Investment Plan, heretofore filed as an exhibit to the Company's S-8 Registration Statement No. 333-56117 on June 5, 1998, as amended and restated effective January 1, 1999, is filed herewith.*

13 Raytheon Company 1998 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.*

27.1 Restated Financial Data Schedule.*

27.2 Restated Financial Data Schedule *

27.3 Restated 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 Secretary
for the Registrant

Dated: March 24, 1999

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
Daniel P. Burnham (Daniel P. Burnham)	President and Chief Executive Officer and Director (Principal Executive Officer)	March 24, 1999
Dennis J. Picard (Dennis J. Picard)	Chairman of the Board and Director	March 24, 1999
Ferdinand Colloredo-Mansfeld (Ferdinand Colloredo-Mansfeld)	Director	March 24, 1999
John M. Deutch (John M. Deutch)	Director	March 24, 1999
Steven D. Dorfman (Steven D. Dorfman)	Director	March 24, 1999
Thomas E. Everhart (Thomas E. Everhart)	Director	March 24, 1999
John R. Galvin (John R. Galvin)	Director	March 24, 1999
Barbara B. Hauptfuhrer (Barbara B. Hauptfuhrer)	Director	March 24, 1999
Richard D. Hill (Richard D. Hill)	Director	March 24, 1999
L. Dennis Kozlowski (L. Dennis Kozlowski)	Director	March 24, 1999
James N. Land, Jr. (James N. Land, Jr.)	Director	March 24, 1999
Henrique de Campos Meirelles) (Henrique de Campos Meirelles)	Director	March 24, 1999
Thomas L. Phillips (Thomas L. Phillips)	Director	March 24, 1999
Warren B. Rudman (Warren B. Rudman)	Director	March 24, 1999
Alfred M. Zeien (Alfred M. Zeien)	Director	March 24, 1999
Peter R. D'Angelo (Peter R. D'Angelo)	Executive Vice President - Chief Financial Officer	March 24, 1999
Michele C. Heid (Michele C. Heid)	Vice President - Corporate Controller (Chief Accounting Officer)	March 24, 1999

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

SCHEDULE II - RESERVES
FOR THE THREE YEARS ENDED DECEMBER 31, 1998

(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, 1998:					
Allowance for doubtful accounts receivable	$21,763	$3,720	-	$4,712	$20,771
Year ended December 31, 1997:					
Allowance for doubtful	$20,260	$7,122	-	$5,619	$21,763
Year ended December 31, 1996:					
Allowance for doubtful accounts receivable accounts receivable	$22,043	$1,207	-	$2,990	$20,260

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

EXHIBIT LIST

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

2.1 Asset Purchase Agreement dated as of January 4, 1997 between Raytheon Company and Texas Instruments Incorporated, heretofore filed as an exhibit to Former Raytheon's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 6, 1997, is hereby incorporated by reference.

2.2 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.

2.3 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 Registration Statement on Form S-8, File No. 333-45629, is hereby incorporated by reference.

10.3 Raytheon Company 1995 Stock Option Plan, filed as an exhibit to the Company's Registration Statement on Form S-8, File No. 333-45629, is hereby incorporated by reference.

10.4 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: Peter R. D'Angelo, Dennis J. Picard, 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 HE Holdings, Inc. 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. HE Holdings 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: John C. Weaver, Barry L. Abrahams, Kenneth C. Dahlberg, Gerald H. Putman, George E. Speake, William C. Bowes, Louise L. Francesconi, Robert L. Horowitz, John T. Kuelbs, Charles A. Leader, David L. McPherson, Charles S. Ream, Terry Snyder, Donald R. Infante, Frederick C. McNutt, David P. Molfenter and Jack O. Pearson. Such agreements are designed to provide the executive with certain payments if still employed by 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 HE Holdings 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. HE Holdings has entered into Executive Retention Agreements in the form of Agreement filed as Exhibit 10.11 with each of the following executives: John C. Weaver, Barry L. Abrahams, Kenneth C. Dahlberg, Gerald H. Putman, George E. Speake, William C. Bowes, Louise L. Francesconi, Robert L. Horowitz, John T. Kuelbs, Charles A. Leader, David L. McPherson, Charles S. Ream, Terry Snyder, Donald R. Infante, Frederick C. McNutt, David P. Molfenter and Jack O. Pearson. Such agreements are designed to provide the executive with certain payments if still employed by 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.

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10.24 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.*

10.25 Raytheon Savings and Investment Plan, heretofore filed as an exhibit to the Company's S-8 Registration Statement No. 333-56117 on June 5, 1998, as amended and restated effective January 1, 1999, is filed herewith.*

10.26 Raytheon Employee Savings and Investment Plan, heretofore filed as an exhibit to the Company's S-8 Registration Statement No. 333-56117 on June 5, 1998, as amended and restated effective January 1, 1999, is filed herewith.*

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23.2 Report of Independent Accountants.*

24 Powers of Attorney.*

27.1 Restated Financial Data Schedule.*

27.2 Restated Financial Data Schedule*

27.3 Restated Financial Data Schedule*

EXHIBIT 10.14

Consulting Agreement — Raytheon

Name of Consultant	Date
Warren B. Rudman	1 September 1998

Street Address	State	Zip Code
1250 So. Washington Street - Apt. 224	Alexandria, VA	22314

Raytheon Technical Contact(s)
Robert A. Skelly

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 1998 to 31 August 1999 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 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.)

Senator Rudman will assist the Company with issues related to all its business areas, particularly those related to the consolidation of Raytheon Systems Company.

3. Payment:

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 10.15

Consulting Agreement — Raytheon

Name of Consultant	Date
Dr. John Deutch	1 April 1998

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 1998 to 31 March 1999 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 10.16

TERMINATION, REPLACEMENT AND RESTATEMENT AGREEMENT (this "TRR Agreement") dated as of March 18, 1999, among RAYTHEON COMPANY, a Delaware corporation (the "Borrower"), the financial institutions listed in Annex I hereto under the captions "Continuing Lenders" (the "Continuing Lenders") and "Additional Lenders" (the "Additional Lenders", and, together with the Continuing Lenders, the "Lenders"), THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative agent (in such capacity, the "Administrative Agent") for the Lenders, and CITIBANK, N.A., as Documentation Agent. Capitalized terms used and not defined herein shall have the meanings assigned to such terms in the New Credit Agreement (as defined below).

WHEREAS, the Borrower, the Continuing Lenders, certain other lenders and the Administrative Agent are parties to an 364-day Credit Agreement dated as of May 30, 1997, as terminated, replaced and restated by the Termination, Replacement and Restatement Agreement dated as of May 1, 1998 (the "Original Credit Agreement");

WHEREAS, the Original Credit Agreement is to be terminated as provided herein; and

WHEREAS, the Continuing Lenders and the Additional Lenders are willing, subject to the terms and conditions of this TRR Agreement, to replace the Original Credit Agreement with a new credit agreement as provided herein.

NOW, THEREFORE, in consideration of the mutual agreements contained in this TRR Agreement and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Replacement and Restatement. Subject to the conditions set forth in Section 3 hereof:

(a) the Original Credit Agreement, including all schedules and exhibits thereto, is hereby terminated, subject to the applicable provisions set forth therein as to the survival of certain rights and obligations, and simultaneously replaced by a new credit agreement (the "New Credit Agreement") identical in form and substance to the Original Credit Agreement except as expressly set forth below.

(b) The heading of the New Credit Agreement shall read as follows:

> "364-DAY CREDIT AGREEMENT dated as of March 18, 1999, among RAYTHEON COMPANY, a Delaware corporation (the "Borrower"), the Lenders (as defined in Article I), THE CHASE MANHATTAN BANK, a New York banking corporation, as administrative agent (in such capacity, the 'Administrative Agent') for the Lenders, and CITIBANK, N.A., as Documentation Agent (the 'Documentation Agent')."

and all references to the "Closing Date" in the New Credit Agreement shall be deemed to refer to March 18, 1999.

(c) The definitions of "Agents' Fees", "Fees", "Maturity Date" and "Utilization Fee" in Section 1.01 of the New Credit Agreement shall read as follows:

'Agents' Fees' shall have the meaning assigned to such term in Section 2.06(c).

'Fees' shall mean the Facility Fees, the Utilization Fees and the Agents' Fees.

'Maturity Date' shall mean March 16, 2000.

'Utilization Fee' shall have the meaning assigned to such term in Section 2.06(b).

(d) Section 2.06(b) through (d) of the New Credit Agreement shall read as follows:

"(b) The Borrower agrees to pay to each Lender, through the Administrative Agent, on the last day of March, June, September and December in each year, and on the date on which the Commitment of such Lender shall be terminated as provided herein, a utilization fee (a "Utilization Fee") equal to .20% on the average daily amount of the Revolving Loans of such Lender for each day during the preceding quarter (or shorter period commencing with the date hereof or ending with the Maturity Date or the date on which the Commitment of such Lender shall expire or be terminated) on which such Lender's Revolving Loans exceed 25% of such Lender's Commitment. All Utilization Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Utilization Fee due to each Lender shall commence to accrue on the date of this Agreement and shall cease to accrue on the earlier of the Maturity Date and the date on which the Commitment of such Lender shall be terminated as provided herein.

(c) The Borrower agrees to pay to the Administrative Agent or its Affiliates, for its own account, the fees set forth in the Fee Letter at the times and in the amounts specified therein (the "Agents' Fees").

(d) All Fees shall be paid on the dates due, in immediately available funds. Once paid, none of the Fees shall be refundable under any circumstances."

(e) Section 3.05 of the New Credit Agreement shall read as follows:

"The Borrower has heretofore furnished to the Lenders its consolidated balance sheet, statement of income and statement of cash flows (a) as of and for the fiscal year ended December 31, 1997, audited by and accompanied by the opinion of Coopers & Lybrand, independent public accountants and (b) as of and for the three fiscal quarters ended September 30, 1998, certified by its chief financial officer. Such financial statements present fairly the financial condition and results of operations of the Borrower and its consolidated Subsidiaries as of such dates and for such periods. Such balance sheets and the notes thereto disclose all material liabilities, direct or contingent, of the Borrower and its consolidated Subsidiaries as of the dates thereof, other than, in the case of the financial statements described in clause (b) of this Section, contingent liabilities not disclosed therein due to the absence of notes thereto. Such financial statements were prepared in accordance with GAAP applied on a consistent basis."

(f) Section 3.13 of the New Credit Agreement shall read as follows:

"SECTION 3.13. Year 2000. The disclosure with respect to the proper functioning, in and following the year 2000, of (a) the computer systems of the Borrower and its Subsidiaries and (b) equipment containing embedded microchips (including systems and equipment supplied by others or with which the Borrower's systems interface) as set forth in Item 2 of the Borrower's report on Form 10-Q for the quarter ended September 30, 1998 filed with the Securities and Exchange Commission is true and correct in all material respects."

(g) The references to "May 1, 1998" in Exhibit A, Exhibit B, Exhibit C, Exhibit D-1, Exhibit D-2, Exhibit D-3 and Exhibit D-4 of the Original Credit Agreement shall be changed to references to "March 18, 1999" in the New Credit Agreement.

(h) Schedule 2.01 to the New Credit Agreement shall be in the form of Schedule 2.01 to this TRR Agreement.

SECTION 2. Representations and Warranties. The Borrower represents and warrants to each of the Lenders that:

(a) This TRR Agreement and the New Credit Agreement have been duly authorized and, in the case of this TRR Agreement, executed and delivered by it and constitute its legal, valid and binding obligations enforceable in accordance with their terms.

(b) The representations and warranties set forth in Article III of the New Credit Agreement, after giving effect to this TRR Agreement, are true and correct in all material respects on the date hereof with the same effect as if made on the date hereof, except to the extent such representations and warranties expressly relate to an earlier date.

(c) Before and after giving effect to this TRR Agreement, no Default or Event of Default has occurred and is continuing.

SECTION 3. Conditions to Effectiveness. This TRR Agreement shall become effective as of March 18, 1999 (the "Effective Date") upon the occurrence of the following conditions precedent:

(a) The Administrative Agent shall have received counterparts of this TRR Agreement which, when taken together, bear the signatures of all the parties hereto.

(b) The Administrative Agent shall have received, on behalf of itself and the Lenders, a favorable written opinion of counsel to the Borrower, substantially to the effect set forth in Exhibits E and F of the Original Credit Agreement but referring to this TRR Agreement and the New Credit Agreement, (i) dated the date hereof, (ii) addressed to the Administrative Agent and the Lenders, and (iii) covering such other matters relating to this TRR Agreement and the transactions contemplated hereby as the Administrative Agent shall reasonably request, and the Borrower hereby instructs such counsel to deliver such opinion.

(c) All legal matters incident to this TRR Agreement, the New Credit Agreement and the Borrowings and extensions of credit hereunder shall be satisfactory to the Lenders and to Cravath, Swaine & Moore, counsel for the Administrative Agent.

(d) The Administrative Agent shall have received on the date hereof (i) a copy of the certificate or articles of incorporation, including all amendments thereto, of the Borrower, certified as of a recent date by the Secretary of State of the State of Delaware, and a certificate as to the good standing of the Borrower as of a recent date, from such Secretary of State; (ii) a certificate of the Secretary or Assistant Secretary of the Borrower dated the date hereof and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Borrower as in effect on the date hereof and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Borrower authorizing this TRR Agreement and the execution, delivery and performance of this TRR Agreement and the borrowings under the New Credit Agreement, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation of the Borrower have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing this TRR Agreement or any other document delivered in connection herewith on behalf of the Borrower; (iii) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or Cravath, Swaine & Moore, counsel for the Administrative Agent, may reasonably request.

(e) The Administrative Agent shall have received a certificate, dated the date hereof and signed by a Financial Officer of the Borrower, confirming compliance with the representations and warranties set forth in paragraphs (b) and (c) of Section 2.

(f) The Administrative Agent shall have received all Fees and other amounts due and payable on or prior to the date hereof, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(g) All principal, interest and other amounts (including all Fees accrued to the Closing Date) under the Original Credit Agreement shall have been paid in full.

SECTION 4. Applicable Law. THIS TRR AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAW PRINCIPLES THEREOF.

SECTION 5. Original Credit Agreement. Until the occurrence of the Effective Date as provided in Section 3 hereof, the Original Credit Agreement shall continue in full force and effect in accordance with the provisions thereof and the rights and obligations of the parties thereto shall not be affected hereby, and all Fees and interest accruing under the Original Credit Agreement shall continue to accrue at the rates provided for therein.

SECTION 6. Counterparts. This TRR Agreement may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract.

SECTION 7. Expenses. The Borrower agrees to reimburse the Administrative Agent for its out-of-pocket expenses in connection with this TRR Agreement including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore, counsel for the Administrative Agent.

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

RAYTHEON COMPANY,

by

Name:
Title:

THE CHASE MANHATTAN BANK, individually and as Administrative Agent,

by

Name:
Title:

CITIBANK, N.A., individually and as Documentation Agent,

by

Name:
Title:

SIGNATURE PAGE TO THE TERMINATION, REPLACEMENT AND RESTATEMENT AGREEMENT DATED AS OF MARCH 18, 1999, AMONG RAYTHEON COMPANY, THE LENDERS, THE CHASE MANHATTAN BANK, as administrative agent, and CITIBANK, N.A., as documentation agent

Name of Institution

by

Name:
Title:

ANNEX I

Continuing Lenders

ABN AMRO Bank N.V.
Arab Bank Plc
Australia and New Zealand Banking Group Limited
Banca Commerciale Italiana, New York Branch
Banca Popolare di Milano
Bank Boston, N.A.
Bankers Trust Company
Bank of America NT & SA
The Bank of New York
The Bank of Nova Scotia
Bank of Tokyo-Mitsubishi Trust Company
Banque Nationale de Paris
Bayerische Landesbank Girozentrale
Bayerische Hypo-und Vereinsbank AG, New York Branch
Canadian Imperial Bank of Commerce
CARIPLO-Cassa di Risparmio delle Provincie Lombarde, S.p.A.
The Chase Manhattan Bank
Citibank, N.A.
Commerzbank AG, New York Branch
Credit Lyonnais, New York Branch
Credit Suisse First Boston
Den Danske Bank Aktieselskab, Cayman Islands Branch
Deutsche Bank AG New York and/or Cayman Islands Branch
The First National Bank of Chicago

FMB Bank
First Union National Bank
Fleet Bank
The Industrial Bank of Japan, Limited, New York Branch
Instituto Bancario San Paolo di Torino
KBC Bank N.V.
Mellon Bank
The Mitsubishi Trust and Banking Corporation
The National Bank of Kuwait S.A.K.
Societe Generale
The Sumitomo Bank, Limited
Wachovia Bank, N.A.
Westdeutsche Landesbank
Westpac Banking Corporation

SCHEDULE 2.01

Additional Lenders

Name and Address of Lender	Contact Person and Telecopy Number	Commitment
ABN AMRO Bank N.V. One Post Office Square 39th Floor Boston, MA 02109	Mr. James E. Davis (617) 988-7910	$24,000,000.00
Arab Bank Plc 520 Madison Avenue, 2nd Floor New York, NY 10022-4237	Mr. Sa'Ed Katkhuda (212) 593-4632	$3,650,000.00
Australia and New Zealand Banking Group Limited 1177 Avenue of the Americas, 6th Floor New York, NY 10036-2798	Ms. Christine S. Pomeranz (212) 801-9131	$1,050,000.00
Banca Commerciale Italiana, New York Branch One William Street New York, NY 10004	Mr. John Michalsin (212) 809-9780	$10,000,000.00
Banca Popolare di Milano 375 Park Avenue, 9th Floor New York, NY 10152	Mr. Fulvio Montanari (212) 838-1077	$3,650,000.00
Bank Boston, N.A. 100 Federal Street Boston, MA 02110	Ms. Ellen Allen (617) 434-0637	$14,000,000.00
Bankers Trust Company One Bankers Trust Plaza New York, NY 10006	Mr. Andrew Keith (212) 250-7218	$24,000,000.00
Bank of America NT & SA 555 S. Flower Street Los Angeles, CA 90071	Mr. Robert Gordon (213) 623-1959	$38,000,000.00
The Bank of New York One Wall Street, 21st Floor New York, NY 10286	Mr. William Dakin (212) 635-7978	$24,000,000.00
The Bank of Nova Scotia 101 Federal Street, Floor 16 Boston, MA 02208	Mr. Michael Bradley (617) 951-2177	$24,000,000.00

Bank of Tokyo-Mitsubishi 125 Summer Street, 11th Floor Boston, MA 02110	Mr. Patrick Bonebreake (617) 330-7422	$10,000,000.00
Banque Nationale de Paris 499 Park Avenue New York, NY 10022	Mr. Richard Pace (212) 415-9606	$24,000,000.00
Bayerische Landesbank Girozentrale 560 Lexington Avenue, 17th Floor New York, NY 10022	Mr. James Boyle (212) 310-9868	$3,650,000.00
Bayerische Hypo-und Vereinsbank AG, New York Branch 150 E. 42nd Street, 31st Floor New York, NY 10017	Ms. Marianne Weinzinger (212) 672-5530	$10,000,000.00
Canadian Imperial Bank of Commerce 425 Lexington Avenue, 6th Floor New York, NY 10017	Mr. Barry Anderson (212) 885-4995	$18,000,000.00
CARIPLO-Cassa di Risparmio delle Provincie Lombarde, S.p.A. 10 E. 53rd Street, 36th Floor New York, NY 10022	Mr. Anthony Giobbi (212) 527-8777	$10,000,000.00
The Chase Manhattan Bank 270 Park Avenue New York, NY 10017	Mr. Mathis Shinnick (212) 270-6040	$41,650,000.00
Citibank, N.A. 399 Park Avenue New York, NY 10043	Mr. Shane Azzara (212) 793-0289	$38,000,000.00
Commerzbank AG, New York Branch 2 World Financial Center, 34th Floor New York, NY 10281-1050	Mr. Robert Donahue (212) 266-7594	$15,000,000.00
Credit Lyonnais 53 State Street Exchange Place, 26th Floor Boston, Ma 02109	Mr. Anthony Muller (617) 723-4803	$24,000,000.00
Credit Suisse First Boston 11 Madison Avenue, 19th Floor New York, NY 10010	Ms. Lynn Allegaert (212) 325-8309	$25,000,000.00
Den Danske Bank Aktieselskab, Cayman Islands Branch 280 Park Avenue New York, NY 10017	Mr. Peter Hargraves (212) 370-9239	$3,650,000.00

Deutsche Bank AG New York and/or Cayman Islands Branch 31 West 52nd Street, 24th Floor New York, NY 10019	Mr. Robert Landis (212) 469-8212	$24,000,000.00
The First National Bank of Chicago 153 W. 51st Street, 8th Floor New York, NY 10019	Mr. James Peterson (212) 373-1388	$15,000,000.00
FMB Bank 25 South Charles Street, Banc 101-745 Baltimore, MD 21203	Mr. Christopher Callaghan (410) 545-2047	$11,000,000.00
First Union National Bank 1 First Union Center, DC-5 Charlotte, NC 28288-0745	Mr. Chris Klos (704) 374-2802	$8,050,000.00
Fleet Bank One Federal Street Boston, MA 02211	Mr. Juan Jeffries (617) 346-0585	$10,000,000.00
The Industrial Bank of Japan, Limited, New York Branch 1251 Avenue of the Americas, 32nd Floor New York, NY 10020-1104	Mr. John Veltri (212) 282-4488	$24,000,000.00
Instituto Bancario San Paolo di Torino 245 Park Avenue New York, NY 10167	Mr. Gerard McKenna (212) 599-5303	$7,000,000.00
KBC Bank N.V. 125 West 55th Street, 10th Floor New York, NY 10019	Mr. Robert Surdam (212) 956-5580	$5,000,000.00
Mellon Bank One Boston Place, 6th Floor Boston, MA 02108	Mr. Robert Sunmersgill (617) 722-3516	$17,000,000.00
The Mitsubishi Trust and Banking Corporation 520 Madison Avenue, 25th Floor New York, NY 10022	Mr. Joe Shammas (212) 644-6825	$7,000,000.00
The National Bank of Kuwait S.A.K. 299 Park Avenue, 17th Floor New York, NY 10171	Mr. Muhammed Kamal (212) 888-2958	$3,650,000.00
Societe Generale 1221 Avenue of the Americas New York, NY 10020	Mr. Robert Peterson (212) 278-7430	$7,000,000.00

The Sumitomo Bank, Limited 277 Park Avenue New York, NY 10172	Mr. Bruce Gregory (212) 224-5188	$24,000,000.00
Wachovia Bank, N.A. 191 Peachtree Street N.E. Atlanta, GA 30303	Mr. John Rafferty (404) 332-6898	$24,000,000.00
Westdeutsche Landesbank 1211 Avenue of the Americas New York, NY 10036	Mr. Jim Veneau (212) 852-6148	$14,000,000.00
Westpac Banking Corporation 575 Fifth Avenue New York, NY 10017	Mr. Craig Jones (212) 551-1995	$10,000,000.00
	TOTAL COMMITMENT	$600,000,000.00

EXHIBIT 10.23

AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT

among

RAYTHEON AIRCRAFT CREDIT CORPORATION,

as Servicer

RAYTHEON AIRCRAFT RECEIVABLES CORPORATION,

as Seller

THE PURCHASERS REFERRED TO HEREIN

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,

as Managing Facility Agent and Documentation Agent

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,

and

THE CHASE MANHATTAN BANK,

as Co-Administrative Agents and Co-Lead Arrangers

THE CHASE MANHATTAN BANK,

as Syndication Agent

CITIBANK, N.A.

and

CREDIT SUISSE FIRST BOSTON,

as Co-Syndication Agents

and

EACH ADMINISTRATIVE AGENT REFERRED TO HEREIN

Dated as of March 18, 1999

AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT, dated as of March 18, 1999, among RAYTHEON AIRCRAFT RECEIVABLES CORPORATION, a Kansas corporation (the "Seller"), RAYTHEON AIRCRAFT CREDIT CORPORATION ("Raytheon Credit"), as Servicer (as defined herein), the financial institutions and special purpose corporations from time to time parties to this Agreement (the "Purchasers"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Managing Facility Agent for the Purchasers (in such capacity, the "Managing Facility Agent"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION and THE CHASE MANHATTAN BANK, as Co-Administrative Agents for the Purchasers (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 (in such capacity, a "Co-Syndication Agent") and each Administrative Agent referred to herein.

W I T N E S S E T H :

WHEREAS, the Seller, Raytheon Credit and certain of the Purchasers herein are parties to the Purchase and Sale Agreement dated as of March 20, 1997 (as heretofore amended, supplemented or otherwise modified, the "1997 Agreement") pursuant to which such Purchasers have agreed to purchase, and have purchased, certain Receivables from the Seller;

WHEREAS, the parties hereto desire to amend the 1997 Agreement to, among other things, provide for the addition of certain parties in their respective agency capacities described herein, modify certain of the concentration limits provided in the 1997 Agreement and extend the Expiration Date;

WHEREAS, certain of the Purchasers under the 1997 Agreement (the "Withdrawing Purchasers") desire to sell their undivided interests in the Receivables purchased thereunder and to terminate their respective Commitments under the 1997 Agreement on the Amendment Effective Date;

WHEREAS, the Purchasers under the 1997 Agreement other than the Withdrawing Purchasers (the "Extending Purchasers") desire to extend the Expiration Date;

WHEREAS, certain new financial institutions and special purpose corporations (such other financial institutions and corporations, the "New Purchasers") desire to become "Purchasers" under the 1997 Agreement as amended and restated hereby;

WHEREAS, each of the Extending Purchasers and the New Purchasers desires to extend, increase or decrease its Commitment such that, on the Amendment Effective Date, the Commitment of each such Purchaser will be as shown on Annex A hereto opposite the name of such Purchaser; and

WHEREAS, the parties hereto desire to restate the 1997 Agreement as so amended, modified and supplemented, in its entirety;

NOW THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Acceptable L/C Issuer": a financial institution whose senior long-term unsecured debt is rated at least A and A2 by S&P and Moody's, respectively, if rated by both such agencies, or at least A or A2 by S&P or Moody's respectively, if rated by only one such agency, or if such senior, long-term, unsecured debt is not rated, is issued by a bank whose long-term deposits are rated at least A+ and A1 by S&P and Moody's, respectively, if rated by both such agencies, or A+ or A1 by S&P or Moody's, respectively, if rated by only one such agency.

"Accrual Period": (i) with respect to any Settlement Date, the period from and including the preceding Settlement Date (or, with respect to the initial Accrual Period, from the Closing Date) to but excluding such Settlement Date and (ii) a Special Settlement Date Accrual Period.

"Administrative Agent": the collective reference to the Managing Facility Agent and the Old Administrative Agent, each in its role as administrative agent hereunder.

"Affiliate": as to any Person, (a) any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person or (b) any other Person who is a director, officer, partner or shareholder of such Person who, in the case of partners and shareholders, owns, directly or indirectly, 10% or more of the voting securities (i) of such Person, (ii) of any Subsidiary of such Person or (iii) of any Person described in the preceding clause (a). For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (i) vote 10% or more of the securities having ordinary voting power for the election of directors of such Person or (ii) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Affiliate Obligor": each Affiliate of Raytheon Credit obligated to make payments in respect of a Receivable; provided that, such Affiliate is a special purpose entity created solely for the purpose of entering into Applicable Leases and does not and is not expected to own any assets or incur any liabilities except in connection with the performance of its obligations under the Contracts pursuant to which it acquires Aircraft and the Applicable Leases of such Aircraft.

"Affiliate Receivable": a Receivable created pursuant to a Contract (as described in clause (i) of the definition thereof) between Raytheon Credit and an Affiliate Obligor located (within the meaning of Section 9-103 of the New York UCC) within the United States which Receivable (i) is created in connection with the acquisition by such Affiliate Obligor of an Aircraft which is leased by such Affiliate Obligor, as lessor, to an Unaffiliated Foreign Lessee pursuant to an Applicable Lease and (ii) is secured by a Lien upon (x) such Aircraft and (y) such Unaffiliated Foreign Lessee's obligations under such Applicable Lease. In accordance with subsection 2.27, Affiliate Receivables may be categorized as Certified Foreign Receivables or Uncertified Foreign Receivables.

"Aggregate Exposure":

(a) at any time during the Revolving Period, an aggregate amount equal to the Commitments in effect at such time and each Dissenting Purchaser's Outstanding Purchase Price at such time; and

(b) at any time during the Amortization Period, an aggregate amount equal to the Outstanding Purchase Price of each Purchaser (including each Dissenting Purchaser) at such time.

"Aggregate Repurchase Obligation": at any time, the sum of the Repurchase Obligation and the RAC Repurchase Obligation.

"Agreement": this Amended and Restated Purchase and Sale Agreement, as amended, supplemented or otherwise modified from time to time.

"Aircraft": the collective reference to Commuter Aircraft and General Aviation Aircraft. When used in connection with a Travel Air Receivable, "Aircraft" shall mean the related Obligor's undivided interest in the applicable Aircraft.

"Aircraft Accessories": any of the items listed in clause (ii) of the definition of Commuter Aircraft and General Aviation Aircraft, as applicable.

"Amendment Accrual Period": as defined in Section 5.3.

"Amendment Effective Date": as defined in Section 5.1.

"Amortization Event": any of the events described in subsection 8.1, whether or not any of the actions referred to in subsection 8.2 have been taken.

"Amortization Period": the period beginning on the first day after the termination of the Revolving Period and ending on the earlier of (i) the day the Outstanding Purchase Price is reduced to zero as a result of the application of Collections and other payments and (ii) the day on which the Principal Balance of all Purchased Receivables has been reduced to zero as a result of Collections and Net Recoveries.

"Applicable Lease": with respect to any Affiliate Receivable, a lease contract (substantially in the form described in clause (ii) of the definition of Contract and which lease contract contains an option to purchase the related Financed Aircraft by the Unaffiliated Foreign Lessee prior to the expiration of such lease contract) between the Affiliate Obligor and the Unaffiliated Foreign Lessee, a Lien upon which secures the repayment of such Affiliate Receivable.

"Applicable Margin": (a) for each Purchaser (other than a Dissenting Purchaser) during the Revolving Period, a rate per annum equal to 0.50% plus the Rating Adjustment, if any, and (b) for each 12-month period following (i) the commencement of the Amortization Period and (ii) for each Dissenting Purchaser, the commencement of amortization of such Dissenting Purchaser's Outstanding Purchase Price pursuant to Section 2.8(b) (each 12-month period in clauses (i) and (ii), a "Year"), the rate per annum set forth for such Year below plus the Rating Adjustment, if any:

Years	Margin
One through three	0.50%
Four through six	0.55%
Seven through ten	0.65%
Eleven	0.80%
Twelve	0.95%
Thirteen	1.10%
Thereafter	1.25%

"Applicable Settlement Date": as defined in the definition of "Ineligible Receivable".

"Assignment": an assignment, substantially in the form of Exhibit A-1 with appropriate insertions and attachments, executed by the Seller or an Affiliate Obligor, as the case may be, and delivered to the Managing Facility Agent or the Seller, as the case may be, with respect to each purchase or substitution.

"Available Commitment": as to any Purchaser at any time, an amount equal to the excess, if any, of (a) the amount of such Purchaser's Commitment over (b) the product of such Purchaser's Available Commitment Percentage multiplied by the aggregate Outstanding Purchase Price (excluding any Dissenting Purchaser's Outstanding Purchase Price at such time).

"Available Commitment Percentage": as to any Purchaser at any time, a fraction the numerator of which is the Commitment of such Purchaser at such time and the denominator of which is the aggregate Commitments at such time.

"Aviation Act": the Federal Aviation Act of 1958, as amended, and all applicable rules and regulations thereunder.

"Bailee": any Person (other than the Administrative Agent and the Seller) which enters a Bailment Agreement.

"Bailment Agreement": each agreement, substantially in the form of Exhibit F-1 or F-2 with such changes thereto as are reasonably satisfactory in form and substance to the Managing Facility Agent, among an Administrative Agent, the Seller and the Person therein designated, which Person shall be acceptable to the Managing Facility Agent in its reasonable discretion, to maintain custody, as the bailee of the Administrative Agent and the Purchasers, of the letter of credit related to each L/C Receivable sold or substituted hereunder on the terms and subject to the conditions set forth therein, as any of the same may be amended, supplemented or otherwise modified from time to time.

"Base Rate": for any day, the higher of (a) 0.50% per annum above the latest Federal Funds Rate and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America National Trust and Savings Association in San Francisco, California, as its"reference rate". The "reference rate" is a rate set by Bank of America National Trust and Savings Association based upon various factors including Bank of America National Trust and Savings Association's costs and desired return, general economic conditions

and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the reference rate announced by Bank of America National Trust and Savings Association shall take effect at the opening of business on the day specified in the public announcement of such change.

"Benefitted Purchaser": as defined in subsection 11.7(a).

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York, Wichita, Kansas, Boston, Massachusetts or San Francisco, California are authorized or required by law to close.

"Buyout Amount": as defined in subsection 2.8(b)(iii).

"Cash Collateral Account": as defined in subsection 2.14(c)(i).

"Cash Equivalents": (a) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality thereof having maturities not later than the Settlement Date following the date of acquisition, (b) certificates of deposit and eurodollar time deposits with maturities not later than the Settlement Date following the date of acquisition, bankers' acceptances with maturities not later than the Settlement Date following the date on which such investment is made and overnight bank deposits, in each case, with any commercial bank (i) the short-term indebtedness of which is rated at least A-1 or P-1 by S&P or Moody's, respectively, and (ii) with capital and surplus in excess of $500,000,000, (c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (a) and (b) entered into with any financial institution meeting the qualifications specified in clause (b) above, and (d) commercial paper rated at least A-1 or P-1 by S&P or Moody's, respectively, and in each case with maturities not later than the Settlement Date following the date of acquisition.

"Cash Flow Cutoff Date": as of any Settlement Date and with respect to any Extended Term Receivable, (i) so long as no Rating Event has occurred and is continuing, the date which is thirteen years after such Settlement Date and (ii) during the continuation of a Rating Event, the date which is ten years after such Settlement Date.

"Certified Foreign Receivable": each Affiliate Receivable and each Foreign Receivable (i) in the case of a Foreign Receivable which is not a Lease Receivable, (x) in respect of which the obligations of the related Obligor are secured by a Lien on the related Contract and Financed Aircraft in compliance with subsections 5.2(e)(ii) and (vii), (y) which has been so designated as a Certified Foreign Receivable in compliance with subsection 2.27 and (z) in respect of which the Seller has satisfied the conditions specified in subsection 5.2 (including subsection 5.2(e)), (ii) in the case of a Foreign Receivable which is a Lease Receivable (including a Registerable Lease Receivable with a Foreign Obligor) (x) in respect of which the obligations of the related Obligor are secured by a Lien on the related Contract and Financed Aircraft in compliance with subsections 5.2(e)(iii), (iv) and (vii), (y) which has been so

designated as a Certified Foreign Receivable in compliance with subsection 2.27 and (z) in respect of which the Seller has satisfied the conditions specified in subsection 5.2 (including subsection 5.2(e)) and (iii) in the case of an Affiliate Receivable (x) in respect of which the obligations of the related Obligor are secured by a Lien on the related Contract and Financed Aircraft in compliance with subsections 5.2(e)(vi) and (vii), (y) which has been so designated as a Certified Foreign Receivable in compliance with subsection 2.27 and (z) in respect of which the Seller has satisfied the conditions specified in subsection 5.2 (including subsection 5.2(e)).

"Certified Opinion Delivery Date": as defined in subsection 2.27(c).

"Closing Date": March 24, 1997.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": as defined in subsection 11.11(b).

"Collection Account": as defined in subsection 2.14(a).

"Collections": with respect to any Purchased Receivable, all cash collections (including, without limitation, Principal Collections, Finance Charge Collections and other payments (including penalties, if any)), rent paid under any Contract (whether as Principal Collections or Finance Charge Collections), all security deposits (including, without limitation, any engine reserve account), any payments pursuant to guarantees and all amounts paid by any Obligor or Unaffiliated Foreign Lessee upon the exercise of any purchase option under any Contract (including any amounts financed by the Seller), the amount of drawings under a letter of credit related to such Purchased Receivable, any insurance paid in respect of an Exim Bank Receivable, any curtailment payments made by an Obligor in respect of a Wholesale Receivable, and any other cash proceeds of any Purchased Receivable or proceeds of such Purchased Receivable, including, without limitation, any proceeds from realization upon collateral (including, without limitation, any Financed Aircraft, Applicable Lease, insurance proceeds, letters of credit, security deposits, curtailment payments, indemnity payments or any other cash payments under or with respect to the related Contract) and any amounts withdrawn from the Cash Collateral Account pursuant to subsection 2.14(c).

"Commitment": as to any Purchaser, the obligation of such Purchaser to purchase undivided interests in Eligible Receivables from the Seller in an amount at any one time outstanding not to exceed the amount set forth opposite such Purchaser's name on Schedule I, as reduced from time to time in accordance with the terms hereof; as to all the Purchasers on the Amendment Effective Date, not to exceed an aggregate amount of $2,700,000,000.

"Commitment Fee": as defined in subsection 2.17(d).

"Commitment Percentage":

(a) at any time during the Revolving Period and as to any Purchaser other than a Dissenting Purchaser, a fraction, the numerator of which is the Commitment of such Purchaser in effect at such time and the denominator of which is equal to the Aggregate Exposure at such time;

(b) at any time during the Revolving Period and as to a Dissenting Purchaser, a fraction, the numerator of which is the Outstanding Purchase Price of such Dissenting Purchaser at such time and the denominator of which is equal to the Aggregate Exposure at such time; and

(c) at any time during the Amortization Period and as to any Purchaser, including a Dissenting Purchaser, a fraction the numerator of which is equal to the Outstanding Purchase Price of such Purchaser at such time and the denominator of which is equal to the Aggregate Exposure at such time.

"Commitment Transfer Supplement": a Commitment Transfer Supplement, substantially in the form of Exhibit D.

"Commonly Controlled Entity": with respect to a Person, an entity, whether or not incorporated, which is under common control with such Person within the meaning of Section 4001 of ERISA or is part of a group which includes such Person and which is treated as a single employer under Section 414 of the Code.

"Commuter Aircraft": the Models 1300, 1900 and 99 Beechcraft manufactured by RAC and comparable general aviation aircraft used for commuter airline purposes manufactured by any other Person including, in all cases, without limitation, (i) any and all airframes, engines, (including, without limitation, any replacement or substituted engines) and avionics, equipment and accessories at any time attached to, connected with or located in any such aircraft and, to the extent covered by the recording system of the Aviation Act, all logs, manuals and maintenance records with respect thereto and (ii) any and all avionics, equipment and accessories removed from any Aircraft and, to the extent not covered by the recording system of the Aviation Act, all logs, manuals and maintenance records.

"Commuter Receivable": a Receivable the Obligor of which owns and operates a commuter airline.

"Concentration Account": as defined in subsection 2.14(b).

"Concentration Receivables": as defined in subsection 2.7(b).

"Consolidated Capitalization": at a particular date, the sum of Consolidated Debt and Consolidated Net Worth at such date.

"Consolidated Debt": at a particular date, all amounts which would be included as indebtedness (including capitalized leases) on a consolidated balance sheet of Raytheon and its consolidated Subsidiaries, determined in accordance with GAAP.

"Consolidated EBIT": for any period, the sum of (a) Consolidated Net Income for such period and (b) the aggregate amounts deducted in determining Consolidated Net Income in respect of (i) Consolidated Net Interest Expense for such period and (ii) income taxes of Raytheon and its consolidated Subsidiaries for such period determined in accordance with GAAP.

"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 and (ii) for the fiscal quarter of Raytheon and its consolidated Subsidiaries ending September 30, 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.

"Consolidated Net Interest Expense": for any period, net interest expense of Raytheon and its consolidated Subsidiaries for such period, determined in accordance with GAAP.

"Consolidated Net Worth": at a particular date, all amounts which would, in conformity with GAAP, be included under stockholders' equity on a consolidated balance sheet of Raytheon and its consolidated Subsidiaries at such date.

"Contract": with respect to a Receivable, the collective reference to (a) the promissory notes, security agreements, leases, financing and security agreements, contracts, documents and instruments between the Seller and the Obligor thereon on the Seller's standard form therefor (as in effect on the Closing Date) or such other forms as shall contain substantially similar provisions to such standard forms, pursuant to which the Seller has (i) lent the Obligor funds to purchase an Aircraft or, in the case of the Travel Air Receivables, an undivided interest therein, and the Obligor has agreed to make installment payments in respect of such purchase, or (ii) leased an aircraft or, in the case of the Travel Air Receivables, an undivided interest therein; to the Obligor, in each case, as amended, supplemented or otherwise modified from time to time and (b) upon the occurrence of an event of the type described in subsection 8.1(j) affecting the Seller, each and every promissory note, security agreement, lease, financing and security agreement, contract, document and instrument executed in replacement or supersession of another Contract described in clause (a) with the same Obligor, or executed upon extension, modification or amendment of such Contract, whether in connection with an agreement pursuant to Section 1110 of the Bankruptcy Code (11 USC ss. 1110) or otherwise. Whenever used in connection with any Purchased Receivables, unless the context otherwise requires "Contract" shall include any Applicable Lease securing the obligations of the Affiliate Obligor under such Purchased Receivable.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Current Receivable": as defined in subsection 2.13(f).

"Credit and Collection Policy": those credit and collection policies and practices of the Seller and the Servicer existing on the Closing Date relating to the Receivables (including, without limitation, policies relating to writeoffs of Receivables and policies and practices maintained by the Seller's or the Servicer's computer system and policies set forth in the form previously delivered to the Purchasers, as modified from time to time in accordance with subsection 7.1(c).

"Dealer": any independent dealer or Affiliate of Raytheon Credit which markets and sells Aircraft.

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

(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.

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 (i), (ii), (iii) and (iv) 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.

"Debt Ratio": at a particular date, the ratio of Consolidated Debt at such date to Consolidated Capitalization at such date.

"Default Rate": as defined in subsection 2.17(c).

"Defaulted Applicable Lease": an Applicable Lease (i) as to which any payment thereon or part thereof remains unpaid by the Unaffiliated Foreign Lessee thereon for (x) 120 days in the case of a GA Receivable or (y) 150 days in the case of a Commuter Receivable, from, in each case, the original due date for such payment by such Unaffiliated Foreign Lessee, (ii) as to which the Unaffiliated Foreign Lessee thereof has taken or suffered any action of the type described in subsection 8.1(j) with respect to such Person or (iii) which, consistent with the Credit and Collection Policy, would be written off the Seller's books as uncollectible.

"Defaulted Receivable": a Receivable, (i) in the case of a GA Receivable or a Travel Air Receivable, as to which any payment on such Receivable or part thereof remains unpaid by the Obligor thereon for 120 days from the original due date for such payment by such Obligor, (ii), in the case of a Commuter Receivable, as to which any payment on such Receivable or part thereof remains unpaid by the Obligor thereon for 150 days from the original due date for such payment by such Obligor, (iii) in the case of a Wholesale Receivable, as to which any payment on such Receivable or part thereof remains unpaid by the Obligor thereon for 60 days from the original due date for such payment by such Obligor, (iv) in the case of an Affiliate Receivable, as to which the Applicable Lease related thereto is a Defaulted Applicable Lease or (v) any Receivable as to which the Obligor thereof has taken or suffered any action of the type described in subsection 8.1(j) with respect to such Obligor or which, consistent with the Credit and Collection Policy, would be written off the Seller's books as uncollectible.

"Delinquent Receivable": an Eligible Receivable a payment under which is more than 90 days past due from the original due date therefor, but which is not otherwise a Defaulted Receivable.

"Discount Event": any time when Raytheon's Debt Rating is lower than either BBB+/Baa1.

"Dissenting Purchaser": as defined in subsection 2.8(b).

"Domestic Wholesale Receivable": a Receivable arising under a wholesale financing arrangement between Raytheon Credit and, as Obligor thereunder, a Dealer which is located (within the meaning of Section 9-103 of the New York UCC) in the United States.

"Duff": Duff & Phelps Credit Rating Company.

"Effective Date": as defined in Section 5.1 of the 1997 Agreement.

"Eligible Applicable Lease": (x) with respect to each Affiliate Receivable other than an Existing Affiliate Receivable, at the time of purchase or substitution of such Affiliate Receivable pursuant to this Agreement, an Applicable Lease related thereto:

(a) the Unaffiliated Foreign Lessee of which (i) is not an Affiliate of Raytheon Credit or the Servicer, (ii) is not located in a Prohibited Jurisdiction, (iii) is not, except to the extent permitted under subsection 2.7, a Governmental Authority unless the Affiliate Obligor, Raytheon Credit and the Seller have complied with the requirements of each applicable Requirement of Law pertaining to the assignment of accounts receivable the obligor of which is a Governmental Authority, all in a manner satisfactory to the Managing Facility Agent and the Required Purchasers in their reasonable discretion and (iv) is not the Unaffiliated Foreign Lessee or the Obligor, or an Affiliate of an Obligor or Unaffiliated Foreign Lessee, on any Receivable or Applicable Lease which is a Defaulted Receivable or Defaulted Applicable Lease, as appropriate;

(b) which is neither more than 30 days past due from the original due date therefor nor otherwise a Defaulted Applicable Lease;

(c) which arose in the ordinary course of Raytheon Credit's business from financing the retail purchase or lease financing of an Aircraft and relates to an Aircraft which will be used for general aviation purposes or with respect to the ownership and operation of a commuter airline, but not for military purposes;

(d) which is subject only to adjustment for changes in payments in accordance with the terms thereof resulting from changes in the interest rates thereunder and the payment terms of which are identical to the payment terms set forth in the related Affiliate Receivable;

(e) which is an "account" or a "general intangible" or which constitutes "chattel paper" within the meaning of the UCC of the State of Kansas or the law of the state where the Seller or the Servicer maintains the books, records and documents with respect to such Receivable;

(f) which is denominated and payable only in United States dollars in the United States;

(g) which (i) has been duly authorized by each party thereto (or, if any such party is an individual, such party has the capacity to enter into) and each of the parties thereto is in compliance therewith in all material respects, (ii) was not originated with any conduct constituting fraud or a material misrepresentation on the part of the Affiliate Obligor, Raytheon Credit or the Seller, (iii) was not originated with any conduct constituting fraud or a material misrepresentation by the Unaffiliated Foreign Lessee party thereto of which Raytheon Credit, the Seller or the Affiliate Obligor thereto knew or should have known based on the exercise of reasonable care, (iv) constitutes the legal, valid and binding obligation of the Unaffiliated Foreign Lessee thereof enforceable against such Unaffiliated Foreign Lessee in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law), (v) contains enforceable provisions such that the rights and remedies of the holder of the security interest created therein are adequate for the realization of the benefits of such security interest against the related Unaffiliated Foreign Lessee and the other collateral therefor and (vi) if the engine for the related Financed Aircraft has 750 or more rated takeoff horsepower (or the equivalent of such horsepower), accurately describes the engines of such Financed Aircraft as provided for in such Applicable Lease;

(h) which is not subject to any existing material dispute, offset, counterclaim or defense whatsoever (including, but not limited to, breach of warranty) of which Raytheon Credit, the Seller or the Servicer knows or should have known;

(i) which does not, or at the time of lease of the Financed Aircraft did not, contravene any Requirements of Law applicable thereto in any material respect (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no party thereto is in violation of any such Requirement of Law in any material respect;

(j) which was originated in accordance with the Credit and Collection Policy and satisfied all requirements thereof;

(k) on which either at least one payment or a down payment (including a trade-in) has been made prior to the Closing Date or the Settlement Date on which the related Affiliate Receivable is purchased or substituted;

(l) the payment terms of which have not been modified other than (i) in accordance with the Credit and Collection Policy and (ii) to an extent and in an amount not in excess of the limitations specified in subsection 7.1(b)(iv)(x); and

(m) of which the Affiliate Obligor, at the time of transfer of the related Affiliate Receivable to the Purchasers, has good and marketable title, free and clear of any Lien other than any Permitted Receivable Lien; and

(y) with respect to any Existing Affiliate Receivable, at the date of its purchase or substitution under the Existing Agreement pursuant to which such Receivable was sold to the Old Administrative Agent, the Applicable Lease related thereto was an "Eligible Applicable Lease" (as defined in such applicable Existing Agreement) at such date.

"Eligible Receivable": (x) with respect to each Receivable other than an Existing Receivable, at the time of purchase or substitution pursuant to this Agreement, a Receivable:

(a) except with respect to an Affiliate Receivable, the Obligor of which is not an Affiliate of Raytheon Credit, the Seller or the Servicer;

(b) except with respect to a Foreign Receivable, the Obligor of which is located (within the meaning of Section 9-103 of the New York UCC) within the United States and is a Citizen of the United States (as defined in the Aviation Act); and, with respect to a Foreign Receivable, the Obligor of which is not located in a Prohibited Jurisdiction;

(c) except with respect to an ExIm Bank Receivable and except as otherwise permitted in subsection 2.7(a)(xii), the Obligor of which is not a Governmental Authority unless each of Raytheon Credit and the Seller has complied with the requirements of the Federal Assignment of Claims Act or any other applicable Requirement of Law pertaining to the assignment of accounts receivable the Obligor of which is a Governmental Authority, all in a manner satisfactory to the Managing Facility Agent and the Required Purchasers in their reasonable discretion; provided that if a Rating Event has occurred and is continuing, any Affiliate Receivable in respect of which the Unaffiliated Foreign Lessee under the related Applicable Lease is any Governmental Authority other than a United States Federal Governmental Authority shall not be eligible for purchase or substitution under this Agreement regardless of any action taken by Raytheon Credit or the Seller with respect to the assignment of such Applicable Lease;

(d) the Obligor of which is not the Obligor or an Affiliate of an Obligor on any other Receivable which is a Defaulted Receivable;

(e) which is neither more than 30 days past due from the original due date therefor nor otherwise a Defaulted Receivable;

(f) which arose in the ordinary course of Raytheon Credit's business from financing the retail purchase or lease or, in the case of a Wholesale Receivable, the wholesale purchase of an Aircraft and relates to an Aircraft which will be used for general aviation purposes or in connection with commuter airline operations, but not for military purposes, and which was purchased by the Seller from Raytheon Credit pursuant to the Intercompany Purchase Agreement in the ordinary course of the Seller's business;

(g) with respect to GA Receivables, subject only to adjustment for changes in payments in accordance with the related Contract resulting from changes in the interest rates thereunder, (i) which, except as set forth in clause (ii) below, is required to be paid in consecutive monthly installments or is a Quarterly Receivable or a Semi-Annual Receivable or (ii) which is a Nonstandard Receivable;

(h) which is an "account" or a "general intangible" or which constitutes "chattel paper" within the meaning of the UCC of the State of Kansas or the law of the state where the Seller or the Servicer maintains the books, records and documents with respect to such Receivable;

(i) which is denominated and payable only in United States dollars in the United States;

(j) which arises under a Contract which (i) has been duly authorized by each party thereto (or, if any such party is an individual, such party has the capacity to enter into) and each party thereto is in compliance therewith in all material respects, (ii) was not originated with any conduct constituting fraud or a material misrepresentation on the part of the Seller or Dealer (if different from the Obligor thereto), (iii) was not originated with any conduct constituting fraud or a material misrepresentation by an Obligor party thereto of which the Seller or Dealer (if different from the Obligor) knew or should have known based on the exercise of reasonable care, (iv) constitutes the legal, valid and binding obligation of the Obligor thereof enforceable against such Obligor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law), (v) except with respect to each L/C Receivable, contains enforceable provisions such that the rights and remedies of the holder of the security interest created thereby are adequate for the realization of the benefits of such security interest against the related Financed Aircraft and the other collateral therefor and (vi) accurately describes the engines, if any, of the related Financed Aircraft having 750 or more rated takeoff horsepower (or the equivalent of such horsepower) as provided for in such Contract;

(j) (i) except with respect to a L/C Receivable, a Lease Receivable, a Travel Air Receivable and an Unsecured Receivable, which is secured by a valid and perfected first priority security interest in favor of the Seller in the Financed Aircraft related thereto (other than, in the case of GA Receivables, any engines having less than 750 or more rated takeoff horsepower, or its equivalent) and, with respect to an Affiliate Receivable, in the related Applicable Lease, (ii) with respect to a Registerable Lease Receivable and with respect to an ExIm Bank Receivable, the related Financed Aircraft of which is registered with the FAA Registry in the name of the Seller and relates to a Financed Aircraft in which the Seller has a valid ownership interest, (iii) with respect to a Lease Receivable which is not a Registerable Lease Receivable, the related Financed Aircraft of which is registered in the name of the Seller in each jurisdiction necessary to evidence the valid ownership interest of the Seller in the Financed Aircraft related thereto and (iv) with respect to a Travel Air Receivable, which is secured by a valid and perfected first priority security interest in favor of the Seller in the Obligor's undivided interest in the Financed Aircraft and Travel Air Contracts related thereto;"

(l) except with respect to a L/C Receivable and an Unsecured Receivable, the security or ownership interest, as the case may be, of Raytheon Credit in the Financed Aircraft related thereto is assignable by Raytheon Credit and, except as permitted under subsection 2.7(a)(x), has been so assigned as a first priority security interest to the Seller and by the Seller to the Administrative Agent for the ratable benefit of the Purchasers to secure the obligations under the related Receivable and which Financed Aircraft is subject to no other Liens other than Permitted Aircraft Liens; including (i) except with respect to a Foreign Receivable (other than a Registerable Lease Receivable with a Foreign Obligor), of which the security interest granted by the Obligor in favor of Raytheon Credit and assigned to the Seller and/or, in the case of a Lease Receivable, by the Seller in favor of the Administrative Agent (including, with respect to a Registerable Lease Receivable, the security interest in the Financed Aircraft in favor of the Administrative Agent) encumbering the related Financed Aircraft (other than, for GA Receivables, Aircraft Accessories with respect thereto and engines of such Financed Aircraft, if any, having a rated takeoff power of 750 horsepower or its equivalent) has been duly registered and recorded with the FAA Registry, (ii) with respect to a Foreign Receivable (other than a L/C Receivable and a Lease Receivable with a Foreign Obligor) of which the security interest encumbering the related Financed Aircraft has been duly filed, registered or recorded with each office in each jurisdiction in which such filing, registration or recordation is necessary to perfect the security interest therein granted (x) by the Obligor thereon in favor of Raytheon Credit, (y) by Raytheon Credit in favor of the Seller and (z) by the Seller in favor of the Administrative Agent for the ratable benefit of the Purchasers and (iii) with respect to a Lease Receivable with a Foreign Obligor (other than a Registerable Lease Receivable with a Foreign Obligor) of which the security interest encumbering the related Financed Aircraft has been duly filed, registered or recorded with each office in each jurisdiction in which such filing, registration or recordation is necessary to perfect the security interest therein granted by the Seller in favor of the Administrative Agent for the ratable benefit of the Purchasers;

(m) as to which, upon the transfer of such Receivable pursuant to this Agreement, either (i) the Purchasers have a perfected, valid and enforceable first priority ownership interest in such Receivable or (ii) the Administrative Agent for the ratable benefit of the Purchasers has a valid, perfected and first priority security interest in such Receivable, in each case free and clear of all Liens other than Permitted Receivable Liens;

(n) of which (i) with respect to each Receivable other than a Lease Receivable and a Travel Air Receivable, the related Financed Aircraft is owned by the Obligor on the related Contract, (ii) with respect to each Lease Receivable, except as permitted under subsection 2.7(a)(x), the related Financed Aircraft is owned by the Seller and (iii) with respect to each Travel Air Receivable, an undivided interest in the related Financed Aircraft is owned by the related Obligor;

(o) of which the related Financed Aircraft is (i) with respect to each Financed Aircraft registered in the name of the Seller, Raytheon Credit, Travel Air or the related Obligor with the FAA, duly certified by the FAA as to type and airworthiness and (ii) in all other cases, duly certified by the appropriate governmental authorities in the applicable foreign jurisdiction as to type and airworthiness;

(p) which is not subject to any existing material dispute, offset, counterclaim or defense whatsoever (including, but not limited to, breach of warranty) of which Raytheon Credit, the Seller or the Servicer knows or should have known;

(q) which, together with the Contract and the Financed Aircraft related thereto, does not, or at the time of sale (or lease, as the case may be) of the Financed Aircraft did not, contravene any Requirements of Law applicable thereto in any material respect (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no party to the Contract related thereto is in violation of any such Requirement of Law in any material respect;

(r) which was originated in accordance with the Credit and Collection Policy and satisfied all requirements thereof and of the related Contract;

(s) which, except for an Extended Term Receivable, has a Final Payment Date not later than (i) so long as no Rating Event has occurred and is continuing, thirteen years after the Settlement Date on which such Receivable is purchased or substituted and (ii) during the continuance of a Rating Event, ten years after the Settlement Date on which such Receivable is purchased or substituted;

(t) with respect to which the related Financed Aircraft has been delivered to the Obligor (x), so long as Raytheon's Debt Rating is no lower than BBB/Baa2, no later than the second Settlement Date following the Settlement Date on which undivided interests in such Receivable are sold to the Purchasers and (y) in all other cases, no later than the Settlement Date on which undivided interests in such Receivable are sold to the Purchasers;

(u) except with respect to a Wholesale Receivable, on which either at least one payment or a down payment (including a trade-in) has been made prior to the Settlement Date on which it is purchased or substituted;

(v) the payment terms of which have not been modified other than (i) in accordance with the Credit and Collection Policy and (ii) to an extent and in an amount not in excess of the limitations specified in subsection 7.1(b)(iv)(x);

(w) of which the related Financed Aircraft is insured against loss, damage, theft, hull and such other casualties as may be required pursuant to the related Contract, including without limitation passenger legal liability, public legal liability and property damages legal liability, the policy or policies of which shall (i) provide that Raytheon Credit or any Affiliate Obligor, as the case may be, is named thereunder as loss payee and is entitled to receive 30 days prior notice of cancellation thereof, (ii)

contain a breach of warranty endorsement in favor of Raytheon Credit or any Affiliate Obligor as the case may be, (iii) provide for insurance in an amount, after calculation of any deductible, at least equal to the outstanding principal of the Contract at any time and (iv) be maintained with financially sound and reputable insurance companies;

(x) if a Lease Receivable (i) prior to the Settlement Date on which such Lease Receivable is purchased or substituted, with respect to which all actions required under the related lease to assign to the Administrative Agent on behalf of the Purchasers the Seller's and Raytheon Credit's respective rights thereunder (including, without limitation, any notice to, consent of or acceptance by the lessee party thereto) shall have been duly performed, (ii) prior to the Settlement Date on which such Lease Receivable is purchased or substituted, a determination shall have been made if such Receivable is a Registerable Lease Receivable in accordance with the definition of such term, (iii) on the Settlement Date on which such Lease Receivable is purchased or substituted, no Rating Event shall have occurred and be continuing and (iv), except to the extent permitted in subsection 2.7(a)(xv), such Lease Receivable is carried on the books of the Seller as a "sale" under GAAP;

(y) if a L/C Receivable, with respect to which the related letter of credit (i) either (A) is issued by an Acceptable L/C Issuer or (B) if the issuer of the related letter of credit is not an Acceptable L/C Issuer, at the time of purchase or substitution no Rating Event has occurred and is continuing, (ii) is issued or confirmed by a financial institution located in the United States or which otherwise provides that drawings thereunder may be made in the United States, (iii) is an irrevocable standby letter of credit providing for drawings upon the occurrence of a default under the related Contract on sight or upon presentation of certificates specified therein, (iv) at any date of determination has an available amount equal to the then outstanding Principal Balance of such Receivable, (v) is in full force and effect and (vi) either (A) has an expiration date which is at least five Business Days following the last scheduled payment date under the related Contract or (B) provides for automatic extensions without amendment, notice or other act by or to any Person or permits the Seller to draw the aggregate amount then available to be drawn thereunder if not extended;

(z) intentionally omitted;

(aa) if an ExIm Bank Receivable, (i) at least 85% of the Principal Balance of which is insured by the related insurance policy and such insurance policy is in full force and effect and all premiums have been paid in full, (ii) the related Contract of which requires the Obligor to purchase the Aircraft at the end of the term thereof, (iii) at the time of purchase or substitution of which no Rating Event has occurred and is continuing and (iv) prior to the Settlement Date on which such ExIm Bank Receivable is purchased or substituted, all actions required to assign to the Administrative Agent on behalf of the Purchasers the Seller's and Raytheon Credit's respective rights to amounts payable under the related insurance policy and the Seller's rights under any lease of the related Aircraft by an Obligor on such ExIm Bank Receivable (including, without limitation, any notice to, consent of or acceptance by the insurer or lessee thereunder) shall have been duly performed;

(bb) if a Wholesale Receivable, (i) the Principal Balance of which (together with interest thereon) is payable in accordance with the original terms thereof no later than 180 days after the original date of the Contract related thereto, and (ii) the original maturity date thereof has not been extended more than twice;

(cc) if a Domestic Wholesale Receivable, the related Financed Aircraft of which has not been sold more than once or to more than one other independent Dealer (exclusive of Dealers owned by Raytheon Credit or RAC);

(dd) if a Nonstandard Receivable, a Rating Event shall not have occurred and be continuing;

(ee) if an Affiliate Receivable, (x) prior to the Settlement Date on which such Affiliate Receivable is purchased or substituted, all actions required to assign (1) to Raytheon Credit, and from Raytheon Credit to the Seller, the Affiliate Obligor's rights under the Applicable Lease and Financed Aircraft and (2) to the Administrative Agent, the Seller's rights under the Financed Aircraft and the Applicable Lease (including, without limitation, in case of clauses (1) and (2), any notice to, consent of or acceptance by the Unaffiliated Foreign Lessee party thereto) shall have been duly performed and the Administrative Agent, for the ratable benefit of the Purchasers, shall have a valid, perfected and first priority security interest in such Financed Aircraft and Applicable Lease as collateral security for the Affiliate Obligor's obligations under such Affiliate Receivable, free and clear of all Liens other than (i) the Lien created in favor of Raytheon Credit and the Seller, (ii) the Lien created under this Agreement in favor of the Administrative Agent for the ratable benefit of the Purchasers and (iii) any Permitted Receivable Lien, (y) on the Settlement Date on which such Affiliate Receivable is purchased or substituted, no Rating Event shall have occurred and be continuing and (z) the Applicable Lease related thereto is an Eligible Applicable Lease; and

(ff) which is an "Eligible Receivable" under and as defined in the Intercompany Purchase Agreement; and

(y) with respect to any Existing Receivable, at the date of its purchase or substitution under the Existing Agreement pursuant to which it was sold to the Old Administrative Agent, such Receivable which was an "Eligible Receivable" (as defined in such applicable Existing Agreement) at such date.

Notwithstanding any provision set forth in this definition of "Eligible Receivable" (except clause (x)(ff)), any Receivable which otherwise qualifies to be an "Eligible Receivable" and for which the Financed Aircraft related thereto receives a conveyance number from the FAA on or prior to the Applicable Settlement Date after the sale or substitution of such Receivable shall be deemed to be an "Eligible Receivable".

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Excess MGL Receivables": as of any date of determination, the Principal Balances of all Purchased Receivables in respect of each of Mesa and Great Lakes and all of their respective Affiliates to the extent such aggregate Principal Balances exceed an amount equal to 10% of the Outstanding Purchase Price on such date of determination (calculated after giving effect to all proposed purchases and substitutions on such date but excluding the Outstanding Purchase Price of Wholesale Receivables).

"Excess Spread": as defined in subsection 2.16(b)(vi).

"Excluded Taxes" means, with respect to the Managing Facility Agent, the Administrative Agent, either Co-Administrative Agent, any Purchaser or any other recipient of any payment to be made by or on account of any obligation of the Seller hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Purchaser, in which its applicable purchasing office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Seller is located and (c) in the case of a Foreign Purchaser (other than an assignee pursuant to a request by the Seller under subsection 2.26(b)), any withholding tax that is imposed on amounts payable to such Foreign Purchaser at the time such Foreign Purchaser becomes a party to this Agreement or is attributable to such Foreign Purchaser's failure or inability to comply with Section 2.23(e), except to the extent that such Foreign Purchaser's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Seller with respect to such withholding tax pursuant to Section 2.23(a).

"ExIm Bank": the Export-Import Bank of the United States and any successor thereto.

"ExIm Bank Receivable": a Receivable, the payments of which are insured by the ExIm Bank.

"Existing Agreements": the collective reference to the Existing Commuter Agreement and the Existing GA Agreement.

"Existing Affiliate Receivable": each Existing Receivable which, on and as of the Effective Date, is an "Affiliate Receivable" under and as defined in the Existing Agreement pursuant to which the Old Administrative Agent purchased such Receivable.

"Existing Certified Receivable": each Existing Receivable which, on and as of the Effective Date, is a "Certified Foreign Receivable" under and as defined in the Existing Agreement pursuant to which the Old Administrative Agent purchased such Receivable.

"Existing Commuter Agreement": the Amended and Restated Purchase and Sale Agreement dated as of March 8, 1996 among Raytheon Credit, the purchasers referred to therein, Swiss Bank Corporation, New York Branch, as administrative agent, Bank of America NT&SA, as documentation agent and co-agent, and Swiss Bank Corporation, New York Branch, as co-agent, as amended, supplemented or otherwise modified from time to time.

"Existing GA Agreement": the Second Amended and Restated Purchase and Sale Agreement dated as of March 8, 1996 among Raytheon Credit, the purchasers referred to therein and Swiss Bank Corporation, New York Branch, as agent, as amended, supplemented or otherwise modified from time to time.

"Existing Outstanding Balance": as of any date of determination for any Existing Receivable, the "Outstanding Balance" thereof as determined under the Existing Agreement pursuant to which such Existing Receivable was purchased prior to the Effective Date.

"Existing Outstanding Purchase Price": as of any date of determination for any Purchaser, the sum of such Purchaser's "Outstanding Purchase Price", if any, under each of the Existing Agreements.

"Existing Principal Balance": as of any date of determination for any Existing Receivable, the "Principal Balance" thereof as determined under the Existing Agreement pursuant to which such Existing Receivable was purchased by the administrative agent or agent under such Existing Agreement.

"Existing Receivables": on the Effective Date, the collective reference to the outstanding "Purchased Receivables" under and as defined in the Existing Agreements.

"Existing Registerable Lease Receivables": on the Effective Date, the collective reference to the outstanding "Registerable Lease Receivables" under and as defined in the Existing Agreements.

"Existing Uncertified Foreign Receivables": on the Effective Date, the collective reference to the outstanding "Foreign Uncertified Receivables" under and as defined in the Existing Agreements.

"Expense Amounts": the collective reference to amounts required to be paid pursuant to (i) subsections 2.17(a), 2.17(b), 2.17(c) and 2.17(d) and (ii) subsections 2.22, 2.23, 2.24 and 11.5 (to the extent that the Managing Facility Agent, the Administrative Agent or a Purchaser has made a demand therefor).

"Expiration Date": March 16, 2000 or, if the Revolving Period is extended pursuant to subsection 2.8, 364 days after the date of the Expiration Date in effect at the time of such extension.

"Extended Term Receivable": as of any Settlement Date, any Receivable the Final Payment Date of which is later than (i) so long as no Rating Event has occurred and is continuing, thirteen years after such Settlement Date and (ii) during the continuance of a Rating Event, ten years after such Settlement Date, and, for purposes of subsection 2.15, any Receivable the Final Payment Date of which is extended pursuant to subsection 7.1(b)(iv) to such later date.

"FAA": the Federal Aviation Administration or any successor thereto.

"FAA Assignment": the assignment, certificate or other document to be filed with the FAA Registry on or before the Closing Date or any Settlement Date with respect to a Financed Aircraft related to an Eligible Receivable to be purchased on the Closing Date or purchased or substituted on such Settlement Date, substantially in the form of (i) in the case of an assignment by the Seller of a security interest in a Financed Aircraft granted by an Obligor in favor of the Seller, Exhibit A-2 (for filing on the Closing Date) or Exhibit A-3 (for filing on each Settlement Date) or, (ii) with respect to a Registerable Lease Receivable or an ExIm Bank Receivable, if the Financed Aircraft related thereto is (or the lessee under the related lease agrees will be) registered under the Aviation Act, in the case of the grant by the Seller in favor of the Administrative Agent for the ratable benefit of the Purchasers of a security interest in a Financed Aircraft and amounts payable under the related lease entered into with respect to such Lease Receivable or ExIm Bank Receivable, substantially in the form of Exhibit A-4 (for filing on the Closing Date) or Exhibit A-5 (for filing on a Settlement Date); in each case, with appropriate modifications which may be required as a result of changes in any Requirements of Law after the Closing Date pertaining to filings and recordings with the FAA Registry.

"FAA Filing Date": as defined in subsection 6.1(n)(ii).

"FAA Registry": the FAA Aircraft Registry maintained on the Closing Date at the office of the FAA located in Oklahoma City, Oklahoma.

"Final Payment Date": with respect to a Purchased Receivable, the scheduled final maturity date (which, with respect to a Lease Receivable, shall be the final scheduled rent payment date under the related Contract) of such Receivable.

"Finance Charge Collections": (i) with respect to Purchased Receivables constituting Lease Receivables a portion of the Collections thereunder representing the interest component of such lease, such interest component reflecting the interest rate as set forth in such lease and such portion being calculated in accordance with Credit and Collection Policy and (ii) with respect to all other Purchased Receivables, Collections on account of accrued finance charges, late fees and similar items in respect of such Purchased Receivables calculated, in each case, in accordance with the Credit and Collection Policy.

"Financed Aircraft": the Aircraft, together with all accessions thereto, securing an Obligor's indebtedness under a Contract; provided that, the term "Financed Aircraft" when used herein or in any other document, instrument or certificate delivered pursuant hereto shall mean or refer to, with respect to a Lease Receivable or an ExIm Bank Receivable, the Aircraft leased under the Contract pursuant to which such Lease Receivable was created, together with all accessions thereto.

"Foreign Assignment": with respect to each Foreign Receivable (other than a L/C Receivable) and each Affiliate Receivable, each document, instrument, agreement (whether an assignment, security agreement, mortgage or otherwise) and certificate appropriate for filing in the applicable office in the applicable jurisdiction and necessary to evidence (i) in the case of Affiliate Receivables and of Foreign Receivables which are not Lease Receivables, the Lien in the related Financed Aircraft granted by the Obligor thereon in favor of Raytheon Credit and the assignment thereof by Raytheon Credit to the Seller and (ii) in the case of all such Foreign Receivables and all Affiliate Receivables, the Lien in the related Financed Aircraft granted by the Seller (or, as applicable, the Lien thereon assigned by the Seller) in favor of the Administrative Agent for the ratable benefit of the Purchasers; and all other filings and recordings necessary to perfect the Purchasers' first priority ownership or security interests in and to the Foreign Receivables or the Affiliate Receivables, as the case may be, and the related Contracts (including Applicable Leases) and Financed Aircraft.

"Foreign Obligor": an Obligor which is not located (within the meaning of Section 9-103 of the New York UCC) within the United States and is not a citizen of the United States (as defined in the Aviation Act).

"Foreign Purchaser" means any Purchaser that is not organized under the laws of the United States of America or a state thereof.

"Foreign Receivable": a Receivable the Obligor of which is a Foreign Obligor.

"Foreign Wholesale Receivable": a Receivable arising under a wholesale financing arrangement entered into by Raytheon Credit and, as Obligor thereunder, a Dealer located (within the meaning of Section 9-103 of the New York UCC) outside the United States.

"Frozen Pool": as defined in subsection 2.8(b)(ii).

"GAAP": generally accepted accounting principles applied on a consistent basis.

"GA Receivable": a Receivable as to which the related Aircraft is a General Aviation Aircraft and the Obligor of which does not own and operate a commuter airline.

"General Aviation Aircraft": the collective reference to any aircraft manufactured (including sub-assembly) by RAC for general aviation purposes, and comparable general aviation aircraft manufactured by any other Person including, in all cases, without limitation, (i) any airframe, engines (whether or not any such engine has 750 or more rated takeoff horsepower or the equivalent of such horsepower, and including any replacement or substituted engine), and avionics, equipment and accessories at any time attached to, connected with or located in any such aircraft and, to the extent covered by the recording system of the Aviation Act, all logs, manuals and maintenance records with respect thereto and (ii) any avionics, equipment and accessories removed from any Aircraft and, to the extent not covered by the recording system of the Aviation Act, all logs, manuals and maintenance records.

"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Great Lakes": Great Lakes Aviation, Ltd., an Iowa corporation.

"Guarantee": the Amended and Restated Guarantee, substantially in the form of Exhibit B, to be made by Raytheon in favor of the Managing Facility Agent and the Purchasers, as the same may be amended, supplemented or otherwise modified from time to time.

"Guarantor": Raytheon.

"Increasing Purchaser": as defined in Section 5.3.

"Indebtedness": with respect to any Person at any date, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current liabilities incurred in the ordinary course of business and payable in accordance with customary trade practices) or which is evidenced by a note, bond, debenture or similar instrument, (b) all obligations of such Person under capital leases, (c) all obligations of such Person in respect of acceptances issued or created for the account of such Person and (d) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof.

"Indemnified Amounts": as defined in subsection 9.1(a).

"Indemnified Person": as defined in subsection 9.1(a).

"Indemnified Taxes": Taxes other than Excluded Taxes.

"Indemnitee": as defined in subsection 11.5(c).

"Ineligibility Event": with respect to any Purchased Receivable, any event of the type specified in (1) clauses (i), (ii) or (iii) of subsection 2.11 or (2) clauses (vi) or (xii) of subsection 9.1(a).

"Ineligible Receivable": (a) with respect to any Purchased Receivable other than an Existing Receivable, such Receivable, (i) at the date of its purchase or substitution, was not an Eligible Receivable at such date, (ii) relates to a Financed Aircraft which did not receive a conveyance number from the FAA on or prior to the third Settlement Date (or if Raytheon's Debt Rating is no lower than A/A2, the fourth Settlement Date; the third or fourth Settlement Date, as applicable, the "Applicable Settlement Date") following the date of its purchase or substitution or (iii) relates to a Financed Aircraft which becomes a Remarketed Aircraft; and

(b) with respect to any Existing Receivable, such Receivable (x)(i) at the date of its purchase or substitution under the Existing Agreement pursuant to which it was sold to the administrative agent or agent under such Existing Agreement, was not an "Eligible Receivable" (as defined in such applicable Existing Agreement) at such date or (ii) relates to a Financed Aircraft which did not receive a conveyance number from the FAA on or prior to the third Settlement Date (or if Raytheon's Debt Rating is no lower than A/A2, the fourth Settlement Date following the date of its purchase or substitution under the applicable Existing Agreement; or

(y) relates to a Financed Aircraft which becomes a Remarketed Aircraft; or

(z) on and as of the Closing Date (after giving effect to the transactions contemplated under the Intercompany Purchase Agreement on such date) such Receivable did not satisfy the criteria specified in the following clauses under the definition of "Eligible Receivable" herein (assuming for purposes hereof, that such clauses are applicable to the Existing Receivables): clauses (c), (h), (k), (l) (other than any requirement that the related Financed Aircraft be free and clear of Liens on such Effective Date), (m) (other than any requirement that such Receivable be free and clear of Liens on such Effective Date), (n)(ii), (o)(i), (x)(i), (y)(vi)(B), (aa)(iv) or (ee)(x) except, that, (1) with respect to Existing Certified Receivables, prior to the Certified Opinion Delivery Date, and with respect to all Existing Registerable Lease Receivables, prior to the FAA Filing Date, any such Existing Registerable Lease Receivable which does not satisfy any of the criteria specified in such clauses (to the extent such clauses are applicable to Existing Registerable Lease Receivables) solely as a result of the failure to make any of the filings, if any, required by subsection 6.1(n) shall not be an Ineligible Receivable and (2) with respect to Existing Uncertified Foreign Receivables, any such Existing Receivable which does not satisfy any of the criteria specified in such clauses (to the extent such clauses are applicable to such type of Existing Receivable) solely as a result of the failure to make any filing, if any, necessary to (x) continue the Lien, if any, of the Administrative Agent, on behalf of the Purchasers, in such Receivables, related Financed Aircraft and Applicable Leases (if applicable) and Collections thereon with the same priority thereon as in effect immediately prior to the Effective Date or (y) perfect the transfer by Raytheon Credit of such Receivables, the related Financed Aircraft and Applicable Leases (if applicable) and Collections thereon to the Seller pursuant to the Intercompany Purchase Agreement shall not be an Ineligible Receivable.

"Interbank Rate ": for any Special Settlement Date Accrual Period or the Amendment Accrual Period, the sum of (i) .50% plus the rate of interest per annum (rounded upward to the next 1/16th of 1%) determined by the Managing Facility Agent as follows:

$$\frac{\text{IBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

plus (ii) a Rating Adjustment, if applicable;

Where,

Eurodollar Reserve Percentage means for any day for any Special Settlement Date Accrual Period or the Amendment Accrual Period, the maximum reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day (whether or not applicable to any Purchaser) under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"); and

IBOR means the rate of interest per annum determined by the Managing Facility Agent as the rate at which dollar deposits in the approximate amount of the Managing Facility Agent's Purchase amount for such Special Settlement Date Accrual Period, or the Amendment Accrual Period, as the case may be, would be offered by Bank of America National Trust and Savings Association's Grand Cayman Branch, Grand Cayman B.W.I. (or by Bank of America National Trust and Savings Association), to major banks in the offshore dollar interbank market at their request at approximately 11:00 a.m. (New York City time) two Business Days prior to the commencement of such Special Settlement Date Accrual Period, or the Amendment Accrual Period, as the case may be.

"Intercompany Purchase Agreement": the Intercompany Purchase and Contribution Agreement, dated as of March 20, 1997, between Raytheon Credit and the Seller, as amended, supplemented or otherwise modified from time to time.

"Interest Coverage Ratio": for any period, the ratio of Consolidated EBIT for such period to Consolidated Net Interest Expense for such period.

"L/C Receivable": a Foreign Receivable which at any time is supported by a standby letter of credit in an amount at least equal to the outstanding Principal Balance on such Receivable issued in favor of the Seller and otherwise satisfying the requirements of clause (y) of the definition of "Eligible Receivables".

"Lease Collateral": as defined in subsection 11.12(a).

"Lease Obligations": as defined in subsection 11.12(a).

"Lease Receivable": any Receivable (other than an ExIm Bank Receivable) created pursuant to a Contract which is a lease between Raytheon Credit, as lessor, and the Obligor thereunder, as lessee, with respect to the Aircraft described therein, other than any such Receivable which is also a L/C Receivable.

"LIBO Rate": for any Accrual Period (other than a Special Settlement Date Accrual Period), (A) the per annum rate (carried to the fifth decimal place) equal to (i) the rate determined by the Managing Facility Agent to be the offered rate that appears on the page of the Telerate Screen that displays an average British Bankers Association Interest Settlement Rate (such page currently being page number 3750) for deposits (for delivery on the Settlement Date which is the first day of such Accrual Period) with a term approximately

equivalent to such Accrual Period, determined as of approximately 11:00 a.m. (London, England time) two Working days prior to the Settlement Date which is the first day of such Accrual Period or (ii) in the event the rate referenced in the preceding clause does not appear on such page or service if such page or service shall cease to be available, the rate determined by the Managing Facility Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits (for delivery on the Settlement Date which is the first day of such Accrual Period) with a term approximately equivalent to such Accrual Period, determined as of approximately 11:00 a.m. (London, England time) two Working Days prior to the Settlement Date which is the first day of such Accrual Period, (B) if such rate cannot be calculated in accordance with clause (A), the "LIBO Rate" for that Accrual Period will be the rate per annum equal to the average (rounded upward to the nearest 1/16th of 1%) of the respective rates notified to the Managing Facility Agent by each Reference Bank as the rate at which such Reference Bank is offered U.S. dollar deposits in the London interbank eurodollar market for a period comparable in length to such Accrual Period, at or about 11:00 a.m. (London, England time) two Working Days prior to such Settlement Date and in an amount comparable to such Reference Bank's pro rata share of the Outstanding Purchase Price; or (C) if the LIBO Rate is not able to be determined pursuant to clauses (A) or (B), the rate per annum determined by the Managing Facility Agent in good faith, after consultation with the Purchasers, as reasonably reflecting the aggregate funding costs of the Purchasers.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement or any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the UCC or comparable law of any jurisdiction in respect of any of the foregoing).

"Liquidity Bank": for any SPC, at any date of determination, the collective reference to the financial institutions which at such date are providing liquidity and/or credit facilities to or for the account of such SPC to fund such SPC's obligations hereunder or to support the securities (if any) issued by such SPC to fund such obligations.

"Low Wholesale Value": of any Aircraft at any date of determination, the low wholesale value shown in the Aircraft Blue Book Price Digest most recently published prior to such date of determination for aircraft of substantially similar age and with comparable features as such Aircraft.

"Majority Purchasers": at any time, Purchasers the Commitment Percentages of which aggregate at least 51%; provided that the Commitment Percentage of any Dissenting Purchaser shall not be included in determinations of Majority Purchasers with respect to purchases or substitutions of Receivables or other matters not otherwise affecting Dissenting Purchasers; provided, further, that any action taken by the Managing Facility Agent and the Purchasers under subsection 8.2 (with the exception of subsection 8.2(b)) shall be deemed to affect a Dissenting Purchaser.

"Managing Facility Agent": as defined in the preamble to this Agreement.

"Material Adverse Effect": (i) with respect to the Seller, a material adverse effect on (a) the Purchased Receivables taken as a whole, (b) the ability of the Seller to perform its obligations under this Agreement, (c) the validity or enforceability of this Agreement or the rights or remedies of the Managing Facility Agent or the Purchasers under any Purchase Document or (d) the business, assets, properties or condition (financial or other) of the Seller and (ii) with respect to the Servicer, a material adverse effect on (a) the Purchased Receivables taken as a whole, (b) the ability of the Servicer to perform its obligations under this Agreement, (c) the validity or enforceability of this Agreement or the rights or remedies of the Managing Facility Agent or the Purchasers under any Purchase Document or (d) the business, assets, properties or condition (financial or other) of the Servicer.

"Mesa": Mesa Airlines, Inc., a New Mexico corporation.

"Moody's": Moody's Investors Service, Inc.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Recoveries": all monies collected by the Seller, the Servicer or any other Person (from whatever source, including, without limitation, from the refinancing of the related Financed Aircraft) on account of a Defaulted Receivable (including, without limitation, from the sale or other disposition of the Financed Aircraft) net of any expenses incurred by the Seller, the Servicer or such Person in connection with the collection on such Defaulted Receivable and the refurbishment, disposition or disposal of the related Financed Aircraft.

"1997 Agreement": as defined in the recitals hereto.

"90% Repurchase Receivables": at any date of determination, the collective reference to the following types of Receivables:

(a) L/C Receivables, the related letters of credit of which are not issued by commercial banks which qualify as Acceptable L/C Issuers at such date, it being understood that an L/C Receivable shall be a 25% Repurchase Receivable if the issuer of the related letter of credit does not qualify as an Acceptable L/C Issuer at the time such Receivable is purchased or substituted hereunder but does so qualify on such date of determination;

(b) Uncertified Foreign Receivables (including Affiliate Receivables which are Uncertified Foreign Receivables) which are not L/C Receivables;

(c) Foreign Wholesale Receivables;

(d) Receivables which have not received conveyance numbers from the FAA on or prior to the Applicable Settlement Date after the sale or substitution of such Receivable; provided, however, that (i) any such Receivable shall be repurchased by the Seller on such Applicable Settlement Date and (ii) Receivables which are subject to this paragraph (d) that are so repurchased by the Seller shall not be subject to subsection 2.7(a)(viii);

(e) Excess MGL Receivables;

(f) Operating Lease Receivables; and

(g) all other Receivables which are not 25% Repurchase Receivables or 75% Repurchase Receivables.

"Nonstandard Receivable": a Receivable (other than a Wholesale Receivable) created pursuant to a Contract which provides (at the time of purchase or substitution thereof) that the amount scheduled to be outstanding on the eighth anniversary of the execution date of such Contract (assuming all scheduled payments have been made prior to such date) is greater than 15% of the amount which would have been so outstanding if payments on such Contract prior to such anniversary had been made on the straight-line amortization method; provided that no Receivable shall be permitted to have a balloon payment of greater than (i) 15% in the case of a GA Receivable, or (ii) 30% in the case of a Commuter Receivable, of the original sales price scheduled for repayment in the last two years of such Contract.

"Note Rate": with respect to any Accrual Period, a rate per annum equal to the LIBO Rate plus the Applicable Margin, calculated in accordance with this Agreement.

"Note Rate Amortization Event": an Amortization Event of the type described in subsection 8.1(b), (c), (d), (e), (f), (g), (h), (i), (j), (l), (m) or (n).

"Obligations": as defined in the Guarantee.

"Obligor": each Person obligated to make payments in respect of a Receivable, including each Affiliate Obligor under an Affiliate Receivable.

"Occurrence": as defined in subsection 10.5.

"Old Administrative Agent": UBS AG, Stamford Branch, as successor to Swiss Bank Corporation, Stamford Branch, as successor to Swiss Bank Corporation, New York Branch.

"Operating Lease Receivables": as defined in subsection 2.7(a)(xv).

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Purchase Document.

"Outstanding Balance": with respect to any Receivable at any date of determination, the Purchase Price paid with respect to such Receivable less all Principal Collections applied to such Receivable on and prior to such date of determination.

"Outstanding Purchase Price": (a) as to all the Purchasers at any date of determination, the aggregate Purchase Prices which at such date have been paid to purchase Purchased Receivables (or portions thereof) in accordance with this Agreement minus the amount of Principal Collections which have been received by the Purchasers (including, without limitation, Principal Collections which have been used to purchase additional Eligible Receivables pursuant to subsection 2.15(b)) minus the amount, if any, of Excess Spread which has been paid to the Purchasers pursuant to subsection 2.16(b)(vi)(2) and (b) as to any Purchaser, its pro rata share of the Outstanding Purchase Price, as determined pursuant to clause (a) above.

"Participant": as defined in subsection 11.6(b).

"Participated Receivable": a Receivable in which the Seller has a Seller's Interest pursuant to subsection 2.4(a).

"Permitted Aircraft Lien": with respect to any Financed Aircraft which is related to a Purchased Receivable, (A) any materialman's, mechanic's, workman's, repairman's or other like Lien which (i) arises in favor of a Person contracted by and on behalf of the Obligor or the Unaffiliated Foreign Lessee on the related Contract, (ii) arises in the ordinary course of business and (iii) (X) has been released or bonded against (or other credit assurances provided) in favor of the Administrative Agent and the Purchasers in an amount at least equal to the obligations secured by such Lien and otherwise in a manner reasonably satisfactory to the Managing Facility Agent and the Required Purchasers not more than 90 days after the earliest date on which the Seller, the Servicer or RAC knew of such Lien or (Y) secures obligations which are being contested in good faith by appropriate proceedings, so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of such Financed Aircraft or any interest therein, or (B) any Lien which (i) is involuntary in nature, (ii) secures either (X) state taxes not yet due by the Obligor on the related Contract or which are being contested in good faith by appropriate proceedings by the Obligor or (Y) any judgment or decree entered against such Obligor, (iii) secures obligations which are immaterial in amount in relation to such Purchased Receivable and (iv) does not involve any material danger of the sale, forfeiture or loss of such Financed Aircraft, or (C) solely with respect to a Lease Receivable, a Lien on the Financed Aircraft related thereto arising under the related lease if the obligations of the lessee thereunder are, in accordance with GAAP, required to be capitalized on such lessee's balance sheet or (D) solely with respect to a Travel Air Receivable, Liens on the undivided interest(s) in the related Financed Aircraft which are not owned by the Seller, any affiliate of the Seller, or any Obligor under such Travel Air Receivable.

"Permitted Receivable Lien": with respect to any Purchased Receivable, if for any reason the Purchased Receivables are held to be the property of the Seller or the Affiliate Obligor, as the case may be, or if for any other reason this Agreement and the Assignments are held or deemed not to effect an absolute sale of the Purchased Receivables, any Lien which (i) is involuntary in nature, (ii) secures either (A) state taxes not yet due by the Seller or which are being contested in good faith by appropriate proceedings by the Seller or any of its Affiliates (so long as adequate reserves with respect thereto are maintained on

the books of the Seller or such Affiliate in conformity with GAAP) or (B) any judgment or decree entered against the Seller or, with respect to an Affiliate Receivable, the related Affiliate Obligor, (iii) secures obligations which are immaterial in amount in relation to the Purchased Receivables taken as a whole and the related Contracts and Financed Aircraft and (iv) does not involve any material danger of the sale, forfeiture or loss of any Purchased Receivable, the Collections with respect thereto and the related Contract (including any Applicable Lease), and Financed Aircraft or any other Material Adverse Effect.

"Person": an individual, partnership, limited liability company, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": with respect to a Person, at a particular time, any employee benefit plan which is covered by ERISA and in respect of which such Person or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Principal Balance": at any date of determination, whether before or after the occurrence and continuance of a Rating Event, the actual unpaid principal balance (or with respect to a Lease Receivable the aggregate amount of unpaid lease payments discounted at the lessor's implicit interest rate for the respective lease Contract) of a Receivable at such date of determination; provided that the Principal Balance of any Participated Receivable or Extended Term Receivable shall be a reference only to that portion of the actual unpaid principal balance of such Participated Receivable or Extended Term Receivable sold to the Purchasers hereunder at such date of determination.

"Principal Collections": with respect to each Purchased Receivable during any Settlement Period, Collections on account of such Purchased Receivable received during such Settlement Period minus the amount of Finance Charge Collections for such Purchased Receivable for such Settlement Period. Principal Collections shall include, without limitation, payments by the Seller in respect of repurchases of Purchased Receivables pursuant to subsections 2.7(b), 2.10, 2.11, 2.12, the first sentence of subsection 2.13 and subsection 7.1(b)(iv) and after the occurrence and continuance of a Rating Event, the portion of Net Recoveries allocated as Principal Collections pursuant to subsection 2.15(d).

"Pro Rata Credit": as defined in subsection 2.1(d)(iii).

"Pro Rata Debit": as defined in subsection 2.1(d)(iii).

"Prohibited Jurisdiction": each jurisdiction listed on Schedule III and any jurisdiction notified from time to time to the Seller and the Servicer by the Managing Facility Agent, on behalf of the Purchasers, as a jurisdiction in which any Purchaser (an "Affected Purchaser") is prohibited, as a result of any conflict with a Requirement of Law or with any policy of such Affected Purchaser, from making loans or other extensions of credit.

"Purchase Discount": (a) during the continuance of a Rating Event, (i) with respect to 25% Repurchase Receivables, 35%, (ii) with respect to 75% Repurchase Receivables, 85% and (iii) with respect to 90% Repurchase Receivables, 100% and (b) during the continuance of a Discount Event (which is not also a Rating Event), with respect to all Receivables, 10%.

"Purchase Documents": the collective reference to this Agreement, the Intercompany Purchase Agreement, each Assignment, each FAA Assignment, each Foreign Assignment, the Repurchase Agreement and the Guarantee.

"Purchase Price": (a) with respect to any Receivable to be purchased from the Seller or substituted by the Seller on any Settlement Date, an amount equal to the Principal Balance of such Receivable on the last day of the Settlement Period preceding such Settlement Date on which such Receivable is purchased or substituted, and

(b) with respect to a Substituted Lease Receivable substituted pursuant to subsection 2.13(e), the amount equal to the Principal Balance of such Receivable on the date on which such Substituted Lease Receivable is substituted;

provided that, (x) if a Rating Event has occurred and is continuing as of such Settlement Date, the Purchase Price for a Wholesale Receivable purchased or substituted shall be reduced by the amount of the security or other deposit made by the Obligor thereon and (y) if a Rating Event or a Discount Event has occurred and is continuing as of such Settlement Date, the Purchase Price for each Receivable purchased shall be the Principal Balance thereof multiplied by a percentage equal to 100% less the applicable Purchase Discount (and less amounts referred to in clause (x), if applicable).

"Purchased Receivable": a Receivable (or a portion thereof in the case of a Participated Receivable or an Extended Term Receivable) which is purchased or substituted pursuant to Section 2 (including, without limitation, subsection 2.3).

"Purchase Report": each purchase report, substantially in the form of Exhibit I, to be delivered by the Seller on each Settlement Date.

"Purchasers": as defined in the preamble of this Agreement.

"Purchasing Party": as defined in subsection 11.6(c).

"Quarterly Receivable": any Receivable which is required to be paid in quarterly installments.

"RAC": Raytheon Aircraft Company, a Kansas corporation and an Affiliate of Raytheon Credit.

"RAC Repurchase Obligation": at any time, the aggregate amount of the "Repurchase Obligation" under and as defined in the Repurchase Agreement.

"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%
below BBB+ or Baa1 or not rated	.225%

"Rating Event": any time when (a) Raytheon's Debt Rating is below either BBB/Baa2, 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.

"Raytheon": Raytheon Company, a Delaware corporation and indirect parent of the Seller, and its successors and assigns (as permitted by the Guarantee).

"Raytheon Authorized Officers": the Chairman of the Board of Directors, the President, the Executive Vice President-Chief Financial Officer and the Senior Vice President-Treasurer of Raytheon.

"Receivable": the right to receive all amounts (including fees and premiums if any) payable by the Obligor under a Contract including without limitation any amounts payable by the Obligor or an Unaffiliated Foreign Lessee upon the exercise of a purchase option or a prepayment option under any Contract, security deposits, engine reserve accounts and all other right, title and interest of the Seller under and with respect to a Contract, including, without limitation, all amounts from time to time payable and all rights to damages and to exercise remedies thereunder (including fees and premiums, if any), all collateral security therefor (including, without limitation, any Applicable Lease related thereto, and the related Financed Aircraft), guarantees thereof (whether by the Obligor, RAC or any of such Person's Affiliates or by any financial institution pursuant to a letter of credit issued in favor of the Seller or any of its Affiliates), rights to payment (whether by the Obligor thereon, any insurer or letter of credit issuer with respect thereto or any other Person) with respect thereto and all agreements or inducements made by or on behalf of RAC with respect to such related Contract or Financed Aircraft and all proceeds of the foregoing.

"Reference Banks": The Chase Manhattan Bank and Bank of America National Trust and Savings Association.

"Refinanced Aircraft": except with respect to a new Aircraft related to a Domestic Wholesale Receivable sold or substituted hereunder which has been sold to more than one Dealer, any Financed Aircraft (i) manufactured (including subassembly) by RAC, the related Obligor or Unaffiliated Foreign Lessee of which is not the initial purchaser or lessee thereof (including any Person who has assumed the obligations of an Obligor or Unaffiliated Foreign Lessee under a Contract in connection with the transfer of the related Aircraft, but excluding any Obligor or Unaffiliated Foreign Lessee who is a wholly-owned Affiliate of such initial purchaser) or (ii) manufactured by any other Person the acquisition of which has been financed or refinanced by Raytheon Credit.

"Register": as defined in subsection 11.6(d).

"Registerable Lease Receivable": any Lease Receivable the related Financed Aircraft of which is determined to be property registerable in accordance with the Aviation Act in the Seller's name with the FAA Registry, such determination to be made by either (i) an opinion of counsel of the FAA or (ii) an opinion of Crowe & Dunlevy (or any other law firm acceptable to the Managing Facility Agent in its reasonable discretion) issued, in each case, as a result of a review of the related lease prior to filing thereof in accordance with this Agreement.

"Regulation U": Regulation U of the Board of Governors of the Federal Reserve System.

"Reimbursable Obligations": as defined in subsection 2.14(c)(iii).

"Remarketed Aircraft": any Financed Aircraft which Raytheon Credit or any of its Affiliates, at the request of the Obligor or Unaffiliated Foreign Lessee on the related Contract, has agreed to market and sell on behalf of such Person after such Person has notified the Seller or any of its Affiliates (in writing or otherwise) that it is or will be on the date its next scheduled payment is due unable to continue to meet its obligations under the related Contract. A Financed Aircraft shall be deemed to be a Remarketed Aircraft on the date Raytheon Credit or any of its Affiliates agrees to market such Financed Aircraft on such Person's behalf.

"Remittance Event": any time Raytheon's short-term unsecured debt is rated below (a) A-3 and P-2 or (b) A-2 and P-3 by S&P and Moody's, respectively, at such time, or if for any reason Raytheon's short-term unsecured debt is not rated (whether by reason of suspension or withdrawal of a rating, or otherwise).

"Removed Receivable": as defined in subsection 2.13(a).

"Replaced Lease Receivable": as defined in subsection 2.13(e).

"Reporting Date": with respect to a Settlement Period, the fifth Business Day following the last day of such Settlement Period, with the first such Reporting Date occurring hereunder on April 10, 1997.

"Repurchase Agreement": that certain Amended and Restated Repurchase Agreement, substantially in the form of Exhibit G, dated as of March 18, 1999, between RAC and the Managing Facility Agent on behalf of the Purchasers, as amended, supplemented or otherwise modified from time to time.

"Repurchase Factor": an amount equal to A + B, where:

A = 10% of the sum of (i) 25% of the aggregate Outstanding Balances of the 25% Repurchase Receivables, (ii) 75% of the aggregate Outstanding Balances of the 75% Repurchase Receivables and (iii) 90% of the aggregate Outstanding Balances of the 90% Repurchase Receivables, in each case at the time the Repurchase Factor is calculated;

B = 10% of the sum of (i) 25% of the aggregate Outstanding Balances of 25% Repurchase Receivables, (ii) 75% of the aggregate Outstanding Balances of 75% Repurchase Receivables and (iii) 90% of the aggregate Outstanding Balances of 90% Repurchase Receivables, in each case which were Defaulted Receivables repurchased pursuant to subsection 2.10 prior to such time (it being understood that the purpose of this clause B is to ensur that the Repurchase Factor is not reduced as a result of reductions in the Outstanding Purchase Price relating to payments under the Repurchase Obligation);

provided that (i) if an Amortization Event has occurred and is continuing, the Repurchase Factor shall be equal to the Repurchase Factor on the date such Amortization Event occurred,

(ii) if during the Amortization Period a Rating Event has occurred and is continuing, the Repurchase Factor shall be equal to the Repurchase Factor on the date such Rating Event occurred,

(iii) if during the Amortization Period any of the concentration limitations set forth in subsection 2.7(a) are exceeded then, until each such breach is cured, the Repurchase Factor shall be equal to the Repurchase Factor on the date the first such breach occurred,

(iv) notwithstanding clauses (i), (ii) and (iii), the Repurchase Factor shall not at any time decrease (x) with respect to any Purchaser other than a Dissenting Purchaser, below an amount equal to the greater of (1) 1.5% of the maximum aggregate Outstanding Balances of the Purchased Receivables which existed at any time during the Revolving Period and (2) 10% of the sum of the Outstanding Balances on the last day of the Revolving Period of the three Obligors (and all of their Affiliates) of Purchased Receivables with the largest aggregate outstanding Principal Balances and (y) with respect to any Dissenting Purchaser, an amount equal to the greater of (1) 1.5% of the maximum aggregate Outstanding Balances of the sum of the Purchased Receivables which existed at any time prior to the date such Purchaser became a Dissenting Purchaser and (2) 10% of the sum of the Outstanding Balances on the day on which such Purchaser became a Dissenting Purchaser of the three Obligors (and all of their Affiliates) of Purchased Receivables with the largest aggregate outstanding Principal Balances, and

(v) notwithstanding clauses (i), (ii), (iii) and (iv), the Repurchase Factor shall not at any time exceed 10% of the Outstanding Purchase Price.

"Repurchase Percentage": the percentage equivalent of a fraction, the numerator of which is "A" as used in the definition of the term "Repurchase Factor" at such time and the denominator of which is the aggregate Outstanding Balances of the Purchased Receivables at such time.

"Repurchase Obligation": as defined in subsection 2.10(b).

"Repurchase Price":

(a) with respect to a repurchase of or substitution for any Ineligible Receivable, an amount equal to the Principal Balance of such Ineligible Receivable on the last day of the Settlement Period preceding the Settlement Date on which such repurchase or substitution is to be made (as shown from the Settlement Statement delivered for such Settlement Period) less, if such Ineligible Receivable was purchased after the occurrence of a Discount Event or Rating Event at a discount pursuant to subsection 2.6, an amount equal to such Principal Balance at such last day times the Purchase Discount in effect on the Settlement Date such Ineligible Receivable was purchased plus, after a Trigger Amortization Event, accrued interest;

(b) with respect to a repurchase of or substitution for any Purchased Receivable which becomes a Defaulted Receivable during the Revolving Period, an amount equal to the Principal Balance of such Defaulted Receivable on the last day of the Settlement Period preceding the Settlement Date on which such repurchase or substitution is to be made (as shown from the Settlement Statement delivered for such Settlement Period) less, if such Defaulted Receivable was purchased after the occurrence of a Discount Event or Rating Event at a discount pursuant to subsection 2.6, an amount equal to such Principal Balance at such last day times the Purchase Discount in effect on the Settlement Date such Defaulted Receivable was purchased; and

(c) with respect to a repurchase of or substitution for any Purchased Receivable which becomes a Defaulted Receivable during the Amortization Period, an amount equal to the Principal Balance of such Defaulted Receivable on the last day of the Settlement Period preceding the Settlement Date on which such repurchase or substitution is to be made (as shown from the Settlement Statement delivered for such Settlement Period).

"Required Purchasers": at any time, Purchasers the Commitment Percentages of which aggregate at least 67%; provided that the Commitment Percentage of any Dissenting Purchaser shall not be included in determinations of Required Purchasers with respect to purchases or substitutions of Receivables or other matters not otherwise affecting Dissenting Purchasers; provided, further, that any action taken by the Managing Facility Agent and the Purchasers under subsection 8.2 (with the exception of subsection 8.2(b)) shall be deemed to affect a Dissenting Purchaser.

"Requirement of Law": as to any Person, any law, treaty, rule or regulation or final determination (after exhaustion of all appeals) of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer": the president or chief credit officer of the Seller.

"Revolving Period": the period from and including the Amendment Effective Date to and including the earlier of (i) the Expiration Date and (ii) the date on which the Revolving Period is terminated pursuant to subsection 8.2(b) as a result of the occurrence of an Amortization Event.

"S&P": Standard & Poor's Ratings Services.

"Secured Lease Receivables": the collective reference to (i) each Receivable which is a Lease Receivable purchased after the date hereof and in respect of which the filings referred to in subsection 5.2(e) have been made and (ii) each Existing Receivable which is a "Registerable Lease Receivable" under the Existing Agreement pursuant to which such Receivable was purchased by the Old Administrative Agent and with respect to which all filings required under subsection 6.1(n)(ii) have been made.

"Security Interest Leases": as defined in subsection 11.12.

"Seller": as defined in the preamble of this Agreement.

"Seller's Interest": an amount equal to the subordinated participating interest in the Purchased Receivables purchased by the Seller (i) pursuant to subsection 2.4(a) and subject to the terms of subsection 2.4(b), (ii) pursuant to subsection 2.5(a) and subject to the terms of subsection 2.5(b) and (iii) after the occurrence of a Rating Event or Discount Event, pursuant to subsection 2.6(b) and subject to the terms of subsection 2.6(c).

"Semi-Annual Receivable": any Receivable which is required to be paid in semi- annual payments.

"Servicer": the Person appointed as servicer of the Purchased Receivables pursuant to subsection 3.1.

"Servicer Letter of Credit": an irrevocable standby letter of credit issued in favor of the Managing Facility Agent and the Purchasers which:

(a) supports the obligations of the Servicer under this Agreement;

(b) provides for drawings on sight or upon presentation of certificates specified therein;

(c) is issued by a commercial bank, the short term unsecured indebtedness of which, at the date the Servicer Letter of Credit is issued and at all times thereafter, is rated at least A-1 and P-1 by S&P and Moody's, respectively;

(d) at any date of determination, has an expiration date which is not earlier than the second succeeding Settlement Date after such date of determination;

(e) at any date of determination, has an available amount equal to the aggregate amount of Principal Collections and Finance Charge Collections for the three Settlement Periods preceding such date of determination; and

(f) is otherwise in form and substance satisfactory to the Managing Facility Agent and the Majority Purchasers.

"Servicing Fee": the fee which the Servicer is entitled to receive pursuant to subsection 3.4.

"Settlement Date": (i) with respect to a Settlement Period, the tenth Working Day following the last day of such Settlement Period, with the first such Settlement Date under this Agreement occurring on April 14, 1997 and (ii) each Special Settlement Date.

"Settlement Period": each fiscal monthly period of the Seller during each of its fiscal years during the term of this Agreement.

"Settlement Statement": a Settlement Statement delivered by the Seller pursuant to this Agreement, substantially in the form of Exhibit C for delivery during the Revolving Period and with appropriate modifications thereto for delivery during the Amortization Period, in each case with appropriate insertions.

"75% Repurchase Receivables": at any date of determination, the collective reference to the following types of Receivables:

(a) Commuter Receivables the Obligor under which is located (within the meaning of Section 9-103 of the New York UCC) in the United States;

(b) Certified Foreign Receivables (including Affiliate Receivables which are Certified Foreign Receivables); and

(c) the Travel Air Receivables.

"Solvent": as to any Person at any time, that (a) the fair value of the property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(31) of the Bankruptcy Code (11 USC ss. 101(31)); (b) the present fair saleable value of the property of such Person in an orderly liquidation of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in business or a transaction, and is not about to engage in a business or a transaction, for which such Person's property would constitute unreasonably small capital.

"SPC": each Purchaser which is a special purpose corporation identified as such on the signature pages hereto next to the caption "SPC" and each special purpose corporation identified as such in a Commitment Transfer Supplement or a Transfer Notice.

"SPC Bank": each Purchaser which is identified as such on the signature pages hereto next to the caption "SPC Bank" and immediately below the signature of its SPC.

"Special Settlement Date": April 2, 1999, July 2, 1999, October 1, 1999 and December 31, 1999.

"Special Settlement Date Accrual Period": with respect to any Special Settlement Date, the period beginning on the third Working Day after such Special Settlement Date and ending on the next Settlement Date; provided that, if the notice provided for in Section 2.3 is delivered to the Managing Facility Agent at least three Working Days before any Special Settlement Date, the Special Settlement Date Accrual Period with respect to such Special Settlement Date shall begin on such Special Settlement Date.

"Specified Amortization Event": (i) an Amortization Event of the type described in subsection 8.1(a), (b), (e), (f), (j) (unless applicable to the Servicer which is neither Raytheon Credit nor an Affiliate of Raytheon Credit), (m), (n) or (o), or (ii) an Amortization Event of the type described in subsection 8.1(d) if such Amortization Event could reasonably be expected to have a Material Adverse Effect.

"Stipulated Aircraft Value": the Stipulated Aircraft Value as set forth in any lease Contract with respect to the related Financed Aircraft.

"Subsidiary": as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person.

"Substituted Receivable": as defined in subsection 2.13(a).

"Substituted Lease Receivable": as defined in subsection 2.13(e).

"Syndication Materials": the collective reference to (i) the document dated February 1999 furnished on behalf of the Seller to the Purchasers with respect to the transactions contemplated by the Purchase Documents and (ii) those materials relating to the Receivables and related Contracts and Financed Aircraft and the business and operations of the Seller, RAC, Raytheon Credit and Raytheon.

"Taxes": means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Transferee": as defined in subsection 11.6(f).

"Transfer Notice": as defined in subsection 11.6(c).

"Transferred Property": as defined in subsection 11.13(a)(i).

"Travel Air": Raytheon Travel Air Company, a Kansas corporation.

"Travel Air Aircraft": Aircraft the undivided interests in which are sold to Obligors pursuant to Travel Air Contracts.

"Travel Air Contracts": those purchase, management and other agreements, substantially in the form of Exhibit I hereto, pursuant to which Travel Air has sold to an Obligor an undivided interest in an aircraft and agreed to the management (including interchange arrangements) with respect thereto.

"Travel Air Receivables": the collective reference to each Receivable secured by the applicable Obligor's rights and interests in and to the Travel Air Aircraft and the Travel Air Contracts.

"Trigger Amortization Event": any Amortization Event which occurs during, or which pursuant to subsection 8.2(b) results in the commencement of, the Amortization Period.

"25% Repurchase Receivables": at any date of determination, the collective reference to the following types of Receivables:

(a) Receivables arising from the financing of General Aviation Aircraft, the Obligor under which is located (within the meaning of Section 9-103 of the New York UCC) in the United States;

(b) ExIm Bank Receivables; and

(c) L/C Receivables with a letter of credit issued by an Acceptable L/C Issuer and held by the Bailee under the Bailment Agreement.

"UCC": with respect to a specified jurisdiction, the Uniform Commercial Code as from time to time in effect in such jurisdiction.

"Unaffiliated Foreign Lessee": with respect to any Affiliated Receivable, the lessee under the related Applicable Lease.

"Uncertified Foreign Receivables": Foreign Receivables and Affiliate Receivables which are not Certified Foreign Receivables.

"Unsecured Foreign Receivable": a Receivable arising from the purchase of an Aircraft by an Obligor not located (within the meaning of Section 9-103 of the New York UCC) within the United States, the Principal Balance of which is less than $500,000 at the time of purchase or substitution hereunder.

"Uncertified Lease Receivables": A Foreign Receivable which is a Lease Receivable with a Foreign Obligor for which a Lien on the Financed Aircraft has not been granted by the Seller to the Administrative Agent under Sections 2.27(a)(iii)(A) and 2.27(a)(iii)(B).

"Unsecured Receivables": the collective reference to each Receivable which is (i) an Unsecured Foreign Receivable, (ii) an Existing Certified Receivable with respect to which the requirements of subsection 6.1(n)(i) have not been satisfied, (iii) an Existing Receivable which is an "Uncertified Foreign Receivable" under and as defined in the Existing Agreement pursuant to which such Receivable was purchased, (iv) an Existing Receivable which is a "Registerable Lease Receivable" under the Existing Agreement pursuant to which such Receivable was purchased and with respect to which the requirements of subsection 6.1(n)(ii) have not been satisfied and (v) an Uncertified Lease Receivable.

"Wholesale Receivable": a Domestic Wholesale Receivable or a Foreign Wholesale Receivable.

"Working Day": any Business Day on which dealings in foreign currencies and exchange between banks may be carried on in London, England.

"Year": as defined in "Applicable Margin".

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in any certificate or other document made or delivered pursuant hereto, accounting terms relating to the Seller and its Subsidiaries not defined in subsection 1.1 and accounting terms partly defined in subsection 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) When used in this Agreement, "purchase" and its correlative meanings shall refer to purchases of Eligible Receivables by the Purchasers pursuant to and subject to the terms and conditions of, this Agreement.

(d) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(e) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF COMMITMENTS

2.1 Agreement to Purchase and Sell; Special Purpose Purchasers; Initial Utilization and Pro Ration. (a) Subject to the terms and conditions hereof, the Seller agrees to sell to each Purchaser, and each Purchaser severally agrees to purchase from the Seller from time to time during the Revolving Period, undivided interests in Receivables with an Outstanding Purchase Price at any one time as to such Purchaser not to exceed the amount of such Purchaser's Commitment. The Outstanding Purchase Price of all Purchased Receivables (exclusive of the interests of Dissenting Purchasers) at any one time shall not exceed the aggregate Commitments then in effect. Each purchase and sale of Receivables shall, subject to the terms and conditions hereof, take place on the Closing Date or on any Settlement Date during the Revolving Period. Each Purchaser's Available Commitment Percentage of the Purchase Price for the Receivables being purchased on the Closing Date or such Settlement Date shall not exceed such Purchaser's Available Commitment at such date (calculated before giving effect to any such purchase). Upon the expiration of the Revolving Period, the Commitments will be canceled, the Purchasers will have no further commitment to purchase Receivables hereunder and Collections on the Purchased Receivables will continue to be applied in respect of the Outstanding Purchase Price in accordance with the terms of this Agreement.

(b) In consideration of the agreements set forth herein, upon each purchase of Receivables hereunder, the Seller will sell, assign and transfer to the Purchasers all of its right, title and interest in and to the Receivables, the related Contracts (including any Applicable Leases) and Financed Aircraft.

(c) For any Purchaser which is an SPC Bank, any purchase to be made by such Purchaser may from time to time be made by the related SPC in its sole discretion and nothing herein contained shall constitute a commitment to make purchases by such SPC; provided that if any SPC elects not to make a purchase, its SPC Bank agrees it will make such purchase pursuant to the terms hereof. Any purchase by an SPC shall constitute a utilization of the Commitment of the SPC Bank.

(d) It is expressly agreed that on the Closing Date, immediately following the purchases and sales provided for above in subsection 2.1(d) of the 1997 Agreement, each Existing Agreement was deemed amended and restated by the 1997 Agreement.

2.2 Procedures for Making Purchases. The Seller shall give the Managing Facility Agent irrevocable notice, which notice must be received by the Managing Facility Agent prior to 10:00 a.m., New York City time, on the Reporting Date prior to the Settlement Date (other than a Special Settlement Date) on which the Seller wishes to sell Eligible Receivables hereunder (or, in the case of the initial purchase, three Working Days prior to the Closing Date). Each such notice of a proposed purchase shall specify the date of purchase (which shall be the Closing Date or the Settlement Date next succeeding such Reporting Date), the aggregate Outstanding Purchase Price of the Purchased Receivables prior to such proposed purchase (after giving effect to the application of Collections on the related Settlement Date), the Principal Balance and the Purchase Price for

each Receivable which the Seller proposes to sell on the Closing Date or such Settlement Date and any other information which the Managing Facility Agent, in its reasonable discretion, may require prior to the Closing Date or such Settlement Date. Upon receipt of any such notice from the Seller, the Managing Facility Agent shall promptly notify each Purchaser thereof. Prior to 11:00 a.m., New York City time, on each such Settlement Date on which a purchase has been requested to be made, each Purchaser shall make available to the Managing Facility Agent, in immediately available funds at the Managing Facility Agent's office specified in subsection 11.2, the amount of such Purchaser's pro rata share of such aggregate Purchase Price for all Receivables being purchased on such Settlement Date. Subject to the terms and conditions hereof, the proceeds of such purchase will then be made available (or deemed made available if subsection 2.15 is applicable) to the Seller by the Managing Facility Agent crediting the account of the Seller on the books of such office with the aggregate of the amounts made available to the Managing Facility Agent by the Purchasers and in like funds as received by the Managing Facility Agent.

2.3 Special Settlement Dates. On each Special Settlement Date, the Seller will be permitted to sell Eligible Receivables to the Purchasers. In connection with any purchase of Eligible Receivables on any Special Settlement Date, the Seller shall give the Managing Facility Agent irrevocable notice, which notice must be received by the Managing Facility Agent prior to 10:00 a.m., New York City time on the day which is one Business Day prior to such Special Settlement Date. Each such notice, which shall be in the form of Exhibit H, shall specify (i) the aggregate Outstanding Purchase Price of the Purchased Receivables prior to such proposed purchase, (ii) the Principal Balance and the Purchase Price for each Receivable which the Seller proposes to sell on such Special Settlement Date and (iii) the amount of 90% Repurchase Receivables, 75% Repurchase Receivables and 25% Repurchase Receivables, respectively, included in the Receivables which the Seller proposes to sell on such Special Settlement Date. Upon receipt of any notice from the Seller, the Managing Facility Agent shall promptly notify each Purchaser thereof. Prior to 11:00 a.m., New York City time, on such Special Settlement Date, each Purchaser shall make available to the Managing Facility Agent, in immediately available funds at the Managing Facility Agent's office specified in Section 11.2, the amount of such Purchaser's pro rata share of the aggregate Purchase Price for all Receivables being purchased on such Special Settlement Date. Subject to the terms and conditions hereof, the proceeds of such purchase will then be made available to the Seller by the Managing Facility Agent crediting the account of the Seller on the books of such office with the aggregate of the amounts made available to the Managing Facility Agent by the Purchasers and in like funds as received by Managing Facility Agent.

2.4 Participated Receivables. (a) In the event that on any Settlement Date the aggregate Available Commitments are less than the aggregate Purchase Price of Eligible Receivables the Seller proposes to sell on such Settlement Date, and so long as no Rating Event has occurred and is continuing, the Purchasers agree, subject to the terms and conditions in this Agreement, to purchase an interest in each such Receivable, the Purchase Price of which would otherwise exceed the amount of the Available Commitments, up to the aggregate Available Commitments then in effect. The Purchase Price for each such Receivable shall be deemed to be the Principal Balance able to be purchased under the Available Commitments;

provided that the Available Commitments shall first be applied to purchase Receivables other than Participated Receivables to the fullest extent available and next to purchase Participated Receivables. The portion of each such Receivable not available to be purchased by the Purchasers shall be an interest of the Seller in such Receivable and shall represent the Seller's Interest in such Participated Receivable. The Seller's Interest in each Participated Receivable shall be subordinated and junior to the rights of the Purchasers in accordance with the terms and conditions of subsection 2.4(b). The portion of any Participated Receivable representing the Seller's Interest therein shall be, subject to the terms and conditions of this Agreement, available as a Receivable for purchase by the Purchasers on subsequent Settlement Dates.

(b) The Seller's Interest in and to each Participated Receivable shall be subordinate and junior in right of payment and all other rights to the rights of the Purchasers with respect to such Participated Receivable, including, but not limited to, the rights of the Purchasers to receive all Principal Collections and Finance Charge Collections on such Participated Receivable. Such subordination shall be in effect until the Principal Balance purchased by the Purchasers of the Participated Receivable, after application of Principal Collections received on account of such Participated Receivable, has been reduced to zero and, accordingly, the Seller shall not (except as provided in subsection 2.16(b)) be entitled to receive any amounts with respect to a Participated Receivable on account of the Seller's Interest therein until such time. If the Seller receives any payment on account of the Seller's Interest in any Participated Receivable prior to the time at which it is entitled to retain such payment pursuant to this subsection 2.4(b), the Seller shall hold such payment in trust for the Managing Facility Agent and the Purchasers and shall immediately deposit such payment into the Concentration Account.

2.5 Extended Term Receivables. (a) The Purchasers agree, subject to the terms and conditions of this Agreement, on the Closing Date and any Settlement Date to purchase Extended Term Receivables, up to each Purchaser's Available Commitment, for a Purchase Price equal to (a) the actual unpaid Principal Balance of such Receivable on the last day of the Settlement Period preceding the date of purchase less (b) the aggregate amount of principal payments scheduled to be made thereon after the Cash Flow Cutoff Date for such Extended Term Receivable. The portion of each such Receivable not available to be purchased by the Purchasers shall be an interest of the Seller in such Receivable and shall represent the Seller's Interest in such Extended Term Receivable. The Seller's Interest in each Extended Term Receivable shall be subordinated and junior to the rights of the Purchasers in accordance with the terms and conditions of subsection 2.5(b). The portion of the actual unpaid principal balance of any Extended Term Receivable representing the Seller's Interest therein shall be, subject to the terms and conditions hereof (including, without limitation, that principal payments scheduled to be made after the applicable Cash Flow Cutoff Date at any date of determination are not available for purchase under this Agreement), available for purchase by the Purchasers on subsequent Settlement Dates.

(b) The Seller's Interest in and to each Extended Term Receivable shall be subordinate and junior in right of payment and all other rights to the rights of the Purchasers with respect to such Extended Term Receivable, including, but not limited to, the rights of the Purchasers to receive all Principal Collections and Finance Charge Collections on such Extended Term Receivable. Such subordination shall be in effect until the Principal Balance purchased by the Purchasers of the Extended Term Receivable, after application of Principal Collections received on account of such Extended Term Receivable, has been reduced to zero and, accordingly, the Seller shall not be entitled to receive any amounts with respect to a Extended Term Receivable on account of the Seller's Interest therein until such time. If the Seller receives any payment on account of the Seller's Interest in any Extended Term Receivable prior to the time at which it is entitled to retain such payment pursuant to this subsection 2.5(b), the Seller shall hold such payment in trust for the Managing Facility Agent and the Purchasers and shall immediately deposit such payment into the Concentration Account.

2.6 Certain Actions Following a Rating Event and a Discount Event. (a) If a Rating Event shall occur, then no later than the 10th Business Day following such occurrence (provided such Rating Event shall then be continuing) the Seller shall deposit cash into the Cash Collateral Account an amount equal to the Repurchase Percentage times the aggregate Outstanding Purchase Price (as of the Settlement Date preceding such date of deposit). As long as any Rating Event continues, any amounts deposited in the Cash Collateral Account shall be applied from time to time in accordance with subsection 2.14(c). If such Rating Event shall cease to continue, the Managing Facility Agent shall, upon written request of the Seller, withdraw amounts so deposited in the Cash Collateral Account and deliver such amounts to the Seller (or upon its order).

(b) On each Settlement Date after the occurrence and during the continuance of a Discount Event or Rating Event, each purchase of Eligible Receivables in accordance with the terms and conditions specified in this Agreement shall be at a discount as specified in the proviso contained in the definition of "Purchase Price" and the portion of such Receivable's Principal Balance equal to the sum of the reductions and discounts required pursuant to such proviso clause shall be an interest of the Seller in such Receivable and shall constitute the Seller's Interest. The Seller's Interest in each Purchased Receivable created pursuant to this clause (b) shall be subordinated and junior to the rights of the Purchasers in accordance with the terms and conditions of subsection 2.6(c). If a Rating Event or Discount Event is no longer continuing, the portion of any Receivable representing the Seller's Interest created therein pursuant to this clause (b) shall, subject to the terms and conditions of this Agreement, be deemed to be available as a Receivable for purchase by the Purchasers on subsequent Settlement Dates.

(c) The Seller's Interest in and to each Purchased Receivable a portion of which is an interest of the Seller pursuant to subsection 2.6(b) shall be subordinate and junior in right of payment and all other rights to the rights of the Purchasers with respect to the Purchased Receivables, including, but not limited to, the rights of the Purchasers to receive all Principal Collections and Finance Charge Collections on the Purchased Receivables until the Outstanding Purchase Price has been reduced to zero and all other amounts owing to the Managing Facility Agent or any Purchaser under any Purchase Document have been paid in full and, accordingly, the Seller shall not (except as provided in subsection 2.16(b)) be entitled to receive any amounts on account of the Seller's Interest in such Purchased Receivables until the Outstanding Purchase Price has been reduced to zero and all other amounts owing to the Managing Facility Agent or any Purchaser under any Purchase Document have been paid in full.

(d) If a Rating Event shall occur and be continuing, Lease Receivables, 90% Repurchase Receivables, Unsecured Foreign Receivables, Nonstandard Receivables, ExIm Bank Receivables, Affiliate Receivables and Receivables (other than Wholesale Receivables) the payments of which are not required to be made at least monthly and Receivables the Obligor of which is a Governmental Authority (other than a United States Federal Governmental Authority) will not be eligible for purchase or substitution hereunder (including Lease Receivables under subsection 2.13(e)).

(e) If a Rating Event shall occur and be continuing and the Servicer makes a drawing under any letter of credit related to a L/C Receivable pursuant to subsection 3.2(a), the Servicer shall deposit the amount of such drawing in the Collection Account on the date deposits are required to be made hereunder pursuant to subsection 2.14(a).

(f) If a Rating Event shall occur and be continuing the Seller will enter into interest rate hedge arrangements in accordance with subsection 6.1(k).

(g) If a Rating Event shall occur or be continuing, the other provisions of this Agreement regarding such event including, without limitation, those specified in clause (k) of the definition of "Eligible Applicable Lease", clauses (c), (x), (y), (aa), (dd) and (ee) of the definition of "Eligible Receivable", the definition of "Purchase Price", the definition of "Repurchase Factor", the definition of "Repurchase Price" and subsections 2.4, 2.5, 2.10, 2.11, 2.14, 2.15, 2.16, 6.1(k), 11.1 and 11.7 hereof, shall apply.

2.7 Concentration Limits. (a) The Seller shall not sell or substitute Eligible Receivables on any Settlement Date if, and to the extent that, after giving effect to such sales and substitutions on such date (unless the Managing Facility Agent and all of the Purchasers otherwise agree with respect to clauses (i) and (ii) below and unless the Managing Facility Agent and the Required Purchasers otherwise agree with respect to clauses (iii) through (xvi) below):

(i) the aggregate outstanding Principal Balances of all Purchased Receivables in respect of a single Obligor and all of its Affiliates or a single Unaffiliated Foreign Lessee and all of its Affiliates would exceed an amount equal to 10% of the Outstanding Purchase Price on such Settlement Date, provided, that (x) if no Amortization Event has occurred and is continuing, the Seller may request that the 10% concentration limit with respect to any Obligor be waived and such waiver may be granted with the unanimous written consent of the Purchasers; and (y) if on any Settlement Date, Raytheon's Debt Rating is at either of the levels set forth below then the 10% concentration limit is hereby waived with respect to Great Lakes and Mesa and the concentration percentages for each set forth opposite such Debt Rating shall be applicable:

Debt Rating	Mesa %	Great Lakes %
BBB or Baa2 or higher	20%	15%
below BBB or Baa2	15%	10%;

(ii) the aggregate outstanding Principal Balances of Purchased Receivables of the five Obligors and all of their Affiliates with the largest aggregate outstanding Principal Balances would exceed an amount equal to 35% of the Outstanding Purchase Price on such Settlement Date; provided, that the Principal Balances of Receivables having Mesa as the applicable Obligor shall be excluded from the foregoing concentration limitations unless Raytheon's Debt Rating is below either BBB or Baa2 during which time such Receivables shall be subject to the foregoing limitations. For purposes of this subsection 2.7(a)(ii), the Obligor under an Affiliate Receivable shall be deemed to be the Unaffiliated Foreign Lessee thereunder;

(iii) the aggregate outstanding Principal Balances of Purchased Receivables created in connection with the financing or refinancing of Refinanced Aircraft would constitute more than 50% of the Outstanding Purchase Price paid for all Receivables (other than Wholesale Receivables) on such Settlement Date;

(iv) the aggregate outstanding Principal Balances of all Nonstandard Receivables would exceed an amount equal to 35% of the Outstanding Purchase Price on such Settlement Date;

(v) the aggregate outstanding Principal Balances of all Secured Lease Receivables would exceed an amount equal to 35% of the Outstanding Purchase Price on such Settlement Date;

(vi) the aggregate outstanding Principal Balances of all Uncertified Foreign Receivables (other than L/C Receivables and Foreign Wholesale Receivables) would exceed an amount equal to 40% of the Outstanding Purchase Price on such Settlement Date;

(vii) the aggregate outstanding Principal Balances of all Purchased Receivables which are not required to be paid in consecutive monthly installments (including, without limitation, Quarterly Receivables and Semi-Annual Receivables) would exceed 20% of the Outstanding Purchase Price on such Settlement Date;

(viii) the aggregate outstanding Principal Balances of all Purchased Receivables with respect to which the Financed Aircraft related thereto are without conveyance numbers from the FAA on such Settlement Date would exceed, during such times as Raytheon's Debt Rating is equal to the levels set forth below, the corresponding percentage of the Outstanding Purchase Price on such Settlement Date:

Raytheon Debt Rating	Concentration Percentage Limit
BBB/Baa2 or higher	25%
below BBB/Baa2	0%; or

(ix) with respect to each foreign jurisdiction (other than Brazil) whose long-term foreign currency debt rating is rated below BBB- and Baa3, the aggregate outstanding Principal Balances of all Purchased Receivables which are Foreign Receivables having a Foreign Obligor located in such jurisdiction would exceed an amount equal to 5% or, in the case of Brazil, 10% of the Outstanding Purchase Price on such Settlement Date. For purposes of this clause (ix), the Obligor under an Affiliate Receivable shall be deemed to be the Unaffiliated Foreign Lessee thereunder;

(x) the aggregate outstanding Principal Balances of all Unsecured Receivables on any Settlement Date would exceed an amount equal to 30% of the Outstanding Purchase Price on such Settlement Date;

(xi) the aggregate outstanding Principal Balances of all Wholesale Receivables would exceed an amount equal to 20% of the Outstanding Purchase Price on such Settlement Date;

(xii) the aggregate outstanding Principal Balances of all Unsecured Foreign Receivables the Obligor of which is a Governmental Authority would exceed an amount equal to 2% of the Outstanding Purchase Price on such Settlement Date;

(xiii) the aggregate outstanding Principal Balances of all Extended Term Receivables would exceed an amount equal to 50% of the Outstanding Purchase Price on such Settlement Date;

(xiv) the aggregate outstanding Principal Balances of all Purchased Receivables with respect to Aircraft manufactured by any Person other than RAC would exceed an amount equal to 2% of the Outstanding Purchase Price on such Settlement Date;

(xv) the aggregate outstanding Principal Balances of all Purchased Receivables which are Lease Receivables which are carried on the books of Raytheon Credit or the Seller as operating leases (collectively, "Operating Lease Receivables") would exceed an amount equal to 2% of the Outstanding Purchase Price on such Settlement Date; or

(xvi) the aggregate outstanding Principal Balances of all Purchased Receivables with respect to which the FAA Assignment for the Financed Aircraft related thereto (if required pursuant to subsection 5.2(e) hereof) is without a conveyance number from the FAA on the Applicable Settlement Date would exceed an amount equal to 25% of the Outstanding Purchase Price on such Settlement Date; provided that, if Raytheon's Debt Rating is below BBB or Baa2, then such limit shall be reduced to 0%; or

(xvii) the aggregate outstanding Principal Balances of all Travel Air Receivables on any Settlement Date would exceed an amount equal to 5% of the Outstanding Purchase Price on such Settlement Date.

(b) If any such sale or substitution on any Settlement Date shall cause a breach of any of the limitations specified in subsections 2.7(a)(i) through 2.7(a)(xvii), the Seller shall, subject to subsection 2.13, repurchase from the Purchasers, on the Settlement Date immediately following the date the Managing Facility Agent notifies the Seller of such breach, sufficient Receivables such that after such repurchase such breach shall have been remedied (each Receivable so repurchased, a "Concentration Receivable"). The Seller shall effect such repurchase by depositing into the Concentration Account on such Settlement Date cash in an amount equal to the aggregate Outstanding Balances of the Concentration Receivables plus, if a Trigger Amortization Event has occurred and is continuing, accrued and unpaid interest thereon at the rate under the related Contract except to the extent (without duplication) of any payment made pursuant to subsection 2.18 for the Settlement Period during which such interest accrued and was not paid by the related Obligor. The amount of any such deposit shall be applied and distributed in accordance with subsections 2.15 and 2.16.

2.8 Term of Revolving Period. () So long as no Amortization Event has occurred and is continuing, no more than 60 and no less than 45 days prior to the applicable Expiration Date, the Seller may request, through the Managing Facility Agent, that each Purchaser extend the Revolving Period, which decision will be made by each Purchaser in its sole discretion. Such request by the Seller shall be accompanied by an amortization schedule of Purchased Receivables in form and substance satisfactory to the Managing Facility Agent and the Purchasers. Upon receipt of any such request, the Managing Facility Agent shall promptly notify each Purchaser thereof. At least 30 but not more than 45 days prior to the applicable Expiration Date, each Purchaser shall notify the Managing Facility Agent of such Purchaser's willingness to extend the Revolving Period, and the Managing Facility Agent shall notify the Seller of such willingness by the Purchasers on such 30th day. The approval of the Managing Facility Agent and at least the Majority Purchasers (calculated as to Purchasers which are not Dissenting Purchasers prior to the applicable Expiration Date) shall be required to extend such Expiration Date.

(b)(i) Any Purchaser not wishing to extend the Revolving Period (a "Dissenting Purchaser") may in its sole discretion elect to terminate its Commitment on the Expiration Date in effect prior to any such extension of the Revolving Period. The Dissenting Purchaser shall give the Managing Facility Agent notice of such election at least 30 days prior to the applicable Expiration Date, provided that failure to expressly notify the Managing Facility Agent of a willingness to extend the Expiration Date in accordance with subsection 2.8(a) shall be deemed an election by such Purchaser to terminate its Commitment on the Expiration Date. Upon receipt of any notice the Managing Facility Agent shall promptly notify each other Purchaser and the Seller thereof. The Seller, by notice to the Managing Facility Agent, may (but shall not be required to) request one or more other Purchasers, or seek another financial institution acceptable to the Managing Facility Agent and the Seller, in their reasonable discretion, to acquire the Commitment of the Dissenting Purchaser and all amounts payable to it hereunder in accordance with subsection 11.6(c). Unless otherwise specified in connection with a transfer made pursuant to subsection 11.6(c), a Purchaser shall become a Dissenting Purchaser pursuant to this subsection 2.8(b) on the first day following the Expiration Date on which its Commitment is terminated.

(ii) If any Dissenting Purchaser's Commitment is not acquired pursuant to subsection 11.6(c), such Dissenting Purchaser shall, on each Settlement Date after the Expiration Date on which its Commitment terminates, (A) be paid such Dissenting Purchaser's pro rata share of Principal Collections received after such Expiration Date solely (except as provided in subsection 2.13(c)) on account of Eligible Receivables purchased or substituted on or before such Expiration Date (based on such Dissenting Purchaser's Commitment Percentage at the time its Commitment terminated) (as to such Dissenting Purchaser, its "Frozen Pool"), (B) not purchase any additional Receivables after such Expiration Date and (C) be paid interest in accordance with subsection 2.17 in respect of its Outstanding Purchase Price.

(iii) So long as the Revolving Period has not expired or terminated, if on any Settlement Date after a Purchaser becomes a Dissenting Purchaser its Outstanding Purchase Price is less than 10% (after giving effect to the application of Collections on such Settlement Date) of such Dissenting Purchaser's maximum Outstanding Purchase Price at any time prior to the date such Purchaser became a Dissenting Purchaser, then the Seller may give the Managing Facility Agent irrevocable notice, which must be received by the Managing Facility Agent by 10:00 a.m., New York City time, on the Reporting Date prior to the next succeeding Settlement Date, (A) requesting that each other Purchaser purchase a pro rata share (based on such other Purchaser's Available Commitment Percentage as in effect on such next succeeding Settlement Date) of such Dissenting Purchaser's Outstanding Purchase Price (the "Buyout Amount") subject to the approval of the Managing Facility Agent and the Majority Purchasers or (B) stating that the Seller or an Affiliate of the Seller will repurchase all the Dissenting Purchaser's interests in and to the Receivables in the Frozen Pool by payment of the Buyout Amount on such next succeeding Settlement Date; provided that no such purchase by the Purchasers shall be made if the Buyout Amount to be paid by such Purchasers exceeds the aggregate Available Commitments in effect on such next succeeding Settlement Date (after giving effect to purchases from the Seller on such date). Any such purchase of the Buyout Amount by the Purchasers shall be subject to, and shall be made upon satisfaction of, the conditions set forth in subsection 5.2 and, in connection therewith, the Seller shall be deemed to have made the representations and warranties set forth in subsection 4.2 with respect to the Receivables constituting the Frozen Pool as if such Receivables were being sold to the Purchasers on such Settlement Date. Payment for the purchase by the Purchasers or the repurchase by the Seller of the Frozen Pool, as the case may be, shall be made to the Managing Facility Agent for the account of such Dissenting Purchaser on such Settlement Date by deposit into the Concentration Account on the Settlement Date required by this subsection 2.8(b)(iii).

2.9 Termination or Reduction of Commitments. (a) On any Settlement Date, the Seller shall have the right to terminate the Commitments or reduce the amount thereof by notice to the Managing Facility Agent on the preceding Reporting Date; provided that no such termination or reduction shall be permitted if, after giving effect thereto and to any distributions on account of the Outstanding Purchase Price made on such Settlement Date, the then Outstanding Purchase Price (exclusive of the interests of Dissenting Purchasers) would exceed the Commitments then in effect. Any such reduction shall be in an amount equal to $50,000,000 or a multiple of $1,000,000 in excess thereof and shall permanently reduce the Commitments then in effect.

(b) Each Purchaser's Commitment shall terminate upon the expiration of the Revolving Period as to such Purchaser.

2.10 Defaulted Receivables; Application of Lease Security Deposits. () (i) On each Settlement Date (other than a Special Settlement Date) the Seller agrees to repurchase from the Purchasers, up to the Repurchase Obligation, all Receivables which became Defaulted Receivables during each preceding Settlement Period with respect to which the Seller has not substituted an Eligible Receivable pursuant to subsection 2.13, as indicated on the Settlement Statement

delivered on the related Reporting Date. Subject to subsections 2.10(b), 2.13, 2.15(b) and clause sixth of subsection 2.16(b), the Seller shall repurchase such Defaulted Receivables by depositing into the Concentration Account on such Settlement Date cash in an amount equal to the aggregate Outstanding Balances of the Defaulted Receivables plus, if a Trigger Amortization Event has occurred and is continuing, accrued and unpaid interest thereon at the rate under the related Contract except to the extent (without duplication) of any payment made pursuant to subsection 2.18 for the Settlement Period during which such interest accrued and was not paid by the Obligor under such Contract. The amount of any such deposit shall be applied and distributed in accordance with subsections 2.15 and 2.16. If on any Settlement Date the Repurchase Price to be paid by the Seller for any Defaulted Receivable would cause the Repurchase Obligation then in effect (determined on such Settlement Date) to be exceeded, the Seller shall be deemed to acquire only a fractional interest in each Defaulted Receivable repurchased on such Settlement Date. The numerator of such fraction shall be the Repurchase Obligation then in effect determined on such Settlement Date and the denominator thereof shall be the aggregate Repurchase Price for all Defaulted Receivables on such Settlement Date. Upon any repurchase of a Defaulted Receivable pursuant to this subsection or the Repurchase Agreement after a Discount Event or Rating Event, the Seller's Interest shall be reduced by an amount equal to the Purchase Discount, if any, with respect to such Defaulted Receivable times the Principal Balance thereof on the last day of the Settlement Period preceding the Settlement Date on which such repurchase is made. Any Purchased Receivable related to a Remarketed Aircraft which is repurchased or substituted for in accordance with subsection 2.11 or 2.13, respectively, shall not be deemed to be a Defaulted Receivable.

(ii) In the event that a Rating Event occurs and is continuing, any Net Recoveries received by the Seller (A) on account of any Defaulted Receivable repurchased by it, RAC or the Guarantor or (B) on account of any Defaulted Receivable which neither the Seller, RAC nor the Guarantor has repurchased, shall be deposited into the Cash Collateral Account. In the event that the Amortization Period ends pursuant to clause (ii) of the definition of such term, any Net Recoveries received by the Seller after such time (A) on account of a Defaulted Receivable repurchased by it, RAC or the Guarantor or (B) on account of any Defaulted Receivable which none of the Seller, RAC nor the Guarantor has repurchased shall be deposited into the Cash Collateral Account. The Seller shall make any deposit required to be made by this subsection 2.10(a)(ii) within two Business Days after the Seller's receipt of such Net Recoveries and such deposits shall be applied in accordance with subsections 2.15 and 2.16. The obligation of the Seller to deposit such Net Recoveries shall survive the termination of this Agreement.

(iii) The Seller agrees that, to the extent it has received a security deposit in respect of any Lease Receivable, at the time the Seller applies any or all of such security deposit or any or all of such security deposit is applied (in each case pursuant to the related Contract or otherwise) against the amounts owed in respect of a Receivable, on the next succeeding Settlement Date the Seller shall be obligated to pay the Purchasers the amount of such application. The Seller shall pay such obligation by depositing into the Concentration Account on such Settlement Date cash in an amount equal to such application. The amount of any such deposit shall be applied and distributed in accordance with subsections 2.15 and 2.16.

(b) The maximum repurchase obligation of the Seller with respect to Defaulted Receivables (the "Repurchase Obligation") shall be equal at any time to (i) the Repurchase Factor in effect on the Settlement Date on which such repurchase is to be made minus (ii) the aggregate Repurchase Prices of Defaulted Receivables which were repurchased by the Seller pursuant to subsection 2.10(a) prior to such time minus (iii) amounts deposited into the Cash Collateral Account pursuant to subsection 2.14(c)(ii) plus (iv) all Net Recoveries received by the Seller with respect to such Defaulted Receivables (or portion thereof) so repurchased by the Seller prior to such time and not required to be deposited into the Cash Collateral Account pursuant to subsection 2.10(a)(ii).

2.11 Ineligible Receivables. The Seller agrees to repurchase on each Settlement Date, and the Purchasers agree to sell to the Seller on such date and in accordance with the terms hereof, any Purchased Receivable if such Receivable is (i) an Ineligible Receivable, (ii) an Existing Certified Receivable in respect of which the Old Administrative Agent shall not have received on or prior to the Certified Opinion Delivery Date (x) an opinion of foreign counsel satisfying the requirements of subsection 2.27(c) or (y) evidence of the filings, if any, referred to in subsection 6.1(n)(i) or (iii) an Existing Receivable in respect of which the Old Administrative Agent shall not have received on or prior to the FAA Filing Date evidence of the filings, if any, referred to in subsection 6.1(n)(ii) provided that, during the Amortization Period, the Purchasers, by unanimous consent, in their sole discretion may choose not to sell any Receivable referred to in clauses (i), (ii) or (iii) to the Seller. The Seller shall make such repurchase on the Settlement Date first succeeding the earlier of (x) the date on which the Seller becomes aware of facts and circumstances giving rise to such event of ineligibility or (y) the date on which the Managing Facility Agent notifies the Seller that such event of ineligibility has occurred and is continuing. Subject to subsections 2.13 and 2.15(b), the Seller shall make such repurchase by depositing in the Concentration Account cash in an amount equal to the Repurchase Price for such Ineligible Receivable at the date such deposit is made, except to the extent (without duplication) of any payment made pursuant to subsection 2.18, for the Settlement Period during which such interest accrued and was not paid by the Obligor under such Contract. The amount of any such deposit shall be applied and distributed in accordance with subsections 2.15 and 2.16. Except as provided in subsection 9.1, the sole obligation of the Seller with respect to an Ineligible Receivable of the type described in clause (i) of this subsection 2.11 shall be the requirement to repurchase or substitute for such Receivable pursuant to this subsection 2.11 or subsection 2.13, respectively.

2.12 Rebated Receivables. If on any date the Principal Balance of any Purchased Receivable is, or is deemed to be, reduced or adjusted or no longer payable as a result of any rebate, discount, refund or other adjustment of such Purchased Receivable, or any other reduction or adjustment of any payment under any Purchased Receivable, other than any such rebate, discount refund or adjustment permitted under subsection 7.1(b)(iv)(x), the Seller shall be deemed to have received on such day a Collection in respect of such Purchased Receivable in the amount of such reduction or adjustment or in the amount no longer payable (as applicable) and shall, subject to subsection 2.15(b), deposit

cash into the Concentration Account on the next succeeding Settlement Date in an amount equal to such reduction or adjustment or such amount no longer payable (as applicable) plus if a Trigger Amortization Event has occurred and is continuing, accrued and unpaid interest thereon at the rate under the related Contract except to the extent (without duplication) of any payment made pursuant to subsection 2.18 for the Settlement Period during which such interest accrued and was not paid by the Obligor under such Contract. The amount of any such deposit shall be applied and distributed in accordance with subsections 2.15 and 2.16.

2.13 Substitution of Receivables. (a) Whenever the Seller is required to repurchase Concentration Receivables, Defaulted Receivables, or Ineligible Receivables pursuant to subsection 2.7(b), 2.10 or 2.11, respectively, the Seller may, subject to the terms hereof, in lieu of making such repurchase, substitute one or more Eligible Receivables (each, a "Substituted Receivable") therefor on the Settlement Date on which the repurchase is required to be made; provided that the Settlement Statement delivered on the Reporting Date prior to such Settlement Date shall contain the information required thereby with respect to such proposed substitution. The option of the Seller to substitute one or more Substituted Receivables for any Receivables as aforesaid is subject to the following conditions precedent: (i) no Trigger Amortization Event has occurred and is then continuing, (ii) if such substitution occurs during the Amortization Period, and provided that no Trigger Amortization Event has occurred and is then continuing, the Majority Purchasers have approved such substitution and (iii) either the Substituted Receivable has a Final Payment Date which is not after the Final Payment Date of the replaced Receivable (each, replaced Receivable, a "Removed Receivable"), or if the Final Payment Date of the Substituted Receivable is after that of the Removed Receivable, then only that portion of the Principal Balance of such proposed Substituted Receivable which is scheduled to be paid on or prior to the Final Payment Date of the Removed Receivable shall be included as a Substituted Receivable. Defaulted Receivables shall be replaced with Substituted Receivables prior to replacement of Ineligible Receivables or Concentration Receivables with Substituted Receivables and, in each case, shall be replaced with Substituted Receivables in the following order of priority: (i) first, with Substituted Receivables which are 25% Repurchase Receivables, (ii) second, with Substituted Receivables which are 75% Repurchase Receivables, and (iii) third, with Substituted Receivables which are 90% Repurchase Receivables. The making of such substitution shall be subject to the satisfaction of the conditions set forth in paragraphs subsection 5.2, including, without limitation, the delivery of an Assignment and, if applicable, an FAA Assignment or Foreign Assignment.

(b) If the Repurchase Price of the Removed Receivable proposed to be replaced by one or more Substituted Receivables is greater than the aggregate Principal Balances of such Substituted Receivables, the Seller shall deposit cash into the Concentration Account in an amount equal to such excess. Alternatively, if the Repurchase Price of such Removed Receivable is less than the aggregate Principal Balances of the corresponding Substituted Receivable or Receivables, during the Revolving Period the Seller may, so long as no Amortization Event has occurred and is continuing, request the Purchasers to purchase such excess, to the extent of the Available Commitments, pursuant to subsection 2.2. If such excess is not purchased for any reason set forth in this Agreement, then each

Substituted Receivable able to be substituted to the fullest extent shall first be substituted and any remaining Substituted Receivable shall be a Participated Receivable subject to the provisions of subsection 2.4. During the Revolving Period, if any Substituted Receivable is an Extended Term Receivable, then such Substituted Receivable shall be subject to subsection 2.5 and the Cash Flow Cutoff Date for such Substituted Receivable shall be deemed to be, initially, (i) so long as no Rating Event has occurred and is continuing, thirteen years after the date of substitution of such Substituted Receivable and (ii) during the continuance of a Rating Event, ten years after the date of substitution of such Substituted Receivable. Substitution for a Defaulted Receivable shall not reduce the Repurchase Obligation.

(c) If a Dissenting Purchaser holds an undivided interest in any Removed Receivable then:

(i) if such Removed Receivable is an Ineligible Receivable or a Concentration Receivable, the Seller shall pay to the Managing Facility Agent for the account of such Dissenting Purchaser an amount equal to the sum of (A) the product of such Dissenting Purchaser's Commitment Percentage (determined at the time such Dissenting Purchaser's Commitment terminated) times the Outstanding Balance for such Removed Receivable and (B) if a Trigger Amortization Event has occurred and is continuing, the Dissenting Purchaser's pro rata share (determined at the time such Dissenting Purchaser's commitment terminated) of accrued and unpaid interest on such Removed Receivable at the rate under the related Contract except to the extent (without duplication) of any payment made pursuant to subsection 2.18 for the Settlement Period during which such interest accrued and was not paid by the Obligor under such Contract; and

(ii) if such Removed Receivable is a Defaulted Receivable, (A) and if the aggregate Available Commitments in effect on the Settlement Date on which such substitution is to be made exceed an amount equal to (x) the Dissenting Purchaser's Commitment Percentage (determined at the time such Dissenting Purchaser's Commitment terminated) times (y) the Outstanding Balance for such Removed Receivable (the "Dissenting Purchaser's Share"), each Purchaser other than a Dissenting Purchaser shall be deemed to purchase its Commitment Percentage of the Dissenting Purchaser's Share by making funds therefor available to the Managing Facility Agent for the account of such Dissenting Purchaser on the Settlement Date on which such substitution is proposed to be made; provided that such purchases shall be subject to the satisfaction of the conditions set forth in subsection 5.2 and, in connection therewith, the Seller shall be deemed to have made the representations and warranties set forth in subsection 4.2 with respect to the Purchased Receivables constituting the Dissenting Purchaser's Share as if the Seller were selling such Receivables to the Purchasers on such Settlement Date; or (B) if for any reason a purchase cannot be made pursuant to the foregoing clause (A), the Seller shall repurchase, up to the amount of the Repurchase Obligation on the date of such

purchase, such Dissenting Purchaser's Share on such Settlement Date up to such Dissenting Purchaser's Commitment Percentage (determined at the time such Dissenting Purchaser's Commitment terminated) of the Aggregate Repurchase Obligation in effect on such Settlement Date (in each case after giving effect to purchases, substitutions and repurchases on such Settlement Date) plus, if a Trigger Amortization Event has occurred and is continuing, the Dissenting Purchaser's pro rata share (determined at the time such Dissenting Purchaser's Commitment terminated) of accrued and unpaid interest on such Removed Receivable at the rate under the related Contract except to the extent (without duplication) of any payment made pursuant to subsection 2.18 for the Settlement Period during which such interest accrued and was not paid by the Obligor under such Contract. It is understood that determinations of the Repurchase Obligation with respect to a Dissenting Purchaser pursuant to this subsection 2.13(c)(ii) shall be, with respect to a L/C Receivable, made on the Settlement Date on which such determination is made in accordance with the definitions of the terms "90% Repurchase Receivable" and "25% Repurchase Receivable" and the status of such L/C Receivable at such Settlement Date.

(d) Any repurchases of Receivables made pursuant to subsection 2.13(c) shall be made on the Settlement Date on which the related substitution of Receivables is to be made.

(e) On any Settlement Date (other than a Special Settlement Date) the Seller may, with the consent of the Managing Facility Agent, substitute a Lease Receivable which is an Eligible Receivable (a "Substituted Lease Receivable") for a Lease Receivable (other than a Lease Receivable which is a Defaulted Receivable, a Concentration Receivable or an Ineligible Receivable) which was previously sold or substituted hereunder (a "Replaced Lease Receivable") if the Seller, in the ordinary course of business and in accordance with the Credit and Collection Policy, is entering into a new Contract with the same Person which is the Obligor under the Contract related to such Replaced Lease Receivable (or an Affiliate of such Person); provided that during the Amortization Period the prior consent of the Majority Purchasers shall be required to effect any such substitution; provided, further, that if a Remittance Event has occurred and is continuing and if the Principal Balance of a Substituted Lease Receivable is less than the Principal Balance of the Replaced Lease Receivable such substitution shall occur only on a Settlement Date and within two Business Days after such substitution is made, the Seller shall deposit into the Concentration Account an amount equal to the difference between the Outstanding Balance of the Replaced Lease Receivable and the Purchase Price of the Substituted Lease Receivable. The Settlement Statement with respect to the Settlement Period in which such substitution occurs (or the Settlement Statement delivered with respect to the Settlement Date on which such substitution occurs, in the case of substitutions made on a Settlement Date in accordance with the final proviso of the preceding sentence) shall contain the information required thereby with respect to such substitution. Upon such substitution, the Principal Balance of the Replaced Lease Receivable shall be deemed to be reduced to zero. The provisions of subsection 2.13(b) (except for the first sentence thereof) shall apply as

if a Replaced Lease Receivable and a Substituted Lease Receivable are, respectively, a Removed Receivable and a Substituted Receivable and the provisions of subsection 2.13(c)(i) (A) (without regard to clause (B) of subsection 2.13(c)(i)) shall apply as if a Replaced Lease Receivable is a Removed Receivable; provided that, in accordance with subsection 2.13(d) and notwithstanding the date of substitution of a Substituted Lease Receivable in accordance with this subsection 2.13(e), payments shall be made to the Dissenting Purchaser with respect to a Substituted Lease Receivable on the Settlement Date related to the Settlement Statement which contains information with respect to such substitution. The making of such substitution shall be subject to the satisfaction of the conditions set forth in subsection 5.2, including in each case, without limitation, the delivery of an Assignment and FAA Assignment or a Foreign Assignment, as applicable, with respect to each such Substituted Lease Receivable on or before the Business Day such Substituted Lease Receivable is substituted.

(f) On any Settlement Date (other than a Special Settlement Date) the Managing Facility Agent may, notwithstanding the provisions of subsection 11.1 or any other provision regarding the Purchasers' rights to consent to substitutions, without the consent of any of the Purchasers, allow the Seller to substitute an Eligible Receivable (a "Current Receivable") for an Eligible Receivable a payment under which is more than 30 days past due from the original due date therefor, but which is not otherwise a Defaulted Receivable; provided that the Settlement Statement delivered on the Reporting Date prior to such Settlement Date shall contain the information required thereby with respect to such proposed substitution. In addition to the consent of the Managing Facility Agent required by the immediately preceding sentence, the Seller's permission to substitute one or more Current Receivables for any Delinquent Receivables is subject to the following conditions precedent: (i) no Trigger Amortization Event has occurred and is then continuing, (ii) if such substitution occurs during the Amortization Period, and provided that no Trigger Amortization Event has occurred and is then continuing, the Majority Purchasers have approved such substitution and (iii) either the Current Receivable has a Final Payment Date which is not after the Final Payment Date of the replaced Delinquent Receivable or if the Final Payment Date of the Current Receivable is after that of the replaced Delinquent Receivable, then only that portion of the Principal Balance of such proposed Current Receivable which is scheduled to be paid on or prior to the Final Payment Date of the replaced Delinquent Receivable shall be included as a Purchased Receivable. If the Principal Balance of the Delinquent Receivable proposed to be replaced by one or more Current Receivables is greater than the aggregate Principal Balances of such Current Receivables, the Seller shall deposit cash into the Concentration Account in an amount equal to such excess. Alternatively, if the Principal Balance of such Delinquent Receivable is less than the aggregate Principal Balances of the corresponding Current Receivable or Receivables, during the Revolving Period the Seller may, so long as no Amortization Event has occurred and is continuing, request the Purchasers to purchase such excess, to the extent of the Available Commitments, pursuant to subsection 2.2. If such excess is not purchased for any reason set forth in this Agreement, then each Current Receivable able to be substituted to the fullest extent shall first be substituted and any remaining Current Receivable shall be a Participated Receivable subject

to the provisions of subsection 2.4. During the Revolving Period, if any Current Receivable is an Extended Term Receivable, then such Current Receivable shall be subject to subsection 2.5 and the Cash Flow Cutoff Date for such Current Receivable shall be deemed to be, initially, (i) so long as no Rating Event has occurred and is continuing, thirteen years after the date of substitution of such Current Receivable and (ii) during the continuance of a Rating Event, ten years after the date of substitution of such Current Receivable. Substitution for a Delinquent Receivable shall not reduce the Repurchase Obligation.

2.14 Accounts. (a) On or before the Closing Date the Seller shall establish in its name a segregated account with a commercial bank satisfactory to the Managing Facility Agent (the "Collection Account"). Upon the occurrence and during the continuance of a Remittance Event, and unless the Servicer has provided a Servicer Letter of Credit in accordance with subsection 2.15(a), the Seller or the Servicer shall within two Business Days after its receipt, (i) deposit all Collections received by it directly into the Collection Account and (ii) transfer or cause to be transferred to the Concentration Account any Collections so deposited. Any amounts received by the Seller and not related to the Purchased Receivables or the related Contracts or Financed Aircraft shall not be deposited into the Collection Account. Any amounts at any time on deposit in the Collection Account shall be transferred only to the Concentration Account and to no other deposit or other account (including, but not limited to, any account or sub-account maintained pursuant to Raytheon's cash management system). The Seller hereby grants to the Managing Facility Agent for the ratable benefit of the Purchasers a security interest in the Collection Account and all amounts from time to time on deposit therein to secure the Obligations. The Seller shall have no right to withdraw any amounts on deposit in the Collection Account.

(b) On or before the Closing Date there shall be established with and in the name of the Managing Facility Agent a segregated account (the "Concentration Account") which shall be maintained as a cash collateral account subject to the exclusive dominion and control of the Managing Facility Agent for the ratable benefit of the Purchasers. The Seller hereby grants to the Managing Facility Agent for the ratable benefit of the Purchasers a security interest in any of its right, title and interest in the Concentration Account and all amounts from time to time on deposit therein and all income from the investment of such amounts to secure, in each case, the Obligations. Funds on deposit from time to time in the Concentration Account shall bear interest at the then prevailing rate paid by the Managing Facility Agent for deposit accounts with similar amounts on deposit from time to time. If at any time funds on deposit in the Concentration Account are greater than $100,000, the Managing Facility Agent may, but shall not be required to, unless it receives a request from the Seller or Raytheon, invest such funds in Cash Equivalents with maturities not later than the next succeeding Settlement Date, to the extent such requested Cash Equivalents are available for investment. Any investment request by the Seller or Raytheon shall be given to the Managing Facility Agent one Business Day prior to the day the investment is to be made (which shall be a Business Day in New York, New York and San Francisco, California) and shall specify the particular Cash Equivalents

and maturities thereof. Any interest or investment earnings on amounts in the Concentration Account on related investments shall be retained in the Concentration Account to be withdrawn in accordance with this subsection 2.14(b). The Managing Facility Agent shall have the right to withdraw amounts from the Concentration Account to make the payments required to be made hereunder from Collections. Neither the Managing Facility Agent nor any Purchaser shall have any responsibility for any such investment and the Managing Facility Agent shall be permitted to liquidate any such investment, without liability for any loss occurring by reason of such liquidation, to the extent necessary to make payments and distributions under this Agreement. The Seller shall have no right to withdraw amounts on deposit from time to time in the Concentration Account.

(c) (i) On or before the Closing Date there shall be established with and in the name of the Managing Facility Agent a segregated trust account comprised of two segregated sub-accounts, the Seller cash collateral sub-account (the "Seller Cash Collateral Sub-Account") and the RAC cash collateral sub-account (the "RAC Cash Collateral Sub-Account", the Seller Cash Collateral Sub-Account and the RAC Cash Collateral Sub-Account being referred to collectively as the "Cash Collateral Account") which shall be maintained as a cash collateral account subject to the exclusive dominion and control of the Managing Facility Agent for the ratable benefit of the Purchasers. The Seller hereby grants to the Managing Facility Agent for the ratable benefit of the Purchasers a first priority security interest in the Cash Collateral Account and all amounts on deposit from time to time therein and all income from the investment of such amounts to secure, in each case, the Obligations. Funds on deposit from time to time in the Seller Cash Collateral Sub-Account shall bear interest at the then prevailing rate paid by the Managing Facility Agent for deposit accounts with similar amounts on deposit from time to time. If at any time funds on deposit in the Seller Cash Collateral Sub-Account are greater than $100,000, the Managing Facility Agent may, but shall not be required to, unless it receives a request from the Seller, invest funds on deposit in the Seller Cash Collateral Sub-Account in Cash Equivalents with maturities not later than the next succeeding Settlement Date (or such other maturities as the Seller shall request and the Managing Facility Agent shall approve), to the extent such requested Cash Equivalents are available for investment. Any investment request by the Seller shall be given to the Managing Facility Agent one Business Day prior to the day the investment is to be made (which shall be a Business Day in New York, New York and San Francisco, California) and shall specify the particular Cash Equivalents and maturities thereof. Any interest or investment earnings on amounts in the Seller Cash Collateral Sub-Account or related investments shall be retained in the Seller Cash Collateral Sub-Account to be withdrawn in accordance with paragraphs (ii), (iii) and (iv) of this subsection 2.14(c). Neither the Managing Facility Agent nor any Purchaser shall have any responsibility for any such investment and the Managing Facility Agent shall be permitted to liquidate any such investment, without liability for any loss occurring by reason of such liquidation, to the extent necessary to make payments and distributions under this Agreement. The Seller shall have no right to withdraw amounts on deposit from time to time in the Cash Collateral Account.

(ii) If on any Settlement Date on which the Seller is required to repurchase Defaulted Receivables pursuant to subsection 2.10 and fails for any reason to repurchase such Defaulted Receivables or substitute for such Defaulted Receivables pursuant to subsection 2.13, whether or not RAC fails to repurchase such Defaulted Receivables under the Repurchase Agreement, the Managing Facility Agent may withdraw from amounts on deposit in the Seller Cash Collateral Sub-Account on account of such Defaulted Receivable an amount equal to the lesser of (A) the Repurchase Price for such Defaulted Receivable plus any accrued and unpaid interest thereon required to be paid by subsection 2.10 and (B) the amount then on deposit in the Seller Cash Collateral Sub-Account. It is specifically understood and agreed that amounts on deposit in the Seller Cash Collateral Sub-Account, whether on account of 25% Repurchase Receivables, 75% Repurchase Receivables or 90% Repurchase Receivables, may be withdrawn as aforesaid on account of any Defaulted Receivable, regardless of the Repurchase Percentage associated therewith or whether the RAC Repurchase Obligation shall be outstanding. Any amounts so withdrawn shall be deposited into the Concentration Account and allocated and distributed pursuant to subsections 2.15 and 2.16, respectively. The Seller agrees with the Managing Facility Agent and the Purchasers to deposit into the Seller Cash Collateral Sub-Account, without any requirement for notice or demand therefor, the lesser of the amount withdrawn therefrom or the sum of the Repurchase Obligation then in effect on the date such withdrawal is made, plus interest thereon at a rate per annum equal to the Default Rate for the period from such date of withdrawal to such date of deposit. Deposit of amounts into the Seller Cash Collateral Sub-Account pursuant to the preceding sentence shall, to the extent of such deposit, satisfy the Seller's obligation to repurchase such Defaulted Receivable pursuant to subsection 2.10.

(iii) If the Seller or the Servicer (if then Raytheon Credit or any Affiliate thereof) shall fail to make any deposit, payment or transfer of funds required to be made by the Seller or the Servicer under this Agreement or any other document executed and delivered in connection herewith, including, without limitation, any payment, deposit or transfer of funds or payment of any indemnity required to be made pursuant to subsection 2.7(b), 2.10, 2.11, 2.12, 2.18 or 9.1 (each such payment, deposit or transfer, a "Reimbursable Obligation"), then the Managing Facility Agent with the consent of the Majority Purchasers may, in addition to any similar rights in favor of the Managing Facility Agent under the Repurchase Agreement, withdraw from the Seller Cash Collateral Sub-Account on the date such Reimbursable Obligation is due hereunder an amount equal to the lesser of (A) such Reimbursable Obligation and (B) the amount then on deposit in the Seller Cash Collateral Sub-Account. The Seller agrees with the Managing Facility Agent and the Purchasers to deposit in the Seller Cash Collateral Sub-Account, without any requirement for notice or demand therefor, the amount withdrawn on the date such withdrawal is made, plus interest thereon at a rate per annum equal to the Default Rate for the period from such date of withdrawal to such date of deposit.

(iv) No amounts on deposit in the Seller Cash Collateral Sub-Account (including interest or investment earnings) shall be released to the Seller until the Outstanding Purchase Price is reduced to zero and all other amounts owing to the Managing Facility Agent or any Purchaser hereunder are paid in full, provided, that,

(x) on each Settlement Date (other than a Special Settlement Date) occurring during the continuance of a Rating Event, after giving effect to all collections and distributions on such date, the amounts on deposit in the Cash Collateral Account in excess of the Aggregate Repurchase Obligation on such Settlement Date shall be released pro rata based upon their respective repurchase obligations, to the Seller and to RAC;

(y) on each Settlement Date occurring during the continuance of a Rating Event following a Settlement Period during which Finance Charges on Wholesale Receivables which are Quarterly Receivables have been paid, the excess of (A) amounts which were on previous Settlement Dates, pursuant to subsection 2.16(b)(vi), deposited into the Cash Collateral Account as accrued Finance Charge Collections on such Quarterly Receivables, over (B) any portion of such amounts so previously deposited which are on such Settlement Date withdrawn from the Cash Collateral Account by the Managing Facility Agent and applied pursuant to subsection 2.14(c) shall be released to the Seller; and

(z) on the Business Day after the date on which the Outstanding Purchase Price is reduced to zero and all other amounts owing to the Managing Facility Agent and the Purchasers hereunder have been paid in full, all amounts on deposit in the Seller Cash Collateral Sub-Account shall be released to the Seller.

2.15 Remittance and Allocation of Collections. (a) The Seller or the Servicer shall, subject to subsection 2.14(a), deposit into or transfer to the Concentration Account all Collections within two Business Days following receipt thereof; provided that so long as (i) a Remittance Event has not occurred and is continuing or (ii) following the occurrence and during the continuance of a Remittance Event, the Servicer has provided a Servicer Letter of Credit, the Seller or the Servicer shall make such deposit in or transfer to the Concentration Account not later than the Settlement Date following the Settlement Period during which such Collections were received; provided, further, that after the occurrence and during the continuance of a Rating Event, the Seller or the Servicer shall, at the times required by and otherwise in accordance with this subsection 2.15(a), also deposit into or transfer to the Concentration Account interest payments made by RAC on behalf of an Obligor under a Wholesale Receivable.

(b) On each Reporting Date the Servicer shall allocate all Collections received on account of the Purchased Receivables during the preceding Settlement Period between Principal Collections and Finance Charge Collections. All Finance Charge Collections shall be deposited in the Concentration Account in accordance with subsection 2.15(a) and distributed pursuant to subsection 2.16(b). All Principal Collections shall be deposited in the Concentration Account in accordance with subsection 2.15(a) and applied in accordance with subsection 2.16(a); provided that (i) if on any Settlement Date during the Revolving Period the aggregate Purchase Price to be paid for purchases to be made on such Settlement Date exceeds amounts deposited or to be deposited into the Concentration Account by the Seller or the

Servicer, as the case may be, on or during the Settlement Period prior to such Settlement Date on account of Principal Collections, the Seller may retain such Principal Collections, or to the extent previously deposited into the Concentration Account shall make payments therefrom, as application for such aggregate Purchase Price to be paid to the Seller on such Settlement Date and amounts so retained by or paid to the Seller shall be treated as a payment (in whole or in part, as applicable) for such Purchase Price and (ii) to the extent the amount of such Principal Collections exceeds the aggregate Purchase Price of Eligible Receivables available to be purchased on such Settlement Date, the Seller or the Servicer, as the case may be, shall deposit, to the extent not previously deposited, such excess in the Concentration Account on or prior to such Settlement Date for distribution in accordance with subsection 2.16. Any purchases made pursuant to the foregoing clause (i) shall be subject to the satisfaction of the conditions set forth in paragraphs (a) through (h) of subsection 5.2. During the Amortization Period, all Principal Collections shall be deposited into the Concentration Account in accordance with subsection 2.15(a) and, on the Settlement Date on or following such date of deposit, shall be distributed in accordance with subsection 2.16. The portion of any deposit to be made into the Concentration Account required to be made pursuant to subsections 2.10, 2.11 or 2.12 or the first sentence of 2.13(b) (including, without limitation, on account of a Substituted Lease Receivable) representing the Repurchase Price for any Receivable shall be subject to the provisions of this subsection 2.15(b).

(c) Any Principal Collections received on account of an Extended Term Receivable during the Revolving Period shall, subject to the satisfaction of the conditions set forth in paragraphs (a) through (h) of subsection 5.2, be applied to purchase the next succeeding monthly payments of such Receivable which have not been purchased and which are payable prior to the Cash Flow Cutoff Date then applicable to such Receivable.

(d) All Net Recoveries required to be deposited in accordance with subsection 2.10(a)(ii) shall be deposited into the Concentration Account as Collections. On the Reporting Date following the Settlement Period in which such deposit is made, such Net Recoveries shall be allocated by the Managing Facility Agent as Principal Collections and Finance Charge Collections and the Managing Facility Agent shall notify the Servicer of such allocation the Business Day following such Reporting Date. Such allocation shall be conclusive in the absence of manifest error or unless the Managing Facility Agent receives notice from the Servicer of any error made in such allocation on or before the third Business Day after such notice is given to the Servicer and, in the event of any dispute between the Managing Facility Agent and the Servicer with respect to such allocation, the allocation of such Net Recoveries shall be conclusively made by the Managing Facility Agent's independent certified public accountants prior to the next succeeding Reporting Date. Such Net Recoveries shall be distributed pursuant to subsection 2.16.

2.16 Distribution and Application of Collections. (a) Principal Collections. All Principal Collections on Purchased Receivables shall be payable to the Purchasers up to the amount of the Outstanding Purchase Price from time to time. On each Settlement Date during the Revolving Period, Principal Collections received during the prior Settlement Period shall be first, applied to the aggregate Purchase Price of Eligible Receivables purchased on such Settlement Date in accordance with the terms and conditions of this Agreement and second, paid to the Purchasers on such Settlement Date and applied in respect of the Outstanding Purchase Price. On each Settlement Date during the Amortization Period, Principal Collections received during the prior Settlement Period shall be paid to the Purchasers on such Settlement Date and applied in respect of the Outstanding Purchase Price. Following an Amortization Event, Principal Collections on account of the Purchase Discount applied to the Purchase Price of Receivables purchased during a Rating Event or a Discount Event may, at the discretion of the Managing Facility Agent, be deemed Finance Charge Collections available to be distributed pursuant to subsections 2.16(b)(ii) and (b)(iii).

(b) Finance Charge Collections. On each Settlement Date (other than a Special Settlement Date) funds on deposit in the Concentration Account representing Finance Charge Collections in respect of the preceding Settlement Period shall be distributed by the Managing Facility Agent as follows, to the extent of funds available therefor:

(i) first, to the Servicer as payment of the Servicing Fee for the preceding Settlement Period;

(ii) second, to the Purchasers pro rata as payment of all interest due pursuant to subsection 2.17(a) and (c) for the preceding Accrual Period;

(iii) third, to the Managing Facility Agent and each Purchaser which has made a demand prior to the Reporting Date preceding such Settlement Date, to costs payable pursuant to subsections 2.22, 2.23, 2.24 and 11.5;

(iv) fourth, to the Purchasers pro rata as payment of the Commitment Fees for the preceding Accrual Period pursuant to subsection 2.17(d) and second, to the Managing Facility Agent as payment of the fees referred to in subsection 2.17(e) to the extent such fees have not been paid directly by the Seller;

(v) fifth, if a Rating Event has occurred and is continuing, to the extent of funds available therefor, to the Managing Facility Agent for deposit into the Cash Collateral Account an amount equal to Finance Charges on those Wholesale Receivables which are Quarterly Receivables which Finance Charges have accrued during the preceding Settlement Period and are payable under the related Contract on a subsequent Settlement Date; and

(vi) sixth, any remaining Finance Charge Collections (such remainder, "Excess Spread") shall be distributed as follows: (1) so long as no Trigger Amortization Event has occurred and is continuing, to the Seller or its designees and (2) in all other cases, 100% thereof shall be paid to the Purchasers pro rata as payment in respect of the Outstanding Purchase Price.

(c) All Collections received from an Obligor of any Purchased Receivable shall be applied to Purchased Receivables of such Obligor in the order of the age of such Purchased Receivables, starting with the oldest outstanding amount of such Purchased Receivable (i.e., the most delinquent of such Purchased Receivables), except if the payment is designated by such Obligor for application to specific Receivables. All Principal Collections received on account of any Extended Term Receivable and not used to purchase monthly payments of such Receivable payable after its most recent Cash Flow Cutoff Date shall be applied in the direct order of maturity thereof. Payments made by an Obligor on account of a Receivable shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Managing Facility Agent and the Required Purchasers, be applied as a Collection of any Purchased Receivable of such Obligor to the extent of any amounts then due and payable thereunder before being applied to any other indebtedness of such Obligor to the Seller or Raytheon Credit.

2.17 Interest and Fees. (a) Except as provided in paragraph (b) below, the Outstanding Purchase Price shall bear interest for each day during an Accrual Period at a rate per annum equal to the Note Rate and shall be payable on each Settlement Date (other than a Special Settlement Date) for the immediately preceding Accrual Period; provided that, during the Amendment Accrual Period, the Outstanding Purchase Price shall bear interest at the Interbank Rate for the Amendment Accrual Period, in accordance with Section 5.3. To the extent that the Outstanding Purchase Price has not been reduced to zero on the date the Amortization Period ends pursuant to clause (ii) of the definition of such term, interest shall accrue pursuant to this subsection 2.17(a) regardless of whether the Seller shall be obligated to pay Expense Amounts under subsection 2.18.

(b) The Outstanding Purchase Price for Receivables purchased on a Special Settlement Date shall bear interest (i) at a rate per annum equal to the Base Rate for the first three Working Days following such Special Settlement Date and (ii) thereafter at a rate per annum equal to the Interbank Rate for each day of the Special Settlement Date Accrual Period; provided that, if the Seller provides the Managing Facility Agent with the notice provided for in Section 2.3 at least three Working Days prior to the applicable Special Settlement Date, then interest shall be calculated in accordance with clause (ii) from such Special Settlement Date until the end of the related Special Settlement Date Accrual Period. Interest payable under this Section 2.17(b) shall be payable on the next Settlement Date. Beginning with the first Settlement Date after any Special Settlement Date, interest with respect to the Receivables purchased on such Special Settlement Date shall be calculated in accordance with paragraph (a) above.

(c) If all or any portion of any amount (including interest) payable by the Seller hereunder shall not be paid when due, such overdue amount shall bear interest at a rate per annum equal to the Note Rate plus 1% (the "Default Rate") from the date of such non-payment until such amount is paid in full (after as well as before judgment). The Outstanding Purchase Price shall bear interest pursuant to, and at the times specified in, subsection 8.2(a) for each day during an Accrual Period at a rate per annum equal to the Default Rate until the Outstanding Purchase Price is reduced to zero (after as well as before judgment). Any amount payable pursuant to this subsection 2.17(c) shall be payable on each Settlement Date (other than a Special Settlement Date), or on demand after any judgment. To the extent that the Outstanding Purchase Price has not been reduced to zero on the date the Amortization Period ends pursuant to clause (ii) of the definition of such term, interest shall accrue pursuant to this subsection 2.17(c) regardless of whether the Seller shall be obligated to pay Expense Amounts under subsection 2.18. Interest accruing pursuant to this subsection 2.17(c) shall be payable from time to time on demand.

(d) During the period from and including the Closing Date to the date on which the Revolving Period ends, a commitment fee (a "Commitment Fee") shall be payable to the Managing Facility Agent for the account of each Purchaser, payable monthly in arrears on each Settlement Date (other than a Special Settlement Date) and computed at the rate of 0.10% per annum from and after March 18, 1998 (0.13% per annum prior to such date) on the average daily amount of the Available Commitment of such Purchaser during each Accrual Period ending prior to the Settlement Date on which the Commitment Fee is paid, commencing on the first such Settlement Date to occur after the Closing Date.

(e) The Seller agrees to pay (i) to the Managing Facility Agent for its account the fees set forth in the Fee Letter, dated March 11, 1999, among the Managing Facility Agent, the Seller and the Guarantor in the amounts and on the dates set forth therein and (ii) to the Syndication Agent for its account the fees set forth in the Fee Letter, dated February 17, 1999, among the Syndication Agent, the Seller and the Guarantor in the amounts and on the dates set forth therein.

(f) Interest and fees required to be paid under this subsection 2.17 shall be payable regardless of whether sufficient Finance Charge Collections therefore are on deposit in the Concentration Account on the date or dates such interest or fees are required to be paid.

2.18 Yield Adjustment. If on any Settlement Date (other than a Special Settlement Date) any Expense Amount is not paid in full on such Settlement Date, then on such Settlement Date the Seller will pay to the Managing Facility Agent for the account of each Purchaser the amounts required to pay all such Expense Amounts in full provided, that the Seller's obligation under this subsection 2.18 in any calendar year shall not exceed an amount equal to the product of the Note Rate as of such date times the Outstanding Purchase Price as of such date. The Seller shall not be obligated to pay pursuant to this subsection 2.18 any Expense Amounts which accrue after the date the Amortization Period ends; provided that the Seller shall remain obligated to pay any Expense Amount which accrued prior to such date (whether or not claimed prior to such date) so long as a claim for such Expense Amount is made prior to the times set forth in the subsection hereof governing such Expense Amount.

2.19 Computations and Payments. (a) All amounts to be paid or deposited by or on behalf of the Seller hereunder shall be paid or deposited in accordance with the terms hereof no later than 11:00 a.m., New York City time, on the day when due in lawful money of the United States of America and in immediately available funds. All computations of Commitment Fees, interest and other fees and amounts payable hereunder shall be made on the basis of a year of 360 days for the actual number of days elapsed (including the first but excluding the last day). The Managing Facility Agent shall as soon as practicable notify the Seller and the Purchasers of each determination of a LIBO Rate or an Interbank Rate.

(b) Each determination of the Note Rate, the Interbank Rate or the Default Rate by the Managing Facility Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Seller and the Purchasers in the absence of manifest error. The Managing Facility Agent shall, at the request of the Seller, deliver to the Seller a statement showing the quotations used by the Managing Facility Agent in determining the Note Rate for any Accrual Period.

(c) If any Reference Bank's Commitment shall terminate for any reason whatsoever, such Reference Bank shall thereupon cease to be a Reference Bank, and if, as a result of the foregoing, there shall only be one Reference Bank remaining, the Managing Facility Agent (after consultation with the Seller and the Purchasers) shall, by notice to the Seller and the Purchasers, designate another Purchaser as a Reference Bank so that there shall at all times be at least two Reference Banks.

(d) Each Reference Bank shall use its best efforts to furnish quotations of rates to the Managing Facility Agent to the extent contemplated by the definition of "LIBO Rate". If any Reference Bank shall be unable or shall otherwise fail to supply such rates to the Managing Facility Agent upon its request, the LIBO Rate shall be determined on the basis of the quotations of the remaining Reference Banks or Reference Bank.

2.20 Pro Rata Treatment. (a) Except with respect to payments to a Dissenting Purchaser pursuant to subsection 2.8(b)(ii) or 2.13(c), (i) each purchase by the Purchasers hereunder, each payment by the Seller in respect of the Commitment Fees and any reduction of the Commitments shall be made pro rata according to the respective Available Commitment Percentages of the Purchasers and (ii) each payment by the Seller in respect of the Outstanding Purchase Price and interest thereon and any repurchase of Receivables shall be made pro rata according to the respective Commitment Percentages of the Purchasers. The Managing Facility Agent shall distribute payments received by or on behalf of the Seller to the Purchasers promptly upon receipt in like funds as received.

(b) Unless the Managing Facility Agent shall have been notified in writing by any Purchaser prior to a Settlement Date that such Purchaser will not make available to the Managing Facility Agent the amount that would constitute its Available Commitment Percentage of the aggregate Purchase Price to be paid on such date, the Managing Facility Agent may assume that such Purchaser has made such amount available to the Managing Facility Agent on such Settlement Date, and the Managing Facility Agent may, in reliance upon such assumption, make available to the Seller a corresponding amount. If such amount is made available to the Managing Facility Agent on a date after such Settlement Date, such Purchaser shall pay to the Managing Facility Agent on demand an amount equal to the product of (i) the daily average Federal funds rate during such period as quoted by the Managing Facility Agent, times (ii) the amount of such Purchaser's Available Commitment Percentage of such aggregate Purchase Price, times (iii) a fraction the numerator of which is the number of days that elapse from and including such Settlement Date to the date on which such Purchaser's Available Commitment Percentage of such aggregate Purchase Price shall have become immediately available to the Managing Facility Agent and the denominator of which is 360. A certificate of the Managing Facility Agent submitted to any Purchaser with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error. If such Purchaser's Available Commitment Percentage of such aggregate Purchase Price is not in fact made available to the Managing Facility Agent by such Purchaser within three Business Days after such Settlement Date, then on the fourth Business Day after such Settlement Date the Seller shall be deemed to have repurchased participating interests in the Receivables in an amount equal to such Purchaser's Available Commitment Percentage of the aggregate Purchase Price paid on such Settlement Date, together with interest on such amount at the rate per annum equal to the LIBO Rate, such repurchase to be made by a cash payment to the Managing Facility Agent for its own account; provided that such repurchase shall not limit the rights of the Seller against the Purchaser which failed to make available its Available Commitment Percentage of such aggregate Purchase Price.

2.21 Illegality. Notwithstanding any other provision herein, if any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Purchaser to make or maintain its proportionate share of the Outstanding Purchase Price based on the LIBO Rate as contemplated by this Agreement, (a) the Commitment of such Purchaser hereunder to make purchases shall forthwith be canceled and (b) the Outstanding Purchase Price of such Purchaser shall be paid on each Settlement Date thereafter as if such Purchaser were a Dissenting Purchaser under subsection 2.8.

2.22 Requirements of Law. (a) In the event that any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Purchaser with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority (each, a "Change in Law") made subsequent to the date hereof (or with respect to a Purchasing Party which becomes a party hereto pursuant to subsection 11.6(c), made subsequent to the date such Purchasing Party became a party hereto) shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Purchaser (except any such reserve requirement reflected in the LIBO Rate); or

(ii) impose on any Purchaser or the London interbank market any other condition affecting this Agreement or the making of purchases or the maintaining of a proportionate share of the Outstanding Purchase Price by such Purchaser;

and the result of any of the foregoing shall be to increase the cost to such Purchaser of making purchases or maintaining its proportionate share of the Outstanding Purchase Price (or of maintaining its obligation to do any of the foregoing) or to reduce the amount of any sum received or receivable by such Purchaser hereunder (whether of principal, interest or otherwise), then the Seller will pay to such Purchaser such additional amount or amounts as will compensate such Purchaser for such additional costs incurred or reduction suffered.

(b) If any Purchaser determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Purchaser's capital or on the capital of such Purchaser's holding company, if any, as a consequence of this Agreement or such Purchaser's obligations hereunder, to a level below that which such Purchaser or such Purchaser's holding company could have achieved but for such Change in Law (taking into consideration such Purchaser's policies and the policies of such Purchaser's holding company with respect to capital adequacy), then from time to time the Seller will pay to such Purchaser such additional amount or amounts as will compensate such Purchaser or such Purchaser's holding company for any such reduction suffered.

(c) A certificate of a Purchaser setting forth the amount or amounts necessary to compensate such Purchaser or its holding company, as the case may be, as specified in paragraph (a) or (b) of this subsection shall be delivered to the Seller and shall be conclusive absent manifest error. The Seller shall pay such Purchaser the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Purchaser to demand compensation pursuant to this subsection shall not constitute a waiver of such Purchaser's right to demand such compensation; provided that the Seller shall not be required to compensate a Purchaser pursuant to this subsection for any increased costs or reductions incurred more than six months prior to the date that such Purchaser notifies the Seller of the Change in Law giving rise to such increased costs or reductions and of such Purchaser's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof.

2.23 Taxes. (a) Any and all payments by or an account of any obligation of the Seller hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Seller shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this subsection) the Managing Facility Agent, Co-Administrative Agent or Purchaser (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Seller shall make such deductions and (iii) the Seller shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Seller shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Seller shall indemnify the Managing Facility Agent, each Co-Administrative Agent and each Purchaser, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this subsection) paid by the Managing Facility Agent, such Co-Administrative Agent or such Purchaser, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Seller by a Purchaser, or by the Managing Facility Agent on its own behalf or on behalf of a Purchaser or a Co-Administrative Agent shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Seller to a Governmental Authority, the Seller shall deliver to the Managing Facility Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Managing Facility Agent.

(e) Any Foreign Purchaser that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Seller is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Seller (with a copy to the Managing Facility Agent), at the time or times prescribed by applicable law or reasonably requested by the Seller, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

2.24 Reemployment Costs. The Seller agrees to indemnify each Purchaser and to hold each Purchaser harmless from any loss or expense (including, but not limited to, any such loss or expense arising from interest or fees payable by a Purchaser to lenders of funds obtained by it or them to purchase or maintain an interest in the Purchased Receivables with respect to which the Note Rate is determined by reference to the LIBO Rate) as a consequence of (a) default by the Seller in the performance of its obligations hereunder, (b) any reduction in the Outstanding Purchase Price prior to the last day of any Settlement Period, (c)

the failure of the Seller or the Servicer to make any amounts available to the Managing Facility Agent when due hereunder or (d) any expenses (excluding legal expenses) incurred by any Purchaser pursuant to subsection 2.21. A certificate of such Purchaser submitted to the Seller certifying, in reasonably specific detail, the basis for, calculation of and amounts of such additional costs shall be conclusive in the absence of manifest error. This covenant shall survive for a period of two years following the date on which the Amortization Period ends.

2.25 Seller's Obligations Absolute and Unconditional. The Seller's obligations under this Section 2 to make payments, deposits and repurchases shall be absolute and unconditional and shall be performed without regard to any set-off which the Seller at any time may have available to it.

2.26 Mitigation Obligations; Replacement of Purchaser. (a) If any Purchaser requests compensation under subsection 2.22, or if the Seller is required to pay any additional amount to any Purchaser or any Governmental Authority for the account of any Purchaser pursuant to subsection 2.23, then such Purchaser shall use reasonable efforts to designate a different lending office for funding or booking its purchases hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Purchaser, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to subsection 2.22 or 2.23, as the case may be, in the future and (ii) would not subject such Purchaser to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Purchaser. The Seller hereby agrees to pay all reasonable costs and expenses incurred by any Purchaser in connection with any such designation or assignment.

(b) If any Purchaser requests compensation under subsection 2.22, or if the Seller is required to pay any additional amount to any Purchaser or any Governmental Authority for the account of any Purchaser pursuant to subsection 2.23, or if any Purchaser defaults in its obligation hereunder to make purchases or maintain its proportionate share of the Outstanding Purchase Price or if at any time after the Effective Date any Purchaser shall cause the Managing Facility Agent to notify the Seller and the Servicer of a Prohibited Jurisdiction, then the Seller may, at its sole expense and effort, upon notice to such Purchaser and the Managing Facility Agent, require such Purchaser to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in subsection 11.6), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Purchaser, if a Purchaser accepts such assignment); provided that (i) the Seller shall have received the prior written consent of the Managing Facility Agent, which consent shall not unreasonably be withheld, (ii) such Purchaser shall have received payment of an amount equal to such Purchaser's Outstanding Purchase Price, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Seller (in the case of all other amounts), (iii) in the case of any such assignment resulting from a claim for compensation under subsection 2.22 or payments required to be made pursuant to subsection 2.23, such

assignment will result in a reduction in such compensation or payments and (iv) in the case of any such assignment resulting from a request to add an additional Prohibited Jurisdiction, such assignee will not request that such jurisdiction be so categorized. A Purchaser shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Purchaser or otherwise, the circumstances entitling the Seller to require such assignment and delegation cease to apply.

2.27 Designation of Affiliate Receivables and Foreign Receivables. (a) Each Affiliate Receivable and each Foreign Receivable (other than L/C Receivables, Unsecured Foreign Receivables and Existing Receivables) shall be designated as a Certified Foreign Receivable or an Uncertified Foreign Receivable in accordance with this subsection 2.27.

Except as provided in subsections 2.27(c) and (d) below, no less than 45 days prior to the Settlement Date on which the Seller proposes to sell or substitute an Affiliate Receivable or Foreign Receivable (other than a L/C Receivable), the Seller shall deliver to the Servicer the following:

(i) with respect to each such Foreign Receivable other than a Lease Receivable with a Foreign Obligor,

(A) the form(s) of Foreign Assignment(s) with respect to the Financed Aircraft related to such Receivable, which Foreign Assignment(s) shall be effective to perfect (A) the Lien granted by the Obligor thereon in favor of Raytheon Credit, (B) the assignment thereof by Raytheon Credit in favor of the Seller and (C) the assignment of such Lien by the Seller in favor of the Administrative Agent,

(B) the forms of all other filings and recordings (including, without limitation, any UCC filings with filing offices in the jurisdictions listed on Schedule II) necessary or advisable, in the opinion of the Managing Facility Agent or the Servicer, to perfect the Purchasers' first priority ownership or security interests in and to such Foreign Receivable and the related Contracts and Financed Aircraft and the Collections with respect thereto, and

(C) (x) a form of legal opinion of counsel (a copy of which shall be delivered to the Managing Facility Agent) admitted to practice in the foreign jurisdiction in which the related Foreign Obligor is located (within the meaning of Section 9-103 of the New York UCC), addressed to the Managing Facility Agent, the Co-Administrative Agents and the Purchasers (1) to the effect that (x) the Lien granted by the Obligor in favor of Raytheon Credit in the related Financed Aircraft constitutes a duly perfected, first priority Lien thereon, (y) each of the assignment of such Lien by Raytheon Credit to the Seller and by the Seller in favor of the Administrative Agent (for the ratable benefit of the Purchasers) in the related Financed Aircraft constitutes (as of its effectiveness) a duly perfected, first priority Lien thereon (except as set forth in paragraph (l) of the definition of "Eligible Receivables") and (z) the assignment of such Foreign Receivable by Raytheon Credit to the Seller and by the Seller in favor of the Administrative Agent (for the ratable benefit of the Purchasers) constitutes (as of its effectiveness) a duly perfected, first priority Lien thereon (except for Permitted Receivables Liens) and (2) covering such other matters as the Managing Facility Agent shall reasonably request, and in all respects satisfactory in form and substance to the Managing Facility Agent and its counsel, or

(y) if the Obligor of such Receivable is located (within the meaning of Section 9-103 of the New York UCC) in a jurisdiction covered by a previously delivered and accepted (by the Managing Facility Agent on behalf of the Purchasers) legal opinion, a form of certificate of a Responsible Officer of the Seller which represents and warrants to the Managing Facility Agent, for the benefit of the Purchasers, that the Seller has taken all actions specified in such previously delivered opinion and all other actions known to the Seller to ensure that the Liens referenced in clause (A) of this paragraph (i) are enforceable and have been duly perfected to the same extent as set forth in such previously delivered and accepted legal opinion;

(ii) with respect to each such Foreign Receivable which is a Registerable Lease Receivable with a Foreign Obligor,

(A) the form of FAA Assignment with respect to the Financed Aircraft related to such Receivable, which FAA Assignment shall be effective to perfect the Lien granted by the Seller thereon in favor of the Administrative Agent,

(B) the forms of all other filings and recordings (including, without limitation, any UCC filings with filing offices in the jurisdictions listed on Schedule II) necessary or advisable, in the opinion of the Managing Facility Agent or the Servicer, to perfect the Purchasers' first priority ownership or security interests in and to such Foreign Receivable and the related Contracts and Financed Aircraft and the Collections with respect thereto, and

(C) (x)(1) a form of legal opinion of special FAA counsel to the Seller to the effect that (A) the Lien granted by the Seller in favor of the Administrative Agent (for the ratable benefit of the Purchasers) in the related Financed Aircraft constitutes a duly perfected, first priority Lien thereon (except as set forth in paragraph (l) of the definition of "Eligible Receivables") and (B) the assignment of such Foreign Receivable by the Seller in favor of the Administrative Agent (for the ratable benefit of the Purchasers) constitutes a duly perfected, first priority Lien thereon (except for Permitted Receivables Liens) and (2) a form of legal opinion of counsel (a copy of which shall be delivered to the Managing Facility Agent) admitted to practice in the foreign jurisdiction in which the related Foreign Obligor is located (within the meaning of Section 9-103 of the New York UCC), addressed to the Managing Facility Agent, the Co-Administrative Agents and the Purchasers to the effect that the assignment of such Foreign Receivable by the Seller in favor of the Administrative Agent (for the ratable benefit of the Purchasers) constitutes a duly perfected, first priority Lien thereon (except for Permitted Receivables Liens); each such opinion shall also cover such other matters as the Managing Facility Agent shall reasonably request, and shall be in all respects satisfactory in form and substance to the Managing Facility Agent and its counsel, or

(y) if the Foreign Obligor of such Foreign Receivable is so located in a jurisdiction covered by a previously delivered and accepted (by the Managing Facility Agent on behalf of the Purchasers) legal opinion of foreign counsel (as described in clause (C)(x) above), a form of certificate of a Responsible Officer of the Seller which represents and warrants to the Managing Facility Agent, for the benefit of the Purchasers, that the Seller has taken all actions specified in such previously delivered opinion and all other actions known to the Seller to ensure that the assignment of the Foreign Receivable is enforceable and has been duly perfected to the same extent as set forth in such previously delivered and accepted legal opinion;

(iii) with respect to each such Foreign Receivable which is a Lease Receivable with a Foreign Obligor, but is not a Registerable Lease Receivable,

(A) the form of Foreign Assignment with respect to the Financed Aircraft related to such Receivable, which Foreign Assignment shall be effective to perfect the Lien granted thereon by the Seller in favor of the Administrative Agent for the ratable benefit of the Purchasers,

(B) the forms of all other filings and recordings (including, without limitation, any UCC filings with filing offices in the jurisdictions listed on Schedule II) necessary or advisable, in the opinion of the Managing Facility Agent or the Servicer, to perfect the Purchasers' first priority ownership or security interests in and to such Foreign Receivable and the related Contracts and Financed Aircraft and the Collections with respect thereto, and

(C) (x) a form of legal opinion of counsel (a copy of which shall be delivered to the Managing Facility Agent) admitted to practice in the foreign jurisdiction in which the related Foreign Obligor is located (within the meaning of Section 9-103 of the New York UCC), addressed to the Managing Facility Agent, the Co-Administrative Agents and the Purchasers (1) to the effect that (A) the Lien granted by the Seller in favor of the Administrative Agent (for the ratable benefit of the Purchasers) in the related Financed Aircraft constitutes a duly perfected, first priority Lien thereon (except as set forth in paragraph (l) of the definition of "Eligible Receivables"), (B) the assignment by the Seller in favor of the Administrative Agent (for the ratable benefit of the Purchasers) of such Receivable constitutes a duly perfected, first priority Lien thereon (except for Permitted Receivables Liens) and (2) covering such other matters as the Managing Facility Agent shall reasonably request, and in all respects satisfactory in form and substance to the Managing Facility Agent and its counsel, or

(y) if the Foreign Obligor of such Foreign Receivable is so located in a jurisdiction covered by a previously delivered and accepted (by the Managing Facility Agent on behalf of the Purchasers) legal opinion, a form of certificate of a Responsible Officer of the Seller which represents and warrants to the Managing Facility Agent, for the benefit of the Purchasers, that the Seller has taken all actions specified in such previously delivered opinion and all other actions known to the Seller to ensure that the Liens referenced in clause (C)(x)(1)(A) and (B) of this paragraph (iii) are enforceable and have been duly perfected to the same extent as set forth in such previously delivered and accepted legal opinion;

provided, however, that notwithstanding the provisions of this subsection 2.27(a)(iii), the Seller may, at its option, decline to perform any of the requirements of this subsection 2.27(a)(iii) with respect to any Uncertified Lease Receivable; and

(iv) with respect to each Affiliate Receivable,

(A) the form(s) of Foreign Assignment(s) with respect to the Financed Aircraft related to such Receivable, which Foreign Assignment(s) shall be effective to perfect (A) the Lien granted thereon by the Affiliate Obligor in favor of Raytheon Credit, (B) an assignment of such Lien by Raytheon Credit in favor of the Seller and (B) an assignment of such Lien by the Seller in favor of the Administrative Agent for the ratable benefit of the Purchasers,

(B) the forms of all other filings and recordings (including, without limitation, any UCC filings with filing offices in the jurisdictions listed on Schedule II) necessary or advisable, in the opinion of the Managing Facility Agent or the Servicer, to perfect (A) Raytheon Credit's first priority perfected interest in the Applicable Lease related thereto, the Financed Aircraft and the Collections with respect thereto, (B) the assignment by Raytheon Credit of such Affiliate Receivable and Raytheon Credit's interest in the Applicable Lease related thereto, the Financed Aircraft and the Collections with respect thereto to the Seller and (C) the Purchasers' first priority ownership or security interests in and to such Affiliate Receivable and the related Contracts and Financed Aircraft and the Collections with respect thereto, and

(C) (x) a form of legal opinion of counsel (a copy of which shall be delivered to the Managing Facility Agent) admitted to practice in the foreign jurisdiction in which the related Unaffiliated Foreign Lessee is located (within the meaning of Section 9-103 of the New York UCC), addressed to the Managing Facility Agent, the Co-Administrative Agents and the Purchasers (1) to the effect that (A) the Lien in favor of Raytheon Credit in the related Financed Aircraft constitutes a duly perfected, first priority Lien thereon (except as set forth in paragraph (l) of the definition of "Eligible Receivables"), (B) the assignment by Raytheon Credit in favor of the Seller of such Affiliate Receivable and Raytheon Credit's interest in the Applicable Lease related thereto, the Financed Aircraft and the Collections with respect thereto constitutes a duly perfected assignment thereof and (C) the assignment thereof by the Seller in favor of the

Administrative Agent, for the ratable benefit of the Purchasers of such Affiliate Receivable, constitutes a duly perfected, first priority Lien thereon (except for Permitted Receivables Liens and except as set forth in paragraph (l) of the definition of "Eligible Receivables") and (2) covering such other matters as the Managing Facility Agent shall reasonably request, and in all respects satisfactory in form and substance to the Managing Facility Agent and its counsel, or

(y) if the Unaffiliated Foreign Lessee of such Affiliate Receivable is so located in a jurisdiction covered by a previously delivered and accepted (by the Managing Facility Agent on behalf of the Purchasers) legal opinion, a form of certificate of a Responsible Officer of the Seller which represents and warrants to the Managing Facility Agent, for the benefit of the Purchasers, that the Seller has taken all actions specified in such previously delivered opinion and all other actions known to the Seller to ensure that the Liens referenced in clause (C)(x)(1)(A), (B) and (C) of this paragraph (iv) are enforceable and have been duly perfected to the same extent as set forth in such previously delivered and accepted legal opinion.

(b) Except as provided in subsection 2.27(c) below, within 30 days of receipt of such forms of assignment, legal opinions and other specified documents, the Servicer shall notify the Seller whether or not the related Affiliate Receivables and Foreign Receivables will, subject to the satisfaction of the conditions specified in subsection 5.2(e), constitute Certified Foreign Receivables, Uncertified Foreign Receivables or Ineligible Receivables. Subject to the satisfaction of the conditions specified in subsection 5.2(e), such designation will be applied from and after the date of such notification. In the absence of such notification, such Receivable shall constitute an Uncertified Foreign Receivable, provided, however, that at any time thereafter, the Seller may request that the Servicer determine whether any Uncertified Foreign Receivable due to a change of circumstance is eligible to qualify as a Certified Foreign Receivable. Within 45 days of receipt of such request (or such shorter period as shall be reasonably practicable) the Servicer shall determine the eligibility of the Uncertified Foreign Receivable referred to above to qualify as a Certified Foreign Receivable in accordance with the provisions of this subsection 2.27 and notify the Seller.

(c) Notwithstanding the foregoing, but subject to the further provisions of this subsection 2.27(c) and the provisions of subsection 2.27(d), on the Closing Date Existing Certified Receivables shall be designated Certified Foreign Receivables hereunder. Within 180 days of the Closing Date (such date, the "Certified Opinion Delivery Date"), the Seller shall deliver to the Old Administrative Agent, with respect to each Existing Certified Receivable, a form of legal opinion of counsel (satisfactory to the Old Administrative Agent) admitted to practice in the foreign jurisdiction in which the related Unaffiliated Foreign Lessee is located (within the meaning of Section 9-103 of the New York UCC), addressed to the Old Administrative Agent and the Purchasers (x) to the effect that no further action need be taken in order to (1) perfect the transfer by Raytheon Credit to the Seller of such Existing Certified Receivable, the related

Financed Aircraft and Applicable Lease (if applicable) and Collections thereon in accordance with the Intercompany Purchase Agreement and (2) continue the Lien in favor of the Administrative Agent of such Existing Certified Receivable, the related Financed Aircraft and Applicable Lease (if applicable) and Collections thereon as a duly perfected Lien having the same priority as in effect immediately prior to the Effective Date and (y) if any actions had been required in order to render the opinions set forth in clause (x), setting forth such actions and (z) covering such other matters as the Old Administrative Agent shall reasonably request, which opinion shall be in all respects satisfactory in form and substance to the Old Administrative Agent and its counsel.

(d) On the first Settlement Date (other than a Special Settlement Date) following the Certified Opinion Delivery Date, the Seller shall repurchase from the Purchasers and the Purchasers agree to sell to the Seller on such date in accordance with the terms hereof, each Existing Certified Receivable and each Existing GA Receivable (the Foreign Obligor of which is located in Canada, France or Australia) as to which the Purchasers shall not have received a legal opinion to the effect set forth in subsection 2.27(c) hereof. Subject to subsections 2.13 and 2.15(b), the Seller shall make such repurchase by depositing in the Concentration Account cash an amount for each such Receivable equal to the amount set forth in clause (a) of the definition of "Repurchase Price", calculated at the date such deposit is made, except to the extent (without duplication) of any payment made pursuant to subsection 2.18, for the Settlement Period during which such interest accrued and was not paid by the Foreign Obligor under the related Contract. The amount of any such deposit shall be applied and distributed in accordance with subsections 2.15 and 2.16. Except as provided in subsection 9.1, the sole obligation of the Seller with respect to a Receivable of the type described in this subsection 2.27(d) shall be the requirement to repurchase or substitute for such Receivable pursuant to this subsection 2.27(d).

SECTION 3. THE SERVICER AND SERVICING OF PURCHASED RECEIVABLES

3.1 Designation of Servicer; Removal. (a) The servicing, administering and collection of Purchased Receivables shall be conducted by such Person (the "Servicer") so designated from time to time in accordance with this subsection 3.1. Until the Required Purchasers give notice to the Seller of the designation of a new Servicer pursuant to subsection 3.1(b), Raytheon Credit is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer for the Purchased Receivables sold hereunder. The Servicer may, with the prior consent of the Required Purchasers, subcontract with any other Person to perform, in accordance with applicable laws, the servicing, administering or collecting of Purchased Receivables, provided that the Servicer shall remain liable for the performance of the duties and obligations of the Servicer pursuant to the terms hereof. With respect to the Existing Receivables, the capacity of the Servicer shall be a continuation by Raytheon Credit of its capacity as Servicer under and as defined in each of the Existing Agreements.

(b) At any time after the occurrence and during the continuance of a Specified Amortization Event, the Required Purchasers may remove Raytheon Credit (or any successor Servicer) as the Servicer and appoint as a successor Servicer any Person to succeed Raytheon Credit (or any successor Servicer) as Servicer, on the condition that such successor Servicer agrees to perform the duties and obligations of the Servicer pursuant to the terms hereof. Any such removal of Raytheon Credit (or any successor Servicer) as the Servicer shall not become effective until such successor Servicer accepts its appointment and agrees to be bound by the terms and conditions of this Agreement with respect to the Servicer in a writing satisfactory in form and substance to the Managing Facility Agent and the Required Purchasers. The Servicer agrees to cooperate with the Managing Facility Agent, the Purchasers and any successor Servicer if the Servicer is terminated under this Agreement, including transferring to the successor Servicer all cash amounts or documents or instruments relating to the Purchased Receivables held by the Servicer at the time of its removal.

(c) The authorization of the Servicer under this Agreement shall terminate when all the obligations under this Agreement have been paid in full.

3.2 Duties of Servicer. (a) The Servicer shall take or cause to be taken all such actions as may be necessary or advisable to administer, service and collect each Purchased Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and solely in accordance with the Credit and Collection Policy. The Seller, the Managing Facility Agent and each Purchaser each agrees that the Servicer may enforce its rights and interests in and under the Purchased Receivables and the Contracts and with respect to the Financed Aircraft. The Servicer shall remit Collections in accordance with subsections 2.14 and 2.15(a) and until such remittances are made, shall hold such Collections in trust for the account of the Purchasers. The Servicer may not extend, amend or otherwise modify the terms of any Purchased Receivable, or amend, modify or waive any term or condition of any Contract related thereto, or extend, amend or otherwise modify the rights of the Seller except (i) in accordance with subsection 7.1(b) and (ii) if the Servicer is not then Raytheon Credit, with the Seller's prior consent. No Servicer (if not Raytheon Credit) may commence or settle any legal action to enforce collection of any Purchased Receivable without the prior consent of the Required Purchasers. The Seller shall deliver to the Servicer (if not the Seller) all computer tapes or disks and, upon the Managing Facility Agent's request, all documents, instruments or other records which evidence or relate to Purchased Receivables (the foregoing, the "Contract Files").

(b) The Servicer (if not Raytheon Credit) shall as soon as practicable following receipt turn over to the Seller or any other party entitled thereto the Collections on any Receivable which is not a Purchased Receivable less all reasonable and appropriate out-of-pocket costs and expenses of the Servicer of servicing, collecting and administering such Receivable to the extent not covered by the Servicing Fee received by it. The Servicer, if other than the Seller, shall as soon as practicable upon demand deliver to the Seller all documents, instruments and records in its possession which evidence or relate to Receivables other than Purchased Receivables, and copies of documents, instruments and records in its possession which evidence or relate to Receivables other than Purchased Receivables. The Servicer unconditionally and absolutely agrees to take any and all action requested by the Managing Facility Agent in connection with the exercise by the Managing Facility Agent and the Purchasers of their rights under subsection 8.2, 11.11, 11.12 or 11.13.

(c) With respect to any L/C Receivable the related letter of credit of which expires on the last date of the Contract related thereto, the Servicer shall prepare any drawing request required under such letter of credit and, if the payment due under such Contract is not made by the drawing deadline under such letter of credit, the Servicer shall make a drawing thereunder. Further, if the expiration date of any letter of credit related to any L/C Receivable is not extended when a Principal Balance of such Receivable remains outstanding, the Servicer shall, or shall cause the Seller or Raytheon Credit to, draw the aggregate available amount under such letter of credit prior to the expiration thereof.

3.3 Servicer Reports. The Servicer shall deliver to the Managing Facility Agent, with sufficient copies for each Purchaser:

(a) Within 45 days after the end of each of the first three fiscal quarters of the Servicer, beginning with the first such quarter to end after the Closing Date, a report with respect to such fiscal quarter, certified by a Responsible Officer (if the Seller is then the Servicer) or by the president or officer responsible for financial affairs of the Servicer, to the effect that the Servicer has reviewed its servicing, administration and collection of Purchased Receivables, Collections with respect thereto and the related Contracts and Financed Aircraft, that no errors and irregularities were detected with respect to such servicing, administration and collection and that such servicing, collection and administration was conducted in compliance with the applicable provisions of this Agreement; and

(b) Within 90 days after the last day of each fiscal year of the Servicer, a report of a firm of nationally recognized independent public accountants (which may also render other services to the Servicer, the Seller or Raytheon or any Affiliate thereof) to the effect that (i) such firm has made a study and evaluation in accordance with generally accepted auditing standards of the Servicer's internal accounting controls relative to the servicing, administration and collection of Purchased Receivables, Collections with respect thereto and the related Contracts and Financed Aircraft, that such system of internal accounting controls then in effect with respect to such servicing procedures performed by the Servicer was sufficient for the prevention and detection of errors and irregularities and that such servicing, administration and collection of Purchased Receivables, Collections with respect thereto and the related Contracts and Financed Aircraft was conducted in compliance with the provisions of this Agreement and (ii) such firm has compared the mathematical calculations of amounts set forth on a statistically representative sample of Settlement Statements delivered with respect to each Settlement Period during such fiscal year with the Servicer's computer reports and other documents which were the source of such amounts and that on the basis of such comparison, such amounts are in agreement, except in either case as may be described in such report.

3.4 Servicing Fee. As compensation for its servicing activities hereunder and reimbursement for its reasonable fees, disbursements and expenses incurred in connection with its activities hereunder, the Servicer shall be entitled to receive a per annum servicing fee of .85% of the Outstanding Purchase Price, payable monthly in arrears on each Settlement Date (other than a Special Settlement Date) in respect of the Outstanding Purchase Price at the end of the Accrual Period preceding the Settlement Date on which the Servicing Fee is paid. The Servicing Fee shall be calculated on the basis of a 360-day year for the actual number of days elapsed during such Accrual Period.

3.5 Merger or Consolidation of, or Assumption of the Obligations of, the Servicer. The Servicer shall not consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person, unless:

(i) the Person formed by such consolidation or into which the Servicer is merged or the Person which acquires by conveyance or transfer the properties and assets of the Servicer substantially as an entirety shall be, if the Servicer is not the surviving entity, organized and existing under the laws of the United States of America or any State or the District of Columbia and shall expressly assume, by an agreement in form reasonably satisfactory to the Managing Facility Agent and the Required Purchasers, the performance of every covenant and obligation of the Servicer hereunder, and shall benefit from all the rights granted to the Servicer, as applicable hereunder;

(ii) the Servicer has delivered to the Managing Facility Agent a certificate of the Chief Financial Officer or President thereof and an opinion of counsel (which counsel shall be reasonably satisfactory to the Managing Facility Agent) each stating that such consolidation, merger, conveyance or transfer and such agreement comply with this Section 3.5 and that all conditions precedent herein provided for relating to such transaction have been complied with and, in the case of the opinion of counsel, that such agreement is legal, valid and binding with respect to the Servicer; and

(iii) after giving effect thereto, no Amortization Event shall have occurred and be continuing.

3.6 Limitation on Liability of the Servicer and Others. Neither the Servicer (except as otherwise provided herein) nor any of the directors or officers or employees or agents of the Servicer shall be under any liability to the Managing Facility Agent, the Co-Administrative Agents or the Purchasers or any other Person for any action taken or for refraining from the taking of any action pursuant to this Agreement whether arising from express or implied duties under this Agreement; provided, however, that this provision shall not protect the Servicer against any liability which would otherwise be imposed by reason of its willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of its willful misconduct hereunder or by reason of Section 3.7. The Servicer and any director or officer or employee or agent of the Servicer may rely in good faith on any document of any kind prima facie properly executed and submitted by any Person respecting any matters arising hereunder.

3.7 Indemnification of the Seller, the Managing Facility Agent, the Administrative Agent, the Co-Administrative Agents and each Purchaser. The Servicer shall indemnify and hold harmless the Seller, the Managing Facility Agent, the Administrative Agent and each Purchaser from and against any loss, liability, expense, damage or injury suffered or sustained by reason of any acts, omissions or alleged acts or omissions of the Servicer with respect to activities of the Seller or the Purchasers for which the Servicer is responsible pursuant to this Agreement, including those arising from acts or omissions of the Servicer pursuant to this Agreement, including, but not limited to any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim. Notwithstanding the foregoing, (i) the Servicer shall not indemnify the Seller, the Managing Facility Agent, the Administrative Agent, any Co-Administrative Agent or any Purchaser if such acts, omissions or alleged acts constitute fraud, gross negligence or breach of fiduciary duty by such Person; (ii) the Servicer shall not indemnify the Seller, the Managing Facility Agent, the Administrative Agent, the Co-Administrative Agents or any Purchaser for any liabilities, costs or expenses with respect to any action taken by or at the request of any Purchasers, the Managing Facility Agent, the Administrative Agent, any Co-Administrative Agent, any Co-Agent or any Agent; (iii) the Servicer shall not indemnify the Seller, the Managing Facility Agent, the Administrative Agent, the Co-Administrative Agents or any Purchaser as to any losses, claims or damages incurred by any of them in their capacities as investors, including without limitation losses incurred as a result of Defaulted Receivables which are written off as uncollectible; and (iv) the Servicer shall not indemnify the Seller, the Managing Facility Agent, the Administrative Agent, the Co-Administrative Agents or any Purchaser for any liabilities, costs or expenses of any such Person arising under any tax law, including without limitation any federal, state or local income or franchise taxes or any other tax imposed on or measured by income (or any interest or penalties with respect thereto or arising from a failure to comply therewith) required to be paid by any such Person in connection herewith to any taxing authority. The provisions of this indemnity shall run directly to and be enforceable by an injured party subject to the limitations hereof.

The obligations of the Servicer under this subsection 3.7 shall survive the payment in full of the obligations hereunder.

3.8 The Servicer Not to Resign. The Servicer shall not resign from the obligations and duties hereby imposed on it except upon determination that (i) the performance of its duties hereunder is or becomes impermissible under applicable law and (ii) there is no reasonable action which the Servicer could take to make the performance of its duties hereunder permissible under applicable law. Any such determination permitting the resignation of the Servicer shall be evidenced as to clause (i) above by an opinion of counsel (satisfactory to the Managing Facility Agent and its counsel) to such effect delivered to the Managing Facility Agent. No such resignation shall become effective until a successor Servicer shall have assumed the responsibilities and obligations of the Servicer hereunder. Any delegation of duties permitted under subsection 3.1 shall not relieve the Servicer of its liability and responsibility with respect to such duties, and shall not constitute a resignation within the meaning of this subsection 3.8.

3.9 Access to Certain Documentation and Information Regarding the Contracts. The Servicer shall provide to the Managing Facility Agent access to the documentation regarding the Purchased Receivables (including the Contracts) and the related Financed Aircraft, such access being afforded without charge but only (i) upon reasonable request, (ii) during normal business hours, (iii) subject to the Servicer's normal security and confidentiality procedures and (iv) at offices designated by the Servicer.

3.10 Marking of Records. The Servicer shall mark the Contract files with a legend (or, in the case of computer tapes and disks, other appropriate electronic mark or tag) that such Purchased Receivables have been sold to the Managing Facility Agent and each Purchaser.

3.11 Additional Covenants of the Servicer. The Servicer hereby covenants that:

(a) Contract Files. The Servicer will, at its own cost and expense, maintain all Contract files in its possession in trust for the Seller, the Managing Facility Agent and the Purchasers and in accordance with the Credit and Collection Policy and customary standards in the aircraft finance industry. Without limiting the generality of the preceding sentence, the Servicer will not dispose of any such items in any manner which is inconsistent with the performance of its obligations as the Servicer pursuant to this Agreement and will not dispose of any Contract except as contemplated by this Agreement.

(b) Compliance with Law. The Servicer will comply, in all material respects, with all laws and regulations of any Governmental Authority applicable to the Servicer, the Contracts related to the Purchased Receivables, the related Financed Aircraft and the Contract Files or any part thereof; provided that the Servicer may contest any such law or regulation in any reasonable manner which will not materially and adversely affect the value of (or the rights of the Managing Facility Agent or the Purchasers, with respect to) the Purchased Receivables and related Financed Aircraft.

(c) Preservation of Security Interest. The Servicer will execute and file such financing and continuation statements and any other documents reasonably requested by the Managing Facility Agent to be filed or which may be required by any law or regulation of any Governmental Authority to preserve and protect fully the interest of the Managing Facility Agent and the Purchasers in, to and under the Purchased Receivables and related Financed Aircraft (in each case as contemplated by the other provisions of this Agreement).

(d) Obligations with Respect to Contracts; Modifications. The Servicer will duly fulfill and comply with, in all material respects, all obligations on the part of the Seller to be fulfilled or complied with under or in connection with each Contract related to Purchased Receivables and will do nothing to impair the rights of the Administrative Agent or the Purchasers in, to and under the Purchased Receivables and the related Financed Aircraft. The Servicer will perform such obligations under the Contracts and will not change or modify the Contracts, except as otherwise provided in subsection 7.1(b)(iv) of this Agreement.

(e) No Bankruptcy Petition. Prior to the date that is one year and one day after the payment in full of all amounts owing hereunder, the Servicer will not institute against the Seller, or join any other Person in instituting against the Seller, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceedings under the laws of the United States or any state of the United States. This Section 3.11(e) will survive the termination of this Agreement.

SECTION 4. REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties Relating to the Seller. To induce the Purchasers to enter into this Agreement and to purchase the Receivables the Seller hereby represents and warrants to the Managing Facility Agent and each Purchaser on the date hereof, on the Effective Date and (except as provided in subsection 4.1(j)) on each Settlement Date (including each Special Settlement Date) on which a purchase or substitution is made that:

(a) Corporate Existence; Compliance with Law. The Seller (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) has the corporate power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (iii) is duly qualified and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except to the extent that failure so to qualify could not reasonably be expected to have a Material Adverse Effect and (iv) is in compliance with all Requirements of Law (whether or not the determination of any arbitrator, court or other Governmental Authority has been appealed and is final) except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Corporate Power; Authorization; Enforceable Obligations. The Seller has the corporate power and authority, and the legal right, to execute and deliver, and to perform its obligations under, this Agreement, each Assignment, each FAA Assignment and each Foreign Assignment and to sell or substitute the Receivables hereunder, to grant and assign the Liens as contemplated herein and has taken all necessary corporate action to authorize the sales, purchases and substitutions and the granting and assigning of Liens in connection therewith on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of this Agreement and each other Purchase Document to which it is a party. No consent or authorization of, filing with or other act by or in respect of, any

Governmental Authority or any other Person is required in connection with the sales, purchases and substitutions to be made hereunder, the granting and assignment of Liens in connection therewith or with the execution, delivery, performance, validity or enforceability of this Agreement or any other Purchase Document to which it is a party. This Agreement has been, and each Assignment, FAA Assignment and Foreign Assignment will be, duly executed and delivered on behalf of the Seller. This Agreement constitutes, and each Assignment, FAA Assignment and Foreign Assignment when executed and delivered will constitute, a legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(c) No Legal Bar. Each sale and purchase and each substitution to be made hereunder, the use of the proceeds of any such purchase and sale, each granting or assigning of the Liens in connection with any such purchase and sale or substitution and the execution, delivery and performance of this Agreement and each other Purchase Document to which it is a party will not violate the Seller's certificate of incorporation or by-laws or any Requirement of Law (including, but not limited to, bulk transfer or similar statutory provisions in effect in any applicable jurisdiction) or Contractual Obligation of the Seller and will not result in, or require, the creation or imposition of any Lien on any of its properties or revenues pursuant to the Seller's certificate of incorporation or by-laws or any such Requirement of Law or Contractual Obligation, other than the Liens in favor of the Administrative Agent and the Purchasers created hereby.

(d) No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending by or against the Seller or, to the Seller's knowledge, pending against RAC, or threatened by or against the Seller or RAC, or against any of their respective properties or revenues (i) with respect to this Agreement or any other Purchase Document to which the Seller is a party or any of the transactions contemplated hereby or thereby or (ii) which could reasonably be expected to have a Material Adverse Effect.

(e) No Default. Neither the Seller nor, to the Seller's knowledge, RAC is in default under or with respect to any of its Contractual Obligations in any respect which could reasonably be expected to have a Material Adverse Effect.

(f) Federal Regulations. No part of the proceeds of any purchase will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect or for any purpose which violates the provisions of the Regulations of such Board of Governors. If requested by any Purchaser or the Managing Facility Agent, the Seller will furnish to the Managing Facility Agent and each Purchaser a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U.

(g) ERISA. During the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, each Plan has complied in all material respects with the applicable provisions of ERISA and the Code and neither the Seller nor any Commonly Controlled Entity has incurred any liability with respect to any Plan (other than contributions and payments required to be made in a timely fashion under the terms of such Plan which were so made), where a failure to comply or such liability could reasonably be expected to have a Material Adverse Effect. Neither the Seller nor any Commonly Controlled Entity would become subject to any liability under ERISA if the Seller or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made which could reasonably be expected to have a Material Adverse Effect.

(h) Investment Company Act; Other Regulations. The Seller is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. The Seller is not subject to regulation under any Federal or State statute or regulation which limits its ability to incur indebtedness.

(i) Place of Business. The chief place of business and chief executive office of the Seller and the offices where the Seller keeps all its books, records and documents evidencing the Purchased Receivables and the related Contracts are located at the address of the Seller referred to in subsection 11.2 (or, in the case of books, records and documents evidencing the Purchased Receivables, at such other locations, notified to the Managing Facility Agent in accordance with subsection 11.2, in jurisdictions where all action required by subsection 6.1(l) has been taken and completed).

(j) Information. All information set forth in the Syndication Materials is accurate in all material respects on and as of the Effective Date and does not contain any untrue statement of a material fact or omit to state any material fact of which the Seller knows or should have known which is necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

4.2 Representations and Warranties Relating to the Receivables. To induce the Purchasers to purchase the Receivables the Seller hereby represents and warrants to the Managing Facility Agent and each Purchaser with respect to Receivables being purchased or substituted on each Settlement Date (including each Special Settlement Date) or the Closing Date that:

(a) Eligible Receivables. Each Purchased Receivable is on its date of purchase or substitution hereunder an Eligible Receivable.

(b) Ownership or Perfected First Security Interest. Upon each purchase or substitution, the Purchasers will acquire a valid and perfected first priority ownership or security interest in each Purchased Receivable, the Collections with respect thereto and each related Contract and, except with respect to any Unsecured Receivable described in clause (i), (iii) or (v) of the definition of "Unsecured Receivable", the related Financed Aircraft, free and clear of any Lien other than (i) with respect to such Purchased Receivable and the related Contracts, the Lien in favor of the Administrative Agent for the ratable benefit of the Purchasers and any Permitted Receivable Lien on such Purchased Receivable and related Contracts, (ii) solely with respect to a Financed Aircraft, (u) the Lien created by the Obligor (including an Affiliate Obligor) in favor of Raytheon Credit and assigned to the Seller, (v) with respect to Existing Certified Receivables, prior to the Certified Opinion Delivery Date, the Lien created by the Obligor in favor of Raytheon Credit (but solely to the extent a filing is required in a foreign jurisdiction to transfer such Lien to the Seller and such filing has not been made), (w) with respect to all Existing Receivables, prior to the FAA Filing Date, the Lien created by the Obligor in favor of Raytheon Credit (but solely to the extent a filing is required with the FAA to transfer such Lien to the Seller and such filing has not been made), (x) the assignment of each such Lien by the Seller in favor of the Administrative Agent for the ratable benefit of the Purchasers or (y) solely with respect to a Lease Receivable, the Lien created by the Seller in favor of the Administrative Agent for the ratable benefit of the Purchasers, and (z) any Permitted Aircraft Lien on such Financed Aircraft; and no effective document or instrument covering any Purchased Receivable or Collections with respect thereto or the related Contract(s) or Financed Aircraft is on file or of record in any recording office (including, but not limited to, the FAA Registry or the comparable registry with respect to any Foreign Receivable (excluding any L/C Receivable)) except (1) the filings with the appropriate foreign registry with respect to Affiliate Receivables in order to perfect the Lien in favor of the Seller in the Applicable Leases and Financed Aircraft related to such Affiliate Receivables and (2) the filing with the FAA Registry or the comparable registry with respect to any Foreign Receivable or any Affiliate Receivable (excluding any L/C Receivable) in order to perfect the Lien encumbering a Financed Aircraft and any related Applicable Leases which was granted by the related Obligor in favor of the Seller and (3) as may be filed in favor of the Administrative Agent for the ratable benefit of the Purchasers in accordance with this Agreement.

(c) Assignment. The information set forth on Annex I to an Assignment, with respect to Eligible Receivables to be purchased or substituted on a Settlement Date or purchased on the Closing Date, is true and correct on and as of such Settlement Date or the Closing Date.

(d) No Material Adverse Change. Since the date of the last Settlement Statement, there has been no material adverse change in the collectibility of the Purchased Receivables taken as a whole.

(e) Substituted Receivables. If on any Settlement Date the Seller sells or substitutes less than substantially all the Eligible Receivables available for purchase or substitution on such Settlement Date, the Seller or the Servicer has not utilized any selection procedure intended to result in a selection of Purchased Receivables to be purchased or substituted on such Settlement Date which could be materially adverse to the rights of the Managing Facility Agent and the Purchasers as of such Settlement Date.

(f) No Violation. Immediately following each purchase or substitution, the Seller will not have violated the limitations contained in subsection 2.7.

(g) Entitlement to Section 1110 Benefits. With respect to each Purchased Receivable which is a Commuter Receivable (other than a Foreign Receivable and an Affiliate Receivable), Raytheon Credit or the Seller shall be entitled to the benefits of Section 1110 of the Bankruptcy Code (11 USC ss. 1110) with respect to each Contract and repossession of the related Financed Aircraft under which each such Purchased Receivable arises, and the Administrative Agent, for the ratable benefit of the Purchasers, pursuant to subsection 11.13, shall be entitled to such Section 1110 benefits of Raytheon Credit and the Seller after the occurrence and during the continuance of a Specified Amortization Event or in connection with any action taken pursuant to subsection 11.11(c) or subsection 11.12(b).

(h) Stipulated Aircraft Value. The Stipulated Aircraft Value with respect to any Financed Aircraft as set forth in any lease Contract related to a Receivable at any time is equal to or greater than the Outstanding Balance of such Receivable at such time assuming all current payments are made.

(i) Finance Charge Collections. The Finance Charge Collections have been calculated in compliance with the Credit and Collection Policy.

4.3 Representations and Warranties Relating to the Servicer. To induce the Purchasers to enter into this Agreement and to purchase the Receivables the Servicer hereby represents and warrants to the Managing Facility Agent and each Purchaser on the date hereof, on the Effective Date and (except as provided in subsection 4.3(i)) on each Settlement Date (including each Special Settlement Date) on which a purchase or substitution is made that:

(a) Corporate Existence; Compliance with Law. The Servicer (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) has the corporate power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (iii) is duly qualified and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except to the extent that failure so to qualify could not reasonably be expected to have a Material Adverse Effect and (iv) is in compliance with all Requirements of Law (whether or not the determination of any arbitrator, court or other Governmental Authority has been appealed and is final) except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Corporate Power; Authorization; Enforceable Obligations. The Servicer has the corporate power and authority, and the legal right, to execute and deliver, and to perform its obligations under, this Agreement and each other Purchase Document to which it is a party and has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and each other Purchase Document to which it is a party. No consent or authorization of, filing with or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement or any other Purchase Document to which it is a party. This Agreement has been duly executed and delivered on behalf of the Servicer. This Agreement constitutes, and each other Purchase Document to which it is a party, when executed and delivered by it, will constitute, a legal, valid and binding obligation of the Servicer enforceable against the Servicer in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(c) No Legal Bar. The execution, delivery and performance of this Agreement and each other Purchase Document to which it is a party will not violate the Servicer's certificate of incorporation or by-laws or any Requirement of Law (including, but not limited to, bulk transfer or similar statutory provisions in effect in any applicable jurisdiction) or Contractual Obligation of the Servicer and will not result in, or require, the creation or imposition of any Lien on any of its properties or revenues pursuant to the Servicer's certificate of incorporation or by-laws or any such Requirement of Law or Contractual Obligation.

(d) No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending by or against the Servicer or, to the Servicer's knowledge, pending against RAC, or threatened by or against the Servicer or RAC, or against any of their respective properties or revenues (i) with respect to this Agreement or any other Purchase Document to which the Servicer is a party or any of the transactions contemplated hereby or thereby or (ii) which could reasonably be expected to have a Material Adverse Effect.

(e) No Default. Neither the Servicer nor, to the Servicer's knowledge, RAC is in default under or with respect to any of its Contractual Obligations in any respect which could reasonably be expected to have a Material Adverse Effect.

(f) ERISA. During the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, each Plan has complied in all material respects with the applicable provisions of ERISA and the Code and neither the Servicer nor any Commonly Controlled Entity has incurred any liability with respect to any Plan (other than contributions and payments required to be made in a timely fashion under the terms of such Plan which were so made), where a failure to comply or such liability could reasonably be expected to have a Material Adverse Effect. Neither the Servicer nor any Commonly Controlled Entity would become subject to any liability under ERISA if the Servicer or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made which could reasonably be expected to have a Material Adverse Effect.

(g) Investment Company Act; Other Regulations. The Servicer is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. The Servicer is not subject to regulation under any Federal or State statute or regulation which limits its ability to incur indebtedness.

(h) Place of Business. The chief place of business and chief executive office of the Servicer and the offices where the Servicer keeps all its books, records and documents evidencing the Purchased Receivables and the related Contracts are located at the address of the Servicer referred to in subsection 11.2 (or, in the case of books, records and documents evidencing the Purchased Receivables, at such other locations, notified to the Managing Facility Agent in accordance with subsection 11.2, in jurisdictions where all action required by subsection 6.1(l) has been taken and completed).

(i) Information. All information set forth in the Syndication Materials is accurate in all material respects on and as of the Effective Date and does not contain any untrue statement of a material fact or omit to state any material fact of which the Servicer knows or should have known which is necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

(j) Year 2000. The disclosure with respect to the proper functioning, in and following the year 2000, of (a) the computer systems of Raytheon and its Subsidiaries and (b) equipment containing embedded microchips (including systems and equipment supplied by others or with which Raytheon's systems interface) as set forth in Raytheon's report on Form 10-Q for the quarter ended September 27, 1998 filed with the Securities and Exchange Commission, as the same may be updated from time to time by subsequent reports filed by Raytheon on Forms 10-K, 10-Q and/or 8-K, is true and correct in all material respects.

SECTION 5. CONDITIONS PRECEDENT

5.1 Conditions to Effectiveness. The effectiveness of this Agreement is subject to the satisfaction, of the following conditions precedent (the first date on which such conditions are satisfied, which shall be a Business Day, being herein called the "Amendment Effective Date"):

(a) Purchase and Other Documents. The Managing Facility Agent shall have received, with a copy for each Purchaser, (i) this Agreement executed and delivered by a duly authorized officer of each party hereto and (ii) the Repurchase Agreement executed and delivered by a duly authorized officer of RAC and (iii) the Guarantee executed and delivered by a duly authorized officer of Raytheon.

(b) Corporate Proceedings and Contracts. The Managing Facility Agent shall have received, with a counterpart for each Purchaser, a copy of the resolutions, in form and substance satisfactory to the Managing Facility Agent, of the Boards of Directors of the Seller, Raytheon Credit, RAC and Raytheon authorizing, (i) in the case of the Seller, the execution, delivery and performance of this Agreement, (ii) in the case of Raytheon Credit, authorizing the execution and delivery of this Agreement, (iii) in the case of RAC, authorizing the execution and delivery of the Repurchase Agreement and (iv), in the case of Raytheon, acknowledging the execution and delivery of this Agreement and authorizing the execution and delivery of the Guarantee, certified by the Secretary or an Assistant Secretary of the Seller, Raytheon Credit, RAC or Raytheon, as the case may be, as of the Amendment Effective Date, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded and shall be in form and substance satisfactory to the Managing Facility Agent.

(c) Corporate Documents; Good Standing Certificates. The Managing Facility Agent shall have received, with a copy for each Purchaser, (i) true and complete copies of the certificate of incorporation and by-laws of each of the Seller, Raytheon Credit, RAC and Raytheon, certified by the Secretary or Assistant Secretary thereof as of the Amendment Effective Date as complete and correct copies thereof and (ii) good standing certificates with respect to Raytheon from the Secretary of State of the State of Delaware, with respect to Raytheon Credit from the Secretary of State of the State of Kansas, with respect to RAC from the Secretary of State of the State of Kansas and with respect to the Seller from the Secretary of State of the State of Kansas.

(d) Evidence of Incumbency. The Managing Facility Agent shall have received, with a counterpart for each Purchaser, a certificate, in form and substance satisfactory to the Managing Facility Agent, of the Secretary or Assistant Secretary of each of the Seller, Raytheon Credit, RAC and Raytheon certifying as to the names and true signatures of the officers authorized on such Person's behalf to sign the Purchase Documents to which it is a party.

(e) Officer's Certificates. The Managing Facility Agent shall have received, with a counterpart for each Purchaser, (i) certificates, in form and substance satisfactory to the Managing Facility Agent, of a vice president of each of the Seller, Raytheon, RAC and Raytheon Credit that the representations and warranties made by such Person in the Purchase Documents to which it is a party are true and correct on and as of the Amendment Effective Date as though made on and as of the Amendment Effective Date and (ii) a certificate of the Vice President and Treasurer of Raytheon setting forth in the certificate delivered on behalf of Raytheon the Debt Ratio for the three fiscal quarters ended December 31, 1998, the Interest Coverage Ratio for the three fiscal quarters ended December 31, 1998 and calculations thereof in reasonable detail.

(f) Legal Opinions. The Managing Facility Agent shall have received, with a counterpart for each Purchaser, the following executed legal opinions, each dated the Amendment Effective Date and each addressed to the Managing Facility Agent and the Purchasers:

(i) the executed legal opinion of Wayne Wallace, General Counsel to Raytheon Credit, RAC and the Seller, substantially in the form of Exhibit E-1; and

(ii) the executed legal opinion of an in-house attorney of Raytheon who is satisfactory to the Managing Facility Agent, substantially in the form of Exhibit E-2.

Each such legal opinion shall cover such other matters incident to the transactions contemplated by the Purchase Documents as the Managing Facility Agent may reasonably require.

(g) UCC Filings. All UCC filings made pursuant to the 1997 Agreement which listed the Old Administrative Agent as the secured party shall have been assigned to Bank of America National Trust and Savings Association as Managing Facility Agent.

(h) Power of Attorney. The Old Administrative Agent shall have executed a limited power of attorney granting Bank of America National Trust and Savings Association, as Administrative Agent, the ability to act on behalf of the Old Administrative Agent with respect to any documents which relate to the Old Administrative Agent's Lien on Aircraft, located in the United States, which secure Receivables.

(i) Bailment Agreement. The Bailment Agreement shall have been executed and delivered by all parties thereto.

(j) Fees. (i) The Seller shall have paid to the Syndication Agent and the Managing Facility Agent for their respective accounts the fees set forth in their respective fee letters with the Seller required to be paid on or prior to the Amendment Effective Date.

(ii) The Seller shall have paid to the Managing Facility Agent, for the account of each Purchaser pro rata based upon each Purchaser's Commitment Percentage, an amount equal to .05% of the Aggregate Exposure on the Amendment Effective Date.

5.2 Conditions to Each Purchase or Substitution. The agreement of each Purchaser to make any purchase requested to be made by it on the Closing Date or any Settlement Date (including, without limitation, its initial purchase and any other purchase the Purchase Price for which is netted from Collections pursuant to subsections 2.15 and 2.16(a) but excluding the purchases among the Purchasers contemplated by subsection 2.1(d)) and the right of the Seller to substitute Receivables pursuant to subsection 2.13 are each subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. The representations and warranties made by each of the Seller, Raytheon Credit, RAC and Raytheon in or pursuant to the Purchase Documents to which it is a party shall be true and correct in all material respects on and as of such date as if made on and as of such date and the Seller, if applicable, shall have made the representations and warranties required by subsection 5.2(f).

(b) Amortization Event. No Amortization Event shall have occurred and be continuing on such date or after giving effect to the purchases or substitutions to be made on such date.

(c) Settlement Statement. The Managing Facility Agent shall have received the Settlement Statement most recently due.

(d) Assignments. On or prior to such date, the Managing Facility Agent shall have received an Assignment with respect to Receivables to be purchased or substituted on such date, dated such date and executed and delivered by a duly authorized Responsible Officer.

(e) Perfection Matters. The Servicer shall have received the following:

(i) with respect to Eligible Receivables other than Affiliate Receivables, Foreign Receivables and Registerable Lease Receivables, evidence that each FAA Assignment (in the appropriate form for filing on the Closing Date or such Settlement Date) with respect to the Financed Aircraft related to such Eligible Receivables to be purchased on the Closing Date or purchased or substituted on such Settlement Date, shall have been filed with the FAA Registry,

(ii) with respect to Eligible Receivables which are Foreign Receivables (other than Foreign Receivables which are Lease Receivables with a Foreign Obligor), evidence that each Foreign Assignment (in the appropriate form for filing on the Closing Date or such Settlement Date) with respect to the Financed Aircraft related to such Eligible Receivables to be purchased on the Closing Date or purchased or substituted on such Settlement Date, shall have been filed in each office in each jurisdiction necessary to perfect (A) the Lien granted by the Obligor thereon in favor of Raytheon Credit, (B) the transfer of such Lien by Raytheon Credit to the Seller and (C) the assignment of such Lien by the Seller in favor of the Administrative Agent for the ratable benefit of the Purchasers,

(iii) with respect to Eligible Receivables which are Foreign Receivables which are Lease Receivables with a Foreign Obligor (other than any such Receivable which is a Registerable Lease Receivable with a Foreign Obligor or an Uncertified Lease Receivable), evidence that each Foreign Assignment (in the appropriate form for filing on the Closing Date or such Settlement Date) with respect to the Financed Aircraft related to such Eligible Receivables to be purchased on the Closing Date or purchased or substituted on such Settlement Date, shall have been filed in each office in each jurisdiction necessary to perfect (x) the transfer by Raytheon Credit of its ownership interest therein to the Seller and (y) the Lien granted thereon by the Seller in favor of the Administrative Agent for the ratable benefit of the Purchasers,

(iv) with respect to Eligible Receivables which are Registerable Lease Receivables, evidence that each FAA Assignment (in the appropriate form for filing on the Closing Date or such Settlement Date) with respect to the Financed Aircraft related to such Eligible Receivables to be purchased on the Closing Date or purchased or substituted on such Settlement Date, shall have been filed with the FAA Registry in a manner satisfactory to perfect (x) the transfer by Raytheon Credit of its ownership interest therein to the Seller and (y) the Lien granted thereon by the Seller in favor of the Administrative Agent for the ratable benefit of the Purchasers,

(v) with respect to each L/C Receivable, an acknowledgement, substantially in the form of Schedule I to the Bailment Agreement, by the Bailee of its receipt of the related letters of credit,

(vi) with respect to Eligible Receivables which are Affiliate Receivables, evidence that each Foreign Assignment (in the appropriate form for filing on such Settlement Date) with respect to the Financed Aircraft related to such Eligible Receivables to be purchased or substituted on such Settlement Date, shall have been filed in each office in each jurisdiction necessary to perfect (x) the Lien thereon granted by the Affiliate Obligor in favor of Raytheon Credit, (y) the transfer of such Lien by Raytheon Credit to the Seller and (z) the Lien granted thereon by the Seller in favor of the Administrative Agent for the ratable benefit of the Purchasers, and

(vii) with respect to each of the foregoing Eligible Receivables, evidence that all other filings and recordings (including, without limitation, any UCC filings with filing offices in the jurisdictions listed on Schedule II, filings with the FAA Registry and filings in other jurisdictions as applicable) and all other actions necessary or advisable to perfect (x) the Purchasers' first priority ownership or security interests in and to such Eligible Receivables to be sold or substituted on such date and (y) the Purchasers' first priority security interest and, in the case of an Affiliate Receivable, the Affiliate Obligor's first priority ownership interest or the Seller's ownership or security interest, as applicable, in and to the related Contracts and, with respect to any Travel Air Receivables, the Travel Air Contracts and, if required pursuant to the foregoing, Financed Aircraft and the Collections with respect thereto shall have been duly taken or made.

From and after the Amendment Effective Date, all filings, assignments and other similar documents required to perfect a Lien hereunder with respect to Receivables (and related Aircraft) purchased after such date, which names the Administrative Agent shall be made in the name of Bank of America National Trust and Savings Association, as Administrative Agent.

(f) Certificates. With respect to each Certified Foreign Receivable, the Servicer shall have received an executed certificate from a Responsible Officer of the Seller to the Managing Facility Agent, dated the date of such proposed sale and in the form approved by the Managing Facility Agent pursuant to subsection 2.27.

(g) Marking Records. The Seller shall have, or shall have caused the Servicer to have, marked its books and records with respect to the Purchased Receivables to be sold or substituted on such date in accordance with subsection 6.1(h).

(h) L/C Receivables. On or prior to the related Reporting Date, a letter of credit shall have been issued in connection with each L/C Receivable to be purchased or substituted on such Settlement Date and each such letter of credit shall meet the eligibility criteria set forth herein.

(i) Refinanced Aircraft. If the Receivable proposed to be purchased (including, without limitation, a purchase the Purchase Price for which is netted from Collections pursuant to subsections 2.15 and 2.16(a)) or substituted has been or will be created in connection with the financing or refinancing of a Refinanced Aircraft, the Seller shall have caused a Lien search to be made with the FAA Registry with respect to such Refinanced Aircraft and at the date of such purchase or substitution, no Lien shall have been recorded at the FAA Registry with respect to such Refinanced Aircraft other than any Permitted Aircraft Lien or the Lien created in favor of Raytheon Credit and transferred to the Seller and assigned to the Administrative Agent for the ratable benefit of the Purchasers.

(j) Purchase Report. The Managing Facility Agent, with sufficient copies for each Purchaser, shall have received from the Seller a Purchase Report in the form of Exhibit I.

(k) Additional Documents. The Managing Facility Agent, with sufficient copies for each Purchaser, shall have received each additional document, instrument, legal opinion or item of information reasonably requested by it.

(l) Additional Matters. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Managing Facility Agent, and the Managing Facility Agent shall have received such other documents and legal opinions in respect of any aspect or consequence of the transactions contemplated hereby or thereby as it shall reasonably request.

Each purchase (including, without limitation, a purchase the Purchase Price for which is netted from the Collections pursuant to subsections 2.15 and 2.16(a)) and each substitution of Receivables hereunder shall constitute a representation and warranty by the Seller as of the Closing Date or the Settlement Date (including a Special Settlement Date, if applicable) on which such purchase or substitution is made that the conditions contained in paragraphs (a) through (i) of this subsection 5.2 have been satisfied.

5.3 Reallocation of Commitments; Addition of New Purchasers. On the Amendment Effective Date each entity identified on the signature pages hereto as a "New Purchaser" shall be and become a Purchaser hereunder having a Commitment equal to the amount set forth opposite such New Purchaser's name on Annex A hereto and each entity identified on the signature pages hereto as a "Withdrawing Purchaser" shall cease to be a Purchaser except to the extent expressly provided otherwise herein.

On the Amendment Effective Date, immediately following the addition referred to in the immediately preceding paragraph, but subject to the terms and conditions hereof, each Purchaser shall sell and assign to each other Purchaser, and each Purchaser shall purchase from each other Purchaser, undivided interests in each then outstanding Purchased Receivable to the extent necessary so that, after giving effect to such purchases and sales, each Purchaser's undivided interest in each Purchased Receivable will equal its Commitment Percentage (as defined in clause (a) of the definition thereof and utilizing the Commitments set forth on Annex A hereto) thereof. Other than the representation and warranty that each of them is the legal and beneficial owner of the respective interest being assigned hereby free and clear of any adverse claim, the selling Purchasers make no representation or warranty to the purchasing Purchasers and assume no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any instrument or document furnished pursuant thereto. The amounts payable to each

Purchaser whose undivided interests are being reduced (each, a "Reducing Purchaser") in accordance with the foregoing (such amount for each such Purchaser, its "Pro Rata Credit"); the amounts payable by each Purchaser whose undivided interests are being increased or created (each, an "Increasing Purchaser") in accordance with the foregoing (such amount for each such Purchaser, its "Pro Rata Debit"), in each case as a result of the foregoing sales and purchases; and the amount of each Purchaser's Outstanding Purchase Price immediately after giving effect to the foregoing sales and purchases shall be set forth in a letter from the Managing Facility Agent dated the Amendment Effective Date and satisfactory to each Purchaser. Prior to 11:00 a.m., New York City time, on the Amendment Effective Date each Increasing Purchaser shall make available to the Managing Facility Agent, in immediately available funds at the Managing Facility Agent's office specified in subsection 11.2 hereto, the amount of such Purchaser's Pro Rata Debit. Promptly after receipt of the aggregate amount of Pro Rata Debits, the Managing Facility Agent will transfer to each Reducing Purchaser the amount of such Purchaser's Pro Rata Credit. Such sales and purchases shall be effective on the Amendment Effective Date without further act of assignment.

Notwithstanding any contrary provision of this Agreement, on the first Settlement Date following the Amendment Effective Date, the Managing Facility Agent shall pay to each Purchaser, including each Withdrawing Purchaser, from funds received from the Seller pursuant to subsection 2.17, interest on such Purchaser's Outstanding Purchase Price for each day of the preceding Accrual Period prior to the Amendment Effective Date; it being understood that the Outstanding Purchase Price of some of the Purchasers will be re-allocated on the Amendment Effective Date as provided in the preceding paragraph. For the period beginning on the Amendment Effective Date and ending on the next Settlement Date which is not a Special Settlement Date (the "Amendment Accrual Period"), the Outstanding Purchase Price shall bear interest at the Interbank Rate for the Amendment Accrual Period. Notwithstanding the provisions of subsection 2.24 hereof, the Seller shall be obligated to indemnify and hold each Purchaser harmless from any loss or expense arising from interest or fees payable by a Purchaser to lenders of funds obtained by it or them to purchase or maintain an interest in the Purchased Receivables with respect to which the Note Rate is determined by reference to the LIBO Rate; provided that, the Managing Facility Agent shall calculate any such loss or expense on behalf of each Purchaser based upon the difference between the Note Rate in effect on the Settlement Date immediately preceding the Amendment Effective Date and the Interbank Rate for the Amendment Accrual Period, which calculation shall be binding and conclusive with respect to each Purchaser and each Withdrawing Purchaser.

SECTION 6. AFFIRMATIVE COVENANTS

6.1 Affirmative Covenants of the Seller. The Seller hereby agrees that, so long as the Commitments remain in effect, the Outstanding Purchase Price has not been reduced to zero or any other amount is owing to any Purchaser or the Managing Facility Agent hereunder, the Seller shall:

(a) Reporting Requirements. () Settlement Statements. On or before each Reporting Date, furnish or cause the Servicer to furnish to the Managing Facility Agent, with sufficient copies for each Purchaser, a Settlement Statement in the form of Exhibit C for the preceding Settlement Period, setting forth:

(x) information and calculations with respect to (A) the Purchased Receivables, Collections thereon, the related Contracts and Financed Aircraft and any Remarketed Aircraft, (B) the Outstanding Purchase Price (separately identifying the portion thereof representing the Purchase Price, if any, of Receivables purchased on the most recent Special Settlement Date), the Note Rate, the Default Rate (if any), the Interbank Rate (if applicable) and Commitment Fees for the related Accrual Period, (C) purchases of specified Eligible Receivables requested to be made on the succeeding Settlement Date (including a specific reference to any new Foreign Obligors), (D) Defaulted Receivables, Ineligible Receivables, Substituted Receivables and adjustments of Receivables made under subsection 2.12, (E) any Permitted Receivable Liens and Permitted Aircraft Liens, (F) the Concentration Limits as described in subsection 2.7, (G) any Receivables of which the scheduled principal payments are being deferred pursuant to subsection 7.1(b)(iv)(x), (H) the total amount of the Participated Receivables, (I) the total amount of the Extended Term Receivables and (J) Net Recoveries; and

(y) such other information with respect to the Receivables from the Seller and the Servicer as the Managing Facility Agent or any other Purchaser may from time to time request;

each Settlement Statement shall be certified by a Responsible Officer of the Servicer as being true and correct;

(ii) Officer's Certificate. Within 45 days after the end of each fiscal quarter of the Seller, deliver to the Managing Facility Agent, with sufficient copies for each Purchaser, a certificate of a Responsible Officer of the Seller stating that, to the best of such officer's knowledge, after due and diligent inquiry, the Seller during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and that such officer, after due and diligent inquiry, has obtained no knowledge of any Amortization Event, Discount Event, Rating Event, Remittance Event or Ineligibility Event or any errors in any amounts or other information set forth in any Settlement Statement or any Assignment, FAA Assignment or Foreign Assignment delivered with respect to any Settlement Period occurring during such fiscal quarter except as specified in such certificate;

(iii) Servicer Reports. Cause the Servicer to deliver the reports required by subsection 3.3 in accordance with the terms thereof;

(iv) Credit and Collection Policy. Deliver to the Managing Facility Agent, with sufficient copies for each Purchaser, promptly after adoption thereof, any change in the Credit and Collection Policy;

(v) Financing Programs. Concurrently with the distribution or publication to any of Raytheon Credit's Affiliates or Dealers, deliver to the Managing Facility Agent, with sufficient copies for each Purchaser, a copy of each report setting forth Raytheon Credit's retail financing programs;

(vi) Additional Information. Furnish to the Managing Facility Agent and each Purchaser, promptly, such additional financial and other information, documents, records or reports with respect to the Seller, the Servicer (if Raytheon Credit or an Affiliate of Raytheon Credit is then the Servicer) or RAC, any Purchased Receivable or the Contract, Obligor, Unaffiliated Foreign Lessee or Financed Aircraft with respect thereto, or the business, operations, property or condition (financial or otherwise) of the Seller, as the Managing Facility Agent or any Purchaser may from time to time reasonably request; and

(vii) Notices. Promptly give notice to the Managing Facility Agent and each Purchaser, after the Seller knows or should have known, of: (1) the occurrence of any Amortization Event, Discount Event, Rating Event, Remittance Event or Ineligibility Event; (2) any Lien (other than the security interest created hereunder in favor of the Administrative Agent and the Purchasers) on or claim asserted against any Purchased Receivable, the Collections with respect thereto or the related Contract or material claim asserted with respect to the related Financed Aircraft; (3) a development or event which has had a Material Adverse Effect; (4) any loss of a Financed Aircraft or of the use thereof due to theft, destruction, damage beyond repair or damage to an extent which makes repair uneconomical, or the confiscation or seizure of any material portion thereof, or requisition of title to or for the use thereof by any Governmental Authority; and (5) any litigation, investigation or proceeding which may exist at any time between the Seller, Raytheon Credit, RAC or any Person which, in either case, could reasonably be expected to have a Material Adverse Effect. Each notice pursuant to this subsection shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Seller proposes to take with respect thereto.

(viii) Fiscal Months. No later than December 15 of each calendar year the Seller shall send the Managing Facility Agent written notification of each of the Seller's fiscal monthly periods for the immediately following calendar year.

(b) Compliance with Laws, Etc. Comply, and cause each Affiliate Obligor to comply, in all respects with all applicable Requirements of Law and all Contractual Obligations with respect to it, its business and properties and all Purchased Receivables and the related Contracts and Financed Aircraft except to the extent that failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

(c) Conduct of Business and Maintenance of Existence. Continue to engage in business of the same general type as now conducted by it and preserve, renew and keep in full force and effect its corporate existence and take all reasonable actions to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business except where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification could not reasonably be expected to have a Material Adverse Effect.

(d) Maintenance of Property; Insurance. Keep all property useful and necessary in its business in good working order and condition; maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks as are considered reasonable and prudent by the Seller; cause each Financed Aircraft (including, without limitation, any Financed Aircraft repossessed by the Seller or the Servicer) related to a Purchased Receivable to be covered by insurance meeting the requirements of paragraph (w) of the definition of "Eligible Receivable"; and furnish to each Purchaser, upon request, full information as to the insurance carried.

(e) Keeping of Records and Books of Account. Maintain and implement administrative and operating procedures (including, without limitation, maintaining the ability to recreate records evidencing Purchased Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books (with true and correct entries in conformity with generally accepted accounting principles as in effect from time to time and all material Requirements of Law), records and other information reasonably necessary or advisable for the administration, servicing and collection of all Purchased Receivables and the monitoring of the Contracts, the related Obligors and Unaffiliated Foreign Lessees and Financed Aircraft (including, without limitation, records adequate to permit the daily identification of all Collections of and adjustments to each Purchased Receivable).

(f) Location of Records. Keep its chief place of business and chief executive office, and the offices where it keeps its records concerning the Purchased Receivables and all Contracts related thereto (and all original documents relating thereto), at its address referred to in subsection 11.2 or, upon 30 days' prior written notice to the Managing Facility Agent, at such other locations in jurisdictions where all actions required by subsection 6.1(l) shall have been taken and completed.

(g) Access. From time to time during regular business hours upon reasonable prior notice, permit the Managing Facility Agent or any Purchaser, or their respective agents or representatives () to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of the Seller or its Affiliates relating to Purchased Receivables, including, without limitation, the related Contracts and Financed Aircraft and () to visit the offices and properties of the Seller, its Affiliates or its independent certified public accountants for the purpose of examining such materials described in clause (a) above, and to discuss matters relating to Purchased Receivables, the Contracts and the Financed Aircraft or the Seller's or Servicer's (if Raytheon Credit or an Affiliate of Raytheon Credit is then the Servicer) performance hereunder with any of the officers or employees of the Seller or its Affiliates having knowledge of such matters and to discuss the business, operations, properties and financial and other condition of the Seller with such officers and with its independent certified public accountants; provided that any information, records and materials obtained by the Managing Facility Agent or any Purchaser pursuant to this subsection 6.1(g) shall be used by the Managing Facility Agent or such Purchaser solely in connection with its participation in the transactions contemplated by the Purchase Documents (including pursuant to subsections 11.6(b) and (c)) and shall be treated as confidential by the Managing Facility Agent or such Purchaser in accordance with subsection 11.22.

(h) Marking of Records. At its expense, mark (or cause the Servicer to mark) the computer files evidencing the Purchased Receivables and related Contracts with a legend evidencing that such Purchased Receivables and related Contracts have been sold in accordance with this Agreement and deliver evidence satisfactory thereto in form and substance to the Managing Facility Agent in accordance with subsection 5.2(g).

(i) Credit and Collection Policy. Comply in all material respects with the Credit and Collection Policy with respect to each Purchased Receivable (including but not limited to the calculation of the Finance Charge Collections) and the related Contract and Financed Aircraft.

(j) Performance and Compliance with Receivables and Contracts. At its own expense, timely and fully perform and comply with, and enforce and defend, or, with respect to Affiliate Receivables, cause the related Affiliate Obligor to perform and comply with and enforce and defend, all material provisions, covenants and other promises (which promises are required to be observed by it) under the Contracts (other than the payment by such Affiliate Obligor of the principal of and interest on the promissory note included in such Contract) and any policy of insurance issued in connection with an ExIm Bank Receivable and with respect to the Financed Aircraft related to the Purchased Receivables in accordance with the Credit and Collection Policy; and defend the right, title and interest of the Administrative Agent and each Purchaser in and to such Purchased Receivable, the Collections with respect thereto and the related Contract and Financed Aircraft against the claims and demands of any Persons whomsoever (other than of the Administrative Agent or any Purchaser).

(k) Interest Rate Protection. Within 30 Business Days after the occurrence of a Rating Event obtain and maintain interest rate caps or interest rate swaps (or such other interest rate protection as the Managing Facility Agent and the Majority Purchasers shall require), at the Seller's own expense, which shall be satisfactory in form and substance to the Managing Facility Agent and the Majority Purchasers and the rights of the Seller thereunder shall be pledged to the Administrative Agent, for the ratable benefit of the Purchasers, as collateral security for the obligations of the Seller hereunder.

(l) Further Action Evidencing Interests of Administrative Agent and Purchasers. At any time and from time to time, upon the request of the Managing Facility Agent or the request of the Managing Facility Agent as directed by the Majority Purchasers and at the sole expense of the Seller, promptly execute and deliver and cause each Affiliate Obligor to execute and deliver all further instruments and documents and take all further actions and cause each Affiliate Obligor to take all further actions that the Managing Facility Agent or the Managing Facility Agent as directed by the Majority Purchasers may request in order to perfect, protect or more fully evidence the ownership or security interests of the Administrative Agent and the Purchasers in the Purchased Receivables, the Collections with respect thereto and the related Contracts and Financed Aircraft, or to enable any of them or the Administrative Agent to exercise or enforce any of their respective rights with respect thereto, including, but not limited to: (a) execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate; and (b) mark conspicuously each invoice evidencing each Purchased Receivable and the related Contract with a legend, in a form acceptable to the Managing Facility Agent, evidencing that such Contract has been assigned to the Administrative Agent for the ratable benefit of the Purchasers and, in connection therewith, the Seller hereby (x) authorizes the Administrative Agent to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relative to all or any of the Purchased Receivables now existing or hereafter arising without the signature of the Seller or any of its Affiliates where permitted by law and (y) agrees that if the Seller fails to perform any of its agreements or obligations under this Agreement, the Managing Facility Agent may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of the Managing Facility Agent incurred in connection therewith shall be payable by the Seller as provided in subsection 11.5.

(m) Separate Corporate Existence. (i) Maintain its own deposit account or accounts, separate from those of any Affiliate, with commercial banking institutions. The funds of the Seller will not be diverted to any other Person or for other than corporate uses of the Seller.

(ii) Ensure that, to the extent that it shares the same officers or other employees as any of its stockholders or Affiliates, the salaries of and the expenses related to providing benefits to such officers and other employees shall be fairly allocated among such entities, and each such entity shall bear its fair share of the salary and benefit costs associated with all such common officers and employees.

(iii) Ensure that, to the extent that it jointly contracts with any of its stockholders or Affiliates to do business with vendors or service providers or to share overhead expenses, the costs incurred in so doing shall be allocated fairly among such entities, and each such entity shall bear its fair share of such costs. To the extent that the Seller contracts or does business with vendors or service providers when the goods and services provided are partially for the benefit of any other Person, the costs incurred in so doing shall be fairly allocated to or among such entities for whose benefit the goods and services are provided, and each such entity shall bear its fair share of such costs. All material transactions between Seller and any of its Affiliates shall be only on an arm's length basis.

(iv) Maintain a principal executive and administrative office through which its business is conducted separate from those of its Affiliates. To the extent that Seller and any of its stockholders or Affiliates have offices in the same location, there shall be a fair and appropriate allocation of overhead costs among them, and each such entity shall bear its fair share of such expenses.

(v) Conduct its affairs strictly in accordance with its Certificate of Incorporation and observe all necessary, appropriate and customary corporate formalities, including, but not limited to, holding all regular and special stockholders' and directors' meetings appropriate to authorize all corporate action, keeping separate and accurate minutes of its meetings, passing all resolutions or consents necessary to authorize actions taken or to be taken, and maintaining accurate and separate books, records and accounts, including, but not limited to, payroll and intercompany transaction accounts.

(vi) Take or refrain from taking, as applicable, each of the activities specified in the "non-substantive consolidation" opinion of Sullivan & Worcester LLP, delivered on the Effective Date, upon which the conclusions expressed therein are based.

(n) Existing Receivables Perfection Matters. Deliver to the Managing Facility Agent the following:

(i) with respect to Existing Certified Receivables, no later than the Certified Opinion Delivery Date, a certificate of a Responsible Officer certifying that all actions set forth in the legal opinions described in subsection 2.27(c) and necessary in order to perfect the Liens and assignments of such Receivables, the related Financed Aircraft and Applicable Leases (if applicable) and Collections thereon, to the extent set forth in such subsection, shall have been taken; and

(ii) with respect to all Existing Receivables, no later than 90 days after the Effective Date (the "FAA Filing Date"), a certificate of a Responsible Officer certifying that all filings, if any, to be made with the FAA as described in the opinion of special FAA counsel delivered pursuant to subsection 5.1(g)(iv) of the 1997 Agreement and necessary to (x) continue the Lien of the Old Administrative Agent, on behalf of the Purchasers, in the Existing Receivables, the related Financed Aircraft and Applicable Leases (if applicable) and Collections thereon with the same priority thereon as in effect immediately prior to the Effective Date and (y) perfect the transfer by Raytheon Credit of the Existing Receivables, the related Financed Aircraft and Applicable Leases (if applicable) and Collections thereon to the Seller pursuant to the Intercompany Purchase Agreement shall have been taken.

6.2 Affirmative Covenants of the Servicer. The Servicer (so long as it is Raytheon Credit) hereby agrees that, so long as the Commitments remain in effect, the Outstanding Purchase Price has not been reduced to zero or any other amount is owing to any Purchaser or the Managing Facility Agent hereunder, the Servicer shall:

(a) Compliance with Laws, Etc. Comply in all respects with all applicable Requirements of Law and all Contractual Obligations with respect to it, its business and properties and all Purchased Receivables and the related Contracts and Financed Aircraft except to the extent that failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

(b) Conduct of Business and Maintenance of Existence. Continue to engage in business of the same general type as now conducted by it and preserve, renew and keep in full force and effect its corporate existence and take all reasonable actions to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business except where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification could not reasonably be expected to have a Material Adverse Effect.

(c) Maintenance of Property; Insurance. Keep all property useful and necessary in its business in good working order and condition; maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks as are considered reasonable and prudent by the Servicer; cause each Financed Aircraft (including, without limitation, any Financed Aircraft repossessed by the Servicer) related to a Purchased Receivable to be covered by insurance meeting the requirements of paragraph (w) of the definition of "Eligible Receivable"; and furnish to each Purchaser, upon request, full information as to the insurance carried.

(d) Keeping of Records and Books of Account. Maintain and implement administrative and operating procedures (including, without limitation, maintaining the ability to recreate records evidencing Purchased Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books (with true and correct entries in conformity with generally accepted accounting principles as in effect from time to time and all material Requirements of Law), records and other information reasonably necessary or advisable for the administration, servicing and collection of all Purchased Receivables and the monitoring of the Contracts, the related Obligors and Unaffiliated Foreign Lessees and Financed Aircraft (including, without limitation, records adequate to permit the daily identification of all Collections of and adjustments to each Purchased Receivable).

(e) Location of Records. Keep its chief place of business and chief executive office, and the offices where it keeps its records concerning the Purchased Receivables and all Contracts related thereto (and all original documents relating thereto), at its address referred to in subsection 11.2 or, upon 30 days' prior written notice to the Managing Facility Agent, at such other locations in jurisdictions where all actions required by subsection 6.1(l) shall have been taken and completed.

(f) Access. From time to time during regular business hours upon reasonable prior notice, permit the Managing Facility Agent or any Purchaser, or their respective agents or representatives (i) to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of the Servicer or its Affiliates relating to Purchased Receivables, including, without limitation, the related Contracts and Financed Aircraft and (ii) to visit the offices and properties of the Servicer, its Affiliates or its independent certified public accountants for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Purchased Receivables, the Contracts and the Financed Aircraft or the Servicer's performance hereunder with any of the officers or employees of the Servicer or its Affiliates having knowledge of such matters and to discuss the business, operations, properties and financial and other condition of the Servicer with such officers and with its independent certified public accountants; provided that any information, records and materials obtained by the Managing Facility Agent or any Purchaser pursuant to this subsection 6.2(f) shall be used by the Managing Facility Agent or such Purchaser solely in connection with its participation in the transactions contemplated by the Purchase Documents (including pursuant to subsections 11.6(b) and (c)) and shall be treated as confidential by the Managing Facility Agent or such Purchaser in accordance with subsection 11.22. The Servicer hereby consents to the disclosure of any non-public information with respect to it as related to this transaction and the assets sold hereunder by any SPC to any rating agency, commercial paper dealer, or provider of a surety, guaranty or credit or liquidity enhancement to that SPC.

(g) Credit and Collection Policy. Comply in all material respects with the Credit and Collection Policy with respect to each Purchased Receivable (including but not limited to the calculation of the Finance Charge Collections) and the related Contract and Financed Aircraft.

(i) Ownership of Affiliate Obligors. The Servicer shall at all times beneficially own, directly or indirectly, 100% of each Affiliate Obligor.

SECTION 7. NEGATIVE COVENANTS

7.1 Negative Covenants of the Seller. The Seller hereby agrees that, so long as the Commitments remain in effect, the Outstanding Purchase Price has not been reduced to zero or any other amount is owing to any Purchaser or the Managing Facility Agent hereunder, the Seller shall not:

(a) Sales, Liens, Etc. Sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Lien (other than Permitted Receivable Liens and other than, but solely with respect to a Financed Aircraft, Permitted Aircraft Liens), upon or with respect to, the Purchased Receivables, the related Contracts and Financed Aircraft or the Collections with respect thereto, or assign any right to receive payments in respect thereof other than to the Managing Facility Agent and the Purchasers pursuant to this Agreement.

(b) Extension or Amendment of Purchased Receivables. Extend, amend or otherwise modify the terms of any Purchased Receivable, or amend, modify or waive any term or condition of any Contract related thereto or permit the Servicer (if the Seller or an Affiliate of the Seller is then the Servicer) to do any of the foregoing except in the normal course of the Seller's business and in accordance with the Credit and Collection Policy or pursuant to subsection 7.1(b)(iv)(x) (each, a "Modification"); provided that:

(i) any Modification made pursuant to this subsection 7.1(b) shall be subject to the provisions of subsection 2.12;

(ii) if an Amortization Event shall have occurred and be continuing, no Modification shall be made without the prior consent of the Required Purchasers if the effect thereof would be to extend the then average life of the Purchased Receivables taken as a whole, to reduce or increase the Principal Balance of any Purchased Receivable or to reduce the amount or rate of interest thereon or to cause the Stipulated Aircraft Value under a Contract to be less than the Outstanding Balance of the Receivable with respect to such Contract;

(iii) if an Amortization Event shall have occurred and be continuing, no Modification shall be made without the prior consent of each Purchaser if the effect thereof would be to extend the Final Payment Date of a Receivable beyond the then latest Final Payment Date of all Purchased Receivables;

(iv) the Seller shall not modify the payment terms of any Purchased Receivable except (x) in accordance with the Credit and Collection Policy, except that, (A) with respect to any GA Receivable, the Seller shall not modify the payment terms of any such Purchased Receivable more than once after the Closing Date or Settlement Date on which such Receivable is sold or substituted pursuant to this Agreement or an Existing Agreement, and (B) with respect to a Commuter Receivable, (1) no more than an aggregate of 12 monthly principal payments may be deferred during the term of any Contract and (2) subject to the immediately following sentence, the Final Payment Date may not be extended by more than six months and, (y) so long as no Amortization Event has occurred and is continuing, the Servicer may when necessary to prevent a possible default by the Obligor under any Contract or in order to enhance the collectibility of any Receivable, defer any scheduled payment of principal, in part or in whole, to a later scheduled payment date under such Contract. If, after giving effect to the extension of the Final Payment Date of a Purchased Receivable pursuant to clause (iv)(x)(B)(2) of the foregoing proviso, such extended Final Payment Date exceeds, (I) so long as no Rating Event has occurred and is continuing, 13 years from the date of such extension and, (II) during the continuance of a Rating Event, 10 years from the date of such extension, then on the immediately following Settlement Date (or if such date is a Settlement Date, then on such date) the Seller shall deposit in the Concentration Account an amount equal to the aggregate Principal Collections then scheduled to be paid after such 13th year or 10th year, as the case may be, plus, if a Trigger Amortization Event has occurred and is continuing, accrued and unpaid interest on the amount so deposited at the rate under the related Contract except to the extent (without duplication) of any payment made pursuant to subsection 2.18 for the Settlement Period during which such interest accrued and was not paid by the Obligor under such Contract. The amount of any such deposit shall be applied and distributed in accordance with subsections 2.15 and 2.16 provided, however, that any Purchased Receivable so modified shall be deemed an Extended Term Receivable for purposes of subsection 2.15;

(v) any Modification made in accordance with this subsection 7.1(b) shall not cause the Principal Balance of the applicable Purchased Receivable to exceed 50% of the Low Wholesale Value of the related Financed Aircraft; and

(vi) the Seller shall not make any Modification which permits the transfer of registered ownership in any Financed Aircraft without the consent of the Required Purchasers, unless after giving effect to such transfer (and any payments made under the Contract at the time of transfer) the related Receivable would satisfy on the date of transfer the criteria contained in the definition of Eligible Receivable; provided that the provisions of this subsection 7.1(b)(vi) shall not apply to a transfer by an Obligor to a wholly-owned Affiliate of such Obligor.

(c) Change in Business or Credit and Collection Policy. Make any material change in the character of its business or, without the prior written consent of the Required Purchasers, notify any Obligor to remit payments to a location other than that to which such payment would be remitted on the Closing Date; make any change in the Credit and Collection Policy without prior notice to the Managing Facility Agent and each Purchaser; provided that, without the prior consent of the Required Purchasers, the Seller shall not make or permit to be made any such change to the Credit and Collection Policy if such change could reasonably be expected to materially adversely affect the collectibility or maturity of any Purchased Receivable or the interests of the Administrative Agent and the Purchasers in any Purchased Receivable, the related Contract and Financed Aircraft or the Collections with respect thereto.

(d) No Actions against Obligors. Except in accordance with the Credit and Collection Policy, commence or settle any legal action to enforce collection of any Purchased Receivable.

(e) Security Interest to Remain in Force. Release, in whole or in part, any Financed Aircraft, or any other collateral securing or guarantee of the related Contract (including, but not limited to, any letter of credit related thereto issued in favor of the Seller), from the security interest granted by such Contract except, that, the Seller may or may permit the Servicer to, at its or the Servicer's own expense, (x) substitute engines in accordance with subsection 7.1(j) and (y) substitute other parts (other than airframes) for any of the parts on any Financed Aircraft as Seller or Servicer may deem desirable in the proper conduct of its business; provided, however, that for purposes of this clause (y), (i) no such substitution(s), individually or in the aggregate, shall diminish the utility or remaining useful life of such Financed Aircraft, or materially diminish the value, or impair the condition or airworthiness, thereof, below the utility, remaining useful life, condition, airworthiness, or value thereof immediately prior to such substitution, (ii) no such substitution shall affect adversely the Lien on such Financed Aircraft (other than the removed avionics) in favor of the Administrative Agent for the benefit of the Purchasers (as such Lien was in effect immediately prior to such substitution), (iii) the Administrative Agent shall have a Lien on the substitute parts with a priority no less than the priority of the Lien in favor of the Administrative Agent on the removed parts and (iv) the new part shall not be subject to any Liens other than Permitted Aircraft Liens. Upon substitution of any engine or other parts on any Financed Aircraft, the Lien thereon of the Administrative Agent on behalf of the Purchasers shall, without the requirement for any further act, be automatically released.

(f) Limitations on Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of, all or substantially all of its property, business or assets (except for sales and substitutions of Purchased Receivables pursuant to this Agreement).

(g) Transactions with Affiliates. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, relating to the administration, servicing and collection of the Purchased Receivables, the Collections with respect thereto and the related Contracts and Financed Aircraft, with any Affiliate unless such transaction is otherwise permitted under this Agreement, is in the ordinary course of the Seller's business and is upon fair and reasonable terms no less favorable to the Seller than it would obtain in a comparable arm's length transaction with a Person not an Affiliate.

(h) Fiscal Year. Permit the fiscal year of the Seller to end on a day other than December 31 without 60 days' prior notice thereof to the Managing Facility Agent.

(i) Assignment of Contracts. Permit any assignment of any Contract by either the Seller or Obligor (except for an assignment to the Guarantor) without the prior written consent of the Required Purchasers, provided that such consent shall not be unreasonably withheld to the extent the Contract so provides.

(j) Substitution of Engines. Permit any engine to be substituted for an engine originally annexed to any Financed Aircraft related to a Purchased Receivable unless such engine is of the same model number and of the same or improved utility, performance and efficiency, of equivalent age and equivalent or greater value as the replaced engine.

(k) Indebtedness. Create, incur, assume or suffer to exist any Indebtedness or other liability whatsoever, except (i) Indebtedness owing from time to time to Raytheon Credit and incurred to finance a portion of the Purchase Price (as defined in the Intercompany Purchase Agreement) of Receivables, the payment of which Indebtedness is subordinated to the prior payment in full of all amounts owing to the Purchasers, (ii) obligations incurred under this Agreement and (iii) other liabilities incurred in the ordinary course of business.

(l) Guarantees. Become or remain liable, directly or contingently, in connection with any Indebtedness or other liability of any other Person, whether by guarantee, endorsement (other than endorsements of negotiable instruments for deposit or collection in the ordinary course of business), agreement to purchase or repurchase, agreement to supply or advance funds, or otherwise.

(m) Investments. Make or suffer to exist any loans or advances to, or extend any credit to, or make any investments (by way of transfer of property, contributions to capital, purchase of stock or securities or evidences of indebtedness, acquisition of the business or assets, or otherwise) in, any Person except (i) for purchases of Receivables pursuant to the Intercompany Purchase Agreement, (ii) for investments in Cash Equivalents in accordance with the terms of this Agreement and (iii) the holding of the demand note made by RAC or Raytheon Credit in favor of the Seller.

(n) Distributions. Declare or pay, directly or indirectly, any dividend or make any other distribution (whether in cash or other property) with respect to the profits, assets or capital of the Seller or any Person's interest therein, or purchase, redeem or otherwise acquire for value any of its capital stock now or hereafter outstanding, except that so long as the Seller would continue to be Solvent as a result thereof and after giving effect thereto and no Amortization Event is continuing or would result therefrom, the Seller may declare and pay dividends on its capital stock.

(o) Agreements. Become a party to, or permit any of its properties to be bound by, any indenture, mortgage, instrument, contract, agreement, lease or other undertaking, except the Contracts, this Agreement and the Intercompany Purchase Agreement or amend or modify the provisions of its Certificate of Incorporation or issue any power of attorney except to the Managing Facility Agent or the Servicer.

(p) Intercompany Purchase Agreement. Give any material consent or fail to exercise in any material respect any right or privilege under the Intercompany Purchase Agreement.

7.2 Negative Covenants of the Servicer. The Servicer (so long as it is Raytheon Credit) hereby agrees that, so long as the Commitments remain in effect, the Outstanding Purchase Price has not been reduced to zero or any other amount is owing to any Purchaser or the Managing Facility Agent hereunder, the Servicer shall not:

(a) No Actions against Obligors. Except in accordance with the Credit and Collection Policy, commence or settle any legal action to enforce collection of any Purchased Receivable.

(b) Security Interest to Remain in Force. Except to the extent permitted in subsection 7.1(e), release, in whole or in part, any Financed Aircraft, or any other collateral securing or guaranteeing the related Contract (including, but not limited to, any letter of credit related thereto issued in favor of the Seller), from the security interest granted by such Contract.

(c) Limitations on Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of, all or substantially all of its property, business or assets (except for sales and substitutions of Receivables pursuant to the Intercompany Purchase Agreement), except that any Subsidiary of the Servicer may be merged or consolidated with or into the Servicer (so long as the Servicer is the surviving or continuing corporation).

(d) Transactions with Affiliates. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, relating to the administration, servicing and collection of the Purchased Receivables, the Collections with respect thereto and the related Contracts and Financed Aircraft, with any Affiliate unless such transaction is otherwise permitted under this Agreement, is in the ordinary course of the Servicer's business and is upon fair and reasonable terms no less favorable to the Servicer than it would obtain in a comparable arm's length transaction with a Person not an Affiliate.

(e) Assignment of Contracts. Permit any assignment of any Contract by either the Seller or Obligor (except for an assignment to the Guarantor or RAC) without the prior written consent of the Required Purchasers, provided that such consent shall not be unreasonably withheld to the extent the Contract so provides.

SECTION 8. AMORTIZATION EVENTS

8.1 Amortization Events. Any of the following shall constitute an Amortization Event (whether it occurs before or during the Amortization Period) hereunder:

(a) The Seller or the Servicer shall fail to make any deposit or payment (including any payment of interest) required to be made by the Seller or the Servicer, as the case may be, under this Agreement or any other document executed and delivered in connection herewith, including, without limitation, any payment or deposit required to be made pursuant to subsection 2.6(a), 2.7(b), 2.10, 2.11, 2.12, 2.14(c)(iii), 2.18 or 7.1(b), or the Seller or the Servicer (if an Affiliate of the Seller is then the Servicer) shall fail to deliver the Settlement Statement, or the Seller or the Servicer (if an Affiliate of the Seller is then the Servicer) shall fail to take any action required or requested to be taken pursuant to this Agreement after an Amortization Event has occurred and is continuing, in each case within five days after any such deposit, payment or delivery is required to be made or any such action is requested to be taken hereunder; or

(b) Raytheon shall fail to make any payment required under the Guarantee or RAC shall fail to make any payment required under the Repurchase Agreement within, in each case, five days after any such payment is required to be made; or

(c) intentionally omitted; or

(d) Any representation or warranty made or deemed made by the Seller, the Servicer (if an Affiliate of the Seller is then the Servicer) or Raytheon in any Purchase Document to which it is a party or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement shall prove to have been incorrect in any material respect on or as of the date made or deemed made by the Seller, the Servicer (if an Affiliate of the Seller is then the Servicer) or Raytheon, and shall have continued to be incorrect in such material respect for a period of 30 days after such representation or warranty was initially made (other than any representation and warranty with respect to a Receivable which has been repurchased or substituted pursuant to subsection 2.7(b), 2.10, 2.11 or 2.13); or

(e) (i) The Seller shall default in the observance or performance of, or Raytheon shall default under the Guarantee in causing the Seller to observe or perform, any agreement contained in subsection 6.1(k) or Section 7.1 or (ii) the Servicer shall default in the observance or performance of, or Raytheon shall default under the Guarantee in causing the Servicer to observe or perform, any agreement contained in subsection 7.2; or

(f) Either of the Seller or the Servicer (if an Affiliate of the Seller is then the Servicer) shall default in the observance or performance of any other agreement (other than subsection 6.1(n), the remedy for which is contained in subsection 2.11) contained in this Agreement in any material respect or Raytheon shall default in the observance or performance of any agreement contained in the Guarantee in any material respect or RAC shall default in the observance or performance of any agreement contained in the Repurchase Agreement in any material respect (other than as provided in paragraphs (a) through (e) of this subsection 8.1), and such default shall continue unremedied for a period of 30 days after the earlier of (i) notice of such default from the Managing Facility Agent or the Majority Purchasers or (ii) knowledge by the Seller, the Servicer (if an Affiliate of the Seller is then the Servicer) or Raytheon of any such default, or

(g) The Debt Ratio of Raytheon shall be greater than (i) 0.65 to 1.0 on the last day of any fiscal quarter of Raytheon ending on or before December 31, 1999, (ii) 0.60 to 1.0 on the last day of any fiscal quarter of Raytheon ending during the period commencing January 1, 2000 and ending on December 31, 2001 or (iii) 0.55 to 1.0 on the last day of any fiscal quarter of Raytheon ending thereafter;

(h) As of the last day of any of Raytheon's fiscal quarters, the Interest Coverage Ratio for the period of four consecutive fiscal quarters then ending shall be less than 3.0 to 1.0 for such four-quarter period; or

(i) Raytheon, RAC, Raytheon Credit or the Seller shall default in any payment of principal of or interest of any indebtedness for borrowed money (or any guarantee thereof) (other than under the Guarantee or the Repurchase Agreement) with a principal amount in excess of $25,000,000 when due (whether by acceleration, upon maturity or otherwise), beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such indebtedness (or guarantee) was created; or

(j) (i) Raytheon, RAC, Raytheon Credit or the Seller shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets; or (ii) there shall be commenced against Raytheon, RAC, Raytheon Credit or the Seller any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days from the entry thereof; or (iii) there shall be commenced against Raytheon, RAC, Raytheon Credit or the Seller any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in

the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) Raytheon, RAC, Raytheon Credit or the Seller shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) Raytheon, RAC, Raytheon Credit or the Seller shall make a general assignment for the benefit of its creditors or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(k) Any event or condition shall occur or exist with respect to a Plan that, together with all other such events or conditions, if any, could reasonably be expected to subject Raytheon or any Commonly Controlled Entity to any tax, penalty or other liabilities which in the aggregate could reasonably be expected to have a Material Adverse Effect or a material adverse effect on the business, assets, property or condition (financial or other) of Raytheon and its Subsidiaries taken as a whole; or

(l) One or more judgments or decrees shall be entered against Raytheon, RAC, Raytheon Credit or the Seller involving in the aggregate a liability (not paid or fully covered by insurance) of $25,000,000 or more and all such judgments or decrees shall not have been vacated, discharged, satisfied, stayed or bonded pending appeal within 60 days from the entry thereof; provided that no Amortization Event shall be deemed to occur if any such judgment or decree is being contested in good faith by appropriate proceedings and with respect to which no enforcement proceedings to collect any such judgment or enforce any such decree have been commenced which could reasonably be expected to have a Material Adverse Effect; or

(m) The Guarantee shall cease to be in full force and effect or Raytheon shall so assert in writing or the Repurchase Agreement shall cease to be in full force and effect or RAC shall so assert in writing or;

(n) The ownership or security interests created under this Agreement or any Assignment (including to the extent applicable, each Foreign Assignment) shall cease to be in full force and effect or the Seller or any of its Affiliates shall so assert in writing, or this Agreement or any Assignment (including to the extent applicable, each Foreign Assignment) shall cease, for any reason other than acts or omissions of the Managing Facility Agent or any Purchaser, to be effective to grant a perfected first-priority ownership or security interest in the Purchased Receivables, the related Contracts and Financed Aircraft free and clear of any Lien except (i) to the extent any of the foregoing are violated prior to the dates set forth in subsection 6.1(n) as a result of the failure to make the filings referred to therein and required to be made by such dates, (ii) to the extent a Lien of the first priority on the related Financed Aircraft is not perfected with respect to L/C Receivables, Unsecured Foreign Receivables and Existing Uncertified Foreign Receivables, (iii) solely with respect to a Purchased Receivable, to the extent the Lien thereon is subject to a Permitted Receivable Lien, (iv) solely with respect to a Financed Aircraft, to the extent the Lien thereon is subject to Permitted Aircraft Liens or (v) to the extent provided in subsection 4.2(b); or

(o) (i) Raytheon shall cease to own, directly or indirectly, 100% of the issued and outstanding voting stock of RAC, the Seller or Raytheon Credit or (ii) Raytheon Credit shall cease to own 100% of the issued and outstanding voting stock of the Seller; or

(p) On any Settlement Date on which Raytheon's Debt Rating is less than A-/A3, the ratio, expressed as a percentage, of the aggregate Outstanding Purchase Price of all Delinquent Receivables to the Outstanding Purchase Price of all Receivables shall be greater than 10%; or

(q) Raytheon's Debt Rating shall be less than BBB- or Baa3 or Raytheon's long-term unsecured senior debt shall not be rated by both S&P and Moody's or, if the Seller and the Required Purchasers shall have agreed to use a rating agency other than Moody's, S&P or Duff to determine the Debt Rating, such Debt Rating shall be less than such level as the Seller and the Purchasers, by unanimous consent, shall have agreed; or

(r) As of any Settlement Date, the Aggregate Repurchase Obligation in effect on such Settlement Date, before giving effect to any purchases and substitutions on such date but after deducting the Repurchase Price of Defaulted Receivables repurchased on such date (whether paid by the Seller, RAC or the Guarantor), shall be equal to or less than 75% of the sum of (i) 25% of the aggregate Outstanding Balances of the 25% Repurchase Receivables, (ii) 75% of the aggregate Outstanding Balances of the 75% Repurchase Receivables and (iii) 90% of the aggregate Outstanding Balances of the 90% Repurchase Receivables, in effect on such Settlement Date, before giving effect to any purchases and substitutions on such date and before giving effect to any reductions of such Aggregate Repurchase Obligation on such date.

8.2 Rights and Remedies. If an Amortization Event should occur and be continuing, the Managing Facility Agent and the Purchasers shall have available the following rights and remedies (unless such Amortization Event is waived pursuant to subsection 11.1) in addition to any other rights and remedies available under applicable law, such rights and remedies being cumulative and not exclusive:

(a) the Outstanding Purchase Price shall bear interest for the Accrual Period in which such Amortization Event occurs, payable on demand, at the Default Rate (i) if such event is an Amortization Event specified in subsection 8.1(a), commencing on the date such Amortization Event occurs and (ii) if such Amortization Event is a Note Rate Amortization Event, commencing on the date the Revolving Period and the Commitments are terminated pursuant to subsection 8.2(b) or, if later, on the date such Note Rate Amortization Event occurs; or

(b) with the consent of the Majority Purchasers, the Managing Facility Agent may, or upon the request of the Majority Purchasers, the Managing Facility Agent shall, by notice to the Seller declare the Revolving Period and the Commitments to be terminated forthwith, whereupon the Revolving Period and the Commitments shall immediately terminate; provided that if such event is an Amortization Event specified in clause (i) or (ii) of subsection 8.1(j), automatically the Revolving Period and the Commitments shall immediately terminate; or

(c) if such event is a Specified Amortization Event and the Revolving Period and the Commitments have been terminated pursuant to subsection 8.2(b), the Majority Purchasers may in their sole discretion terminate the appointment of Raytheon Credit as the Servicer in accordance with subsection 3.1; or

(d) if such event is a Specified Amortization Event and the Revolving Period and the Commitments have been terminated pursuant to subsection 8.2(b), upon five Business Days' notice to the Seller and the Servicer and at the Seller's expense, the Managing Facility Agent may, or upon the request of the Majority Purchasers the Managing Facility Agent shall, notify, or direct the Seller or the Servicer, as the case may be, to notify, the Obligors of Purchased Receivables, or any of them, of the ownership of the Purchased Receivables by the Purchasers; or

(e) if such event is a Specified Amortization Event and the Revolving Period and the Commitments have been terminated pursuant to subsection 8.2(b), the Managing Facility Agent may, or upon the request of the Majority Purchasers the Managing Facility Agent shall, direct or request the Seller or the Servicer, as the case may be, to direct the Obligors of Purchased Receivables, or any of them, that payment of all amounts payable under any such Purchased Receivable be made directly to the Managing Facility Agent or its designee for the account of the Purchasers; or

(f) if the Revolving Period and the Commitments have been terminated pursuant to subsection 8.2(b), the Managing Facility Agent may, or upon the request of the Majority Purchasers the Managing Facility Agent shall, direct the Seller or the Servicer, as the case may be, to segregate all cash, checks and other instruments received by it from time to time constituting Collections on account of any Purchased Receivable in a manner acceptable to the Managing Facility Agent and to remit promptly upon receipt all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Managing Facility Agent or its designee for the account of the Purchasers; or

(g) if the Revolving Period and the Commitments have been terminated pursuant to subsection 8.2(b), the Managing Facility Agent may, or upon the request of the Majority Purchasers the Managing Facility Agent shall, direct the Seller or the Servicer, as the case may be, to assemble the documents, instruments and other records (including, without limitation, computer tapes and disks) which evidence the Purchased Receivables, the related Contracts and the related Financed Aircraft, or which are otherwise necessary or desirable to collect the Purchased Receivables, and to make the same available to the Managing Facility Agent at a place selected by the Managing Facility Agent or its designee; or

(h) if the Revolving Period and the Commitments have been terminated pursuant to subsection 8.2(b), the Managing Facility Agent may, or upon the request of the Majority Purchasers the Managing Facility Agent shall, direct the Seller or the Servicer to convert the Collection Account to a lockbox account into which payments on account of the Purchased Receivables are remitted or deposited directly and, in connection therewith, the Seller or the Servicer shall execute and file such documents and take such actions to transfer to the Managing Facility Agent or its agent all post office boxes, deposit and other accounts into which Collections are remitted or deposited and to grant to the Managing Facility Agent and the Purchasers perfected first-priority security and/or ownership interests therein; or

(i) if the Revolving Period and the Commitments have been terminated pursuant to subsection 8.2(b), the Managing Facility Agent may, or upon the request of the Majority Purchasers the Managing Facility Agent shall, direct the Seller or the Servicer to take any and all steps in the name of the Seller or the Servicer and on behalf of the Managing Facility Agent and the Purchasers which may be necessary or desirable, in the determination of the Managing Facility Agent (or the Managing Facility Agent and the Majority Purchasers, if the Managing Facility Agent is acting at the request of the Majority Purchasers), to collect all amounts due under any and all Purchased Receivables and the related Contracts and Financed Aircraft, including, without limitation, endorsing the name of the Seller on checks and other instruments representing Collections in respect of such Purchased Receivables and enforcing such Purchased Receivables and the related Contracts and Financed Aircraft; or

(j) if the Revolving Period and the Commitments have been terminated pursuant to subsection 8.2(b), the Managing Facility Agent may, or upon the request of the Majority Purchasers the Managing Facility Agent shall, take or direct the Seller to take any and all steps in the name of the Seller and on behalf of the Managing Facility Agent and the Purchasers which may be necessary or desirable, in the determination of the Managing Facility Agent (or the Managing Facility Agent and the Majority Purchasers, if the Managing Facility Agent is acting at the request of the Majority Purchasers), to enforce and protect the rights and remedies of the Managing Facility Agent and the Purchasers in, to and under the Intercompany Purchase Agreement.

8.3 Waivers. Except as expressly provided herein, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Seller and the Servicer.

SECTION 9. INDEMNIFICATIONS

9.1 Indemnities of the Seller. (a) Without limiting any other rights which the Managing Facility Agent, any Purchaser or any Affiliate thereof may have hereunder or under applicable law, the Seller hereby agrees, subject to the limitations set forth in this Section 9, to indemnify the Managing Facility Agent, each Administrative Agent, each Co-Administrative Agent, each Purchaser and each Affiliate thereof (each, an "Indemnified Person") from and against any and all damages, losses, claims, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all of the foregoing, collectively, "Indemnified Amounts") awarded against or incurred by any Indemnified Person which arise directly or indirectly from:

(i) any Purchased Receivable which is not an Eligible Receivable at the date of its purchase or substitution (which date shall be, for each Existing Receivable, the date such Receivable was purchased or substituted under the Existing Agreement applicable to such Existing Receivable) or which is an Ineligible Receivable as defined in clause (b)(z) of the definition of "Ineligible Receivable";

(ii) reliance on any representation or warranty made by the Seller (or any of their respective officers) under or in connection with this Agreement or any Settlement Statement which shall have been false or incorrect in any material respect when made or deemed made;

(iii) the failure by the Seller, any Affiliate Obligor or the Servicer to comply with any applicable Requirement of Law in all material respects with respect to any Purchased Receivable, the related Contract or Financed Aircraft, or the nonconformity in any material respect of any Purchased Receivable or the related Contract or Financed Aircraft with any such applicable Requirement of Law;

(iv) the failure (A) of the Administrative Agent to have a valid, perfected and first priority security interest in the Financed Aircraft (including the Aircraft Accessories) other than with respect to a Registerable Lease Receivable, Unsecured Foreign Receivable, Existing Uncertified Foreign Receivable or L/C Receivable, (B) with respect to a Registerable Lease Receivable, of the Administrative Agent to have a valid, perfected and first priority security interest in the Financed Aircraft (including the Aircraft Accessories related thereto) or (C) either (1) to vest and maintain in any Purchaser a perfected, valid and enforceable first priority ownership interest in any Purchased Receivable or (2) to create and maintain in favor of the Administrative Agent for the ratable benefit of the Purchasers a valid, perfected and first priority security interest in such Receivable;

(v) the failure to file or record any document or instrument (including, without limitation, any FAA Assignment or any Foreign Assignment) with respect to any Receivables constituting, or purporting to constitute, Purchased Receivables, the Contracts or the Financed Aircraft related thereto (other than the Financed Aircraft related to the L/C Receivables and the Unsecured Foreign Receivables), whether at the time of any purchase or at any time thereafter;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Purchased Receivable or of the Unaffiliated Foreign Lessee to the payment of any amount under its Applicable Lease (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor or Unaffiliated Foreign Lessee enforceable against it in accordance with its terms or any claims based on the related Financed Aircraft not conforming to any express or implied warranty);

(vii) any failure of the Seller or the Servicer to perform its duties or obligations in any capacity in accordance with the provisions of this Agreement, including, without limitation, the turnover of amounts pursuant to subsection 2.14 or 2.15;

(viii) any Lien against or with respect to Purchased Receivables, the Collections with respect thereto or the related Contract or Financed Aircraft, or any sale, pledge, or assignment (by operation of law or otherwise) or other disposition of Collections of Purchased Receivables by the Seller or the Servicer;

(ix) any failure by the Seller, any Affiliate Obligor or the Servicer to comply (1) in any material respect with any provision, covenant or other promise required to be observed by any such Person under any Contract related to any Purchased Receivable or (2), except as otherwise permitted by this Agreement, with all provisions of the Credit and Collection Policy in all material respects, which failure reduces or impairs the rights of the Administrative Agent or any Purchaser with respect to any Purchased Receivable or the value of any Purchased Receivable including, but not limited to, failure to comply with those provisions of the Credit and Collection Policy relating to the cancellation, extension, amendment, modification, compromise or settlement of any Purchased Receivable or any term thereof, the extension, amendment, modification or waiver of any term or condition of any Contract related thereto, the sale, pledge or assignment of, or grant of security interest in, any Purchased Receivable or the Contract or Financed Aircraft related thereto, any change in the character of its business or in the Credit and Collection Policy or the commencement or settlement of any legal action to enforce collection of any Purchased Receivable;

(x) any investigation, litigation, or proceeding related to any use of the proceeds of any purchase;

(xi) any casualty loss, property loss or product liability related to (i) the Purchasers' ownership of the Purchased Receivables or (ii) the Purchasers' security interest in the related Financed Aircraft;

(xii) the failure of any Purchased Receivable at any time after its sale or substitution hereunder or, with respect to the Existing Receivables, under the applicable Existing Agreement to satisfy the criteria under clause (k) or (l) (including, without limitation, the failure of a Permitted Receivable Lien or a Permitted Aircraft Lien to be released or bonded in accordance with the definition of each such term) of the definition of "Eligible Receivable" (notwithstanding that such criteria are required to be satisfied pursuant to such definition on the date a Purchased Receivable is sold or substituted); or

(xiii) the execution, delivery, performance, administration and enforcement of any of the Purchase Documents.

(b) Notwithstanding anything to the contrary contained in subsection 9.1(a), and with respect to any event of the type described in clause (vi) or (xii) of subsection 9.1(a), the Managing Facility Agent, the Administrative Agent, the Co-Administrative Agents and the Purchasers shall be deemed to have incurred Indemnified Amounts with respect to a Purchased Receivable as a result of events described in such clause (vi) or (xii) on the earlier of (1) the date on which the Seller becomes aware of the event or events of the type described in either of such clauses or (2) the date on which the Managing Facility Agent notifies the Seller that the event described in either of such clauses has occured.

(c) Indemnification payments required to be made hereunder shall be payable at any time on demand by the Managing Facility Agent at the request of the applicable Indemnified Persons and shall be promptly deposited in the Concentration Account and paid out to such Indemnified Persons pro rata with respect to the Indemnified Amounts incurred and requested by such Indemnified Persons.

(d) The agreements in this Section 9 shall survive the completion of the Amortization Period.

9.2 Limitations of Seller's Liability. () The Seller shall not be required to indemnify an Indemnified Person pursuant to subsection 9.1 for:

(i) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Person; or

(ii) recourse for non-payment by an Obligor (except as otherwise provided in this Agreement) for Defaulted Receivables; or

(iii) any income, franchise or other similar taxes imposed on any Indemnified Person as a result of any of the indemnities provided in subsection 9.1(a) arising out of or as a result of this Agreement or in respect of any Receivables or any Contract; or

(iv) Indemnified Amounts resulting from actions taken or failed to be taken by a successor Servicer that is not an Affiliate of the Seller appointed pursuant to subsection 3.1(b).

(b) Each of the Managing Facility Agent, each Administrative Agent, each Co-Administrative Agent and each Purchaser hereby waives, to the maximum extent not prohibited by law, any right it may have to claim or recover as Indemnified Amounts under this Section 9 any special, exemplary, punitive or consequential damages; provided that the waiver contained in this subsection 9.2(b) shall not extend to, and the Managing Facility Agent, each Administrative Agent, each Co-Administrative Agent and each Purchaser does not waive, any right to claim or recover from the Seller any special, exemplary, punitive or consequential damages for which an Indemnified Person is liable to any Person (other than an Affiliate of such Indemnified Person).

9.3 Proceedings against Indemnified Person. () If any action, suit or proceeding shall be brought against one or more of the Indemnified Persons in respect of which indemnity may be sought against the Seller, such Indemnified Person shall, promptly after receipt of notice of commencement of such action, suit or proceeding, notify the Seller in writing, enclosing a copy of all papers served upon such Indemnified Person; provided that the failure so to notify the Seller shall not relieve it from any liability which it may have under subsection 9.1 except to the extent that the Seller is prejudiced by such failure. The Seller may, and upon such Indemnified Person's request shall, at the Seller's expense, resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by the Seller. In the event of any failure by the Seller to resist and defend such suit, action or proceeding or cause the same to be resisted or defended by counsel reasonably

satisfactory to such Indemnified Person, the Seller shall pay all reasonable costs and expenses (including, without limitation, attorney's fees and disbursements) incurred by such Indemnified Person in connection with such suit, action or proceeding. In the event that the Seller does assume the defense of such suit, action or proceeding, the Seller shall have the sole authority to negotiate, compromise and settle such claim; provided that such Indemnified Person shall have the right to employ counsel to represent it in connection with any claim in respect of which indemnity may be sought by such Indemnified Person against the Seller under such subsection 9.1 if, in the reasonable judgment of such Indemnified Person, such Indemnified Person may have a conflict with the Seller, such Indemnified Person shall be entitled to be represented by separate counsel, and in that event the fees and expenses of such separate counsel shall be paid by the Seller. In any event, the Indemnified Person shall retain the right to employ its own counsel, but the Indemnified Person shall, except as otherwise provided in this subsection 9.3, bear and shall be solely responsible for its own costs and expenses.

(b) The Seller shall be subrogated to an Indemnified Person's rights in any matter with respect to which the Seller has actually reimbursed such Indemnified Person for any amounts for which the Indemnified Person claims indemnification hereunder after the Amortization Period ends.

SECTION 10. THE MANAGING FACILITY AGENT AND ADMINISTRATIVE AGENT

10.1 Appointment. Each Purchaser hereby irrevocably designates and appoints Bank of America National Trust and Savings Association, as the Managing Facility Agent of such Purchaser under this Agreement and the other Purchase Documents and each such Purchaser irrevocably authorizes Bank of America National Trust and Savings Association, as the Managing Facility Agent for such Purchaser, to take such action on its behalf under the provisions of this Agreement and the other Purchase Documents and to exercise such powers and perform such duties as are expressly delegated to the Managing Facility Agent by the terms of this Agreement and the other Purchase Documents, together with such other powers as are reasonably incidental thereto. Each Purchaser hereby irrevocably designates and appoints each of Bank of America National Trust and Savings Association and UBS AG, Stamford Branch (as successor to Swiss Bank Corporation, Stamford Branch, as successor to Swiss Bank Corporation, New York Branch) as Administrative Agent under this Agreement and the other Purchase Documents and to be, or continue to be, jointly or individually, the named party or the secured party for the benefit of the Purchasers with respect to the Receivables and the related Aircraft and in and on all presently existing or hereafter executed financing statements, assignments and continuation statements, FAA Assignments and other FAA filings and similar filings in foreign jurisdictions and security interests granted under this Agreement or any predecessor agreement (including pursuant to Sections 11.11 and 11.12) relating to the Receivables and the related Aircraft. Each Administrative Agent shall act solely in accordance with the instructions of the Managing Facility Agent (including pursuant to Sections 11.10, 11.11 and 11.12) which in the case of the Old Administrative Agent shall be deemed to include any action taken by the Managing Facility Agent pursuant to a power of attorney granted by the Old Administrative Agent in favor of the Managing Facility Agent. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Managing Facility Agent and each Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Purchase Document or otherwise exist against the Managing Facility Agent or either Administrative Agent.

10.2 Delegation of Duties. The Managing Facility Agent and each Administrative Agent may execute any of its duties under this Agreement and the other Purchase Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Managing Facility Agent and each Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

10.3 Exculpatory Provisions. Neither the Managing Facility Agent, each Administrative Agent, nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Purchase Document (except for its or such Person's own gross negligence or willful misconduct) or (b) responsible in any manner to any of the Purchasers for any recitals, statements, representations or warranties made by the Seller, the Servicer or Raytheon or any officer thereof contained in this Agreement or any other Purchase Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Managing Facility Agent or either Administrative Agent under or in connection with, this Agreement or any other Purchase Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Purchase Document or for any failure of the Seller, the Servicer or Raytheon to perform their respective obligations hereunder or thereunder. The Managing Facility Agent and each Administrative Agent shall not be under any obligation to any Purchaser to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of (except delivery to it of items required by Section 5 hereof to be delivered to it), this Agreement or any other Purchase Document, or to inspect the properties, books or records of the Seller, the Servicer or Raytheon. Without limiting the foregoing, the Old Administrative Agent shall not have any liability for (i) any action, or omission to act, which is made in accordance with the instructions of the Managing Facility Agent or (ii) the failure to act if it has not received any instructions from the Managing Facility Agent.

10.4 Reliance by Managing Facility Agent and Administrative Agent. The Managing Facility Agent and each Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Seller, the Servicer or Raytheon), independent accountants and other experts selected by the Managing Facility Agent or such Administrative Agent. The Managing Facility Agent and each Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Purchase Document unless it shall first receive such advice or concurrence of the Majority Purchasers as it deems appropriate or it shall first be indemnified to its satisfaction by the Purchasers against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Managing Facility Agent and each Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Purchase Documents in accordance with a request of the Required Purchasers or the Majority Purchasers, as appropriate, and such request and any action taken or failure to act pursuant thereto shall be binding upon each Purchaser.

10.5 Notice of Certain Events. Neither the Managing Facility Agent nor any Administrative Agent shall be deemed to have knowledge or notice of the occurrence of an Amortization Event, Discount Event, Rating Event, Remittance Event or Ineligibility Event (each, an "Occurrence") hereunder unless the Managing Facility Agent has received notice from a Purchaser, the Seller, the Servicer, RAC or Raytheon referring to this Agreement, describing such Occurrence and stating that such notice is a notice thereof. In the event that the Managing Facility Agent receives such a notice, the Managing Facility Agent shall promptly give notice thereof to the Purchasers. The Managing Facility Agent shall take such action with respect to any Amortization Event as shall be reasonably directed by the Majority Purchasers; provided that unless and until the Managing Facility Agent shall have received such directions, the Managing Facility Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to any such Amortization Event as it shall deem advisable in the best interests of the Purchasers.

10.6 Non-Reliance on Managing Facility Agent, the Administrative Agent, the Co-Administrative Agents and the Purchasers. Each Purchaser expressly acknowledges that neither the Managing Facility Agent, either Administrative Agent, the Co-Administrative Agents nor any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Managing Facility Agent, either Administrative Agent or the Co-Administrative Agents hereafter taken, including any review of the affairs of the Seller, the Servicer or Raytheon, shall be deemed to constitute any representation or warranty by the Managing Facility Agent, either Administrative Agent or the Co-Administrative Agents to any Purchaser. Each Purchaser represents to the Managing Facility Agent, each Administrative Agent and the Co-Administrative Agents that it has, independently and without reliance upon the Managing Facility Agent, either Administrative Agent, the Co-Administrative Agents or any other Purchaser, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Seller, the Servicer and Raytheon and made its own decision to make its purchases hereunder and enter into this Agreement. Each Purchaser also represents that it will, independently and without reliance upon the Managing Facility Agent, either Administrative Agent or the Co-Administrative Agents or any Purchaser, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Purchase Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Seller, the Servicer and Raytheon. Except for notices, reports and other documents expressly required to be furnished to the Purchasers by the Managing Facility Agent hereunder, neither the Managing Facility Agent, either Administrative Agent nor the Co-Administrative Agents shall have any duty or responsibility to provide any Purchaser with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Seller or Raytheon which may come into the possession of the Managing Facility Agent, either Administrative Agent or the Co-Administrative Agents or any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates.

10.7 Indemnification. The Purchasers agree to indemnify the Managing Facility Agent and each Administrative Agent in its capacity as such (to the extent not reimbursed by the Seller or Raytheon and without limiting the obligation of the Seller or Raytheon to do so), ratably according to the respective amounts of their Commitments, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time after the Outstanding Purchase Price is reduced to zero) be imposed on, incurred by or asserted against the Managing Facility Agent or either Administrative Agent in any way relating to or arising out of this Agreement, any other Purchase Document or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Managing Facility Agent or either Administrative Agent under or in connection with any of the foregoing; provided that no Purchaser shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Managing Facility Agent's or either Administrative Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the reduction of the Outstanding Purchase Price to zero and payment of all other amounts payable hereunder.

10.8 Managing Facility Agent and Administrative Agent in Their Individual Capacities. The Managing Facility Agent and each Administrative Agent and their respective Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Seller, the Servicer, RAC and Raytheon and their Affiliates as though the Managing Facility Agent were not the Managing Facility Agent, or such Administrative Agent was not an Administrative Agent, hereunder and under the other Purchase Documents. With respect to purchases made by it, the Managing Facility Agent and each Administrative Agent shall have the same rights and powers under this Agreement and the other Purchase Documents as any Purchaser and may exercise the same as though it were not the Managing Facility Agent or an Administrative Agent, as the case may be, and the terms "Purchaser" and "Purchasers" shall include the Managing Facility Agent and each Administrative Agent, each in its individual capacity.

10.9 Successor Managing Facility Agent or Administrative Agent. The Managing Facility Agent may resign as Managing Facility Agent upon 30 days' notice to the Purchasers and such resignation shall be effective upon the earlier of (i) the expiration of such 30 day notice period and (ii) the appointment of a successor Managing Facility Agent pursuant to the provisions of this Section 10.9.; provided that, if a successor Managing Facility Agent shall not have been appointed prior to the end of such 30 day notice period, the Managing Facility Agent shall remain the Administrative Agent until a successor Managing Facility Agent is appointed in accordance with this Section 10.9. If the Managing Facility Agent shall resign as Managing Facility Agent under this Agreement and the other Purchase Documents, then the Required Purchasers shall appoint from among the Purchasers a successor agent for the Purchasers, which successor agent shall, subject to the consent of the Seller and Raytheon (which consent shall not be unreasonably withheld), succeed to the rights, powers and duties of the Managing Facility Agent including its rights powers and duties as Administrative Agent hereunder, and the term "Managing Facility Agent" shall

mean such successor agent effective upon its appointment, and the former Managing Facility Agent's rights, powers and duties as Managing Facility Agent and as an Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Managing Facility Agent or any of the parties to this Agreement or any holder of an Assignment. After any retiring Managing Facility Agent's resignation as Managing Facility Agent, the provisions of this subsection shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Managing Facility Agent under this Agreement and the other Purchase Documents. The Old Administrative Agent shall have the right to resign as an Administrative Agent in accordance with the letter, dated March 17, 1999, among the Old Administrative, Raytheon and the Managing Facility Agent, relating to the Old Administrative Agent's term as an Administrative Agent.

SECTION 11. MISCELLANEOUS

11.1 Amendments and Waivers. Neither this Agreement nor any other Purchase Document nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this subsection. Unless otherwise specifically provided herein, with the written consent of the Majority Purchasers, the Managing Facility Agent, the Seller, the Servicer, RAC and Raytheon may, from time to time, enter into written amendments, supplements or modifications hereto and to the other Purchase Documents for the purpose of adding or deleting any provisions to this Agreement or the other Purchase Documents or changing in any manner the rights of the Purchasers, the Seller, the Servicer, RAC, or Raytheon hereunder or thereunder or waiving, on such terms and conditions as the Managing Facility Agent may specify in such instrument, any of the requirements of this Agreement or the other Purchase Documents; provided, however, that no such waiver and no such amendment, supplement or modification shall (a) increase the Commitment of any Purchaser or extend the Expiration Date or reduce the rate or amount of interest or any fee payable to any Purchaser hereunder or extend (beyond the applicable period of grace) the scheduled date for any payment or deposit by the Seller or the Servicer (if not then the Seller) hereunder, in each case without the consent of the Purchaser affected thereby, or (b) (i) amend, modify or waive any provision of this subsection or reduce the percentage specified in or amend the definitions of "Required Purchasers", or "Majority Purchasers", (ii) consent to the assignment or transfer by the Seller of any rights and obligations under this Agreement and the other Purchase Documents, (iii) take action with respect to any Purchased Receivable pursuant to subsection 7.1(b)(iii), (iv) amend the criteria set forth in the definition of "Eligible Receivable" or "Ineligible Receivable" or any definition contained in either such definition if the effect thereof is to decrease the Seller's or RAC's repurchase obligation, (v) after the occurrence of a Rating Event release or reassign any material interest of the Purchasers in the Financed Aircraft (except as provided in subsection 11.10), (vi) release Raytheon as Guarantor under the Guarantee or make any material modification or amendment to the Guarantee or release RAC from its obligations under the Repurchase Agreement or make any material modification or amendment to the Repurchase Agreement, (vii) release the interest of the Purchasers in the Intercompany Purchase Agreement, (viii) amend the definition of "Repurchase Factor" or amend subsection 2.10(b) or any definition contained therein if the

effect thereof is to decrease the Repurchase Obligation, (ix) amend, modify or waive any provision of subsection 2.6, 2.18, 2.20(a) or 11.7(a), or (x) amend the definition of "Purchase Price", without, in each case specified in this clause (b), the written consent of all the Purchasers, or (c) amend, modify or waive any provision of Section 10 without the written consent of the then Managing Facility Agent or (d) waive any Amortization Event (including, any Trigger Amortization Event, any Specified Amortization Event or any Note Rate Amortization Event) or its consequences without the written consent of the Required Purchasers. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Purchasers and shall be binding upon the Seller, the Servicer, the Purchasers and the Managing Facility Agent. In the case of any waiver, the Seller, the Servicer, RAC, Raytheon, the Purchasers and the Managing Facility Agent shall be restored to their former position and rights hereunder and under any other Purchase Documents, and any Amortization Event (including, any Trigger Amortization Event, any Specified Amortization Event or any Note Rate Amortization Event) waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Amortization Event, Trigger Amortization Event, Specified Amortization Event or Note Rate Amortization Event, or impair any right consequent thereon.

Notwithstanding any of the provisions of this Section 11.1 no provision of the Agreement which affects the rights or obligations of the Old Administrative Agent shall be amended without the written consent of the Old Administrative Agent.

11.2 Notices. (a) All notices, requests, demands and consents to or upon the respective parties hereto to be effective shall be in writing (including by telecopy or telex), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, or, in the case of telex notice, when sent, answerback received, addressed as follows in the case of the Seller and the Managing Facility Agent, and as set forth in Schedule I in the case of the Co-Administrative Agents and any Purchaser, or to such other address as may be hereafter notified by the respective parties hereto:

The Seller:	Raytheon Aircraft Receivables Corporation 9709 East Central Wichita, Kansas 67206 Attention: Daniel Smartt Telephone: (316) 676-7166 Telecopy: (316) 676-6975
The Servicer:	Raytheon Aircraft Credit Corporation 9709 East Central Avenue Wichita, Kansas 67206 Attention: Daniel Smartt Telephone: (316) 676-7673 Telecopy: (316) 676-6975

The Managing Facility Agent: Bank of America National Trust and Savings Association
Agency Management 10831
1455 Market Street, 12th Floor
San Francisco, California 94103
Attention: Patrick W. Zetzman
Telephone: (415) 436-2776
Telecopy: (415) 436-3425

With a copy to:

Bank of America National Trust and Savings Association
Agency Administrative Services 5596
1850 Gateway Boulevard, 5th Floor
Concord, California 94520-3282
Attention: Irene R. Ruddell
Telephone: (925) 675-8441
Telecopy: (925) 675-8500
Account No.: 12335-16573

; provided that any notice, request or demand to or upon the Managing Facility Agent or the Purchasers pursuant to subsection 2.2, 2.3, 2.8 or 2.20 shall not be effective until received.

(b) The Managing Facility Agent agrees to promptly notify the Purchasers of (i) each address of the Seller or the Servicer forwarded to the Managing Facility Agent under subsection 6.1(f) or 6.2(e), respectively, and (ii) any change in the fiscal year of the Seller under subsection 7.1(h).

11.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Managing Facility Agent, either Administrative Agent or any Purchaser, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

11.4 Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement.

11.5 Payment of Expenses and Taxes. The Seller agrees (a) to pay or reimburse the Managing Facility Agent and each Administrative Agent for all its out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement, the other Purchase Documents, any Commitment Transfer Supplement executed and delivered pursuant to subsection 11.6 and any other document 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 such Administrative Agent, (b) to pay or reimburse each Purchaser, the Managing Facility Agent and each Administrative Agent for all its respective costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Purchase Documents and any such other documents, including, without limitation, reasonable fees and disbursements of counsel to the Managing Facility Agent, such Administrative Agent and to the several Purchasers (including, but not limited to, allocated costs of in-house counsel and costs incurred by counsel with respect to the Foreign Receivables and the Affiliate Receivables), and (c) to pay, indemnify, and hold each Purchaser, the Managing Facility Agent, each Administrative Agent and each Co-Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Purchase Documents and any such other documents (all the foregoing, collectively, the "indemnified liabilities"), provided, that the Seller shall have no obligation hereunder to the Managing Facility Agent, either Administrative Agent or any Purchaser (each, an "Indemnitee") with respect to indemnified liabilities arising from (i) the gross negligence or willful misconduct of such Indemnitee, (ii) legal proceedings commenced against such Indemnitee by any security holder or creditor thereof arising out of and based upon rights afforded any such security holder or creditor solely in its capacity as such, or (iii) legal proceedings commenced against such Indemnitee by any other Purchaser or by any Transferee. The agreements in this subsection shall survive the completion of the Amortization Period.

11.6 Successors and Assigns; Participations; Purchasing Parties.

(a) This Agreement shall be binding upon and inure to the benefit of the Seller, the Purchasers, the Co-Administrative Agents, the Managing Facility Agent, the Administrative Agent and their respective successors and assigns, except that (i) the Seller may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Managing Facility Agent, the Administrative Agent and each Purchaser and (ii) certain governmental authorities in foreign jurisdictions may require the completion of certain procedures in order for any such assignment to be effective with respect to the Foreign Receivables and the Affiliate Receivables.

(b) Any Purchaser may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in such Purchaser's Outstanding Purchase Price, the Commitment of such Purchaser or any other interest of such Purchaser hereunder and under the other Purchase Documents. In the event of any such sale by a Purchaser of participating interests to a Participant, such Purchaser's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Purchaser shall remain solely responsible for the performance thereof, such Purchaser shall be the "Purchaser" for all purposes under this Agreement and the other Purchase Documents, and the Seller and the Managing Facility Agent shall continue to deal solely and directly with such Purchaser in connection with such Purchaser's rights and obligations under this Agreement and the other Purchase Documents. The Seller agrees that, upon the occurrence and continuance of a Rating Event and an Amortization Event of the type described in subsection 8.1(a), (b), (i) or (j), each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Purchaser under this Agreement; provided that such Participant shall only be entitled to such right of setoff pursuant to this sentence if it shall have agreed in the agreement pursuant to which it shall have acquired its participating interest to share with the Purchasers the proceeds thereof as provided in subsection 11.7. The Seller also agrees that each Participant shall be entitled to the benefits of subsections 2.22, 2.23 and 2.24 and 11.5 with respect to its participation in the Commitments and the Outstanding Purchase Price; provided that no Participant shall be entitled to receive any greater amount pursuant to such subsections than the transferor Purchaser would have been entitled to receive in respect of the amount of the participation transferred by such transferor Purchaser to such Participant had no such transfer occurred. Promptly after the sale of any such participation, the selling Purchaser shall give the Managing Facility Agent notice of the amount sold and the identity of the Participant.

(c) Any Purchaser may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to any Purchaser or any affiliate thereof and, with the consent of the Seller and the Managing Facility Agent (which in each case shall not be unreasonably withheld), to one or more additional financial institutions (each, a "Purchasing Party") all or any part of such Purchaser's Outstanding Purchase Price, the Commitment of such Purchaser or any other interest of such Purchaser hereunder and under the other Purchase Documents; provided that such assignment shall be in a minimum amount of $1,000,000 unless such assignment is to a financial institution not then a party to this Agreement, in which case such assignment shall be in a minimum amount of $10,000,000. Each such assignment shall be made pursuant to a Commitment Transfer Supplement executed by such Purchasing Party, such Transferor Purchaser and, in the case of a Purchasing Party that is not then a Purchaser or an Affiliate thereof, by the Seller and the Managing Facility Agent, and delivered to the Managing Facility Agent for its acceptance and recording in the Register. Any SPC may, without obtaining any consent

hereunder, assign all or a portion of its interests in any Purchased Receivable under this Agreement to its SPC Bank, its Liquidity Bank or another SPC managed by the same SPC Bank as such SPC. Each such assignment shall be made pursuant to written notice (a "Transfer Notice") delivered to the Managing Facility Agent for recording in the Register. Upon the execution, delivery, acceptance (if required) and recording of any Transfer Notice or Commitment Transfer Supplement, as the case may be, from and after the Transfer Effective Date determined pursuant to such Commitment Transfer Supplement (or after the effective date set forth in the Transfer Notice), (x) the Purchasing Party thereunder shall be a party hereto and, to the extent provided in such Commitment Transfer Supplement (or such Transfer Notice, as the case may be), have the rights and obligations of a Purchaser hereunder with a Commitment as set forth therein, and (y) the transferor Purchaser thereunder shall, to the extent provided in such Commitment Transfer Supplement (or such Transfer Notice, as the case may be), be released from its obligations under this Agreement (and, in the case of a Commitment Transfer Supplement, or Transfer Notice, as the case may be, covering all or the remaining portion of a transferor Purchaser's rights and obligations under this Agreement, such transferor Purchaser shall cease to be a party hereto). Such Commitment Transfer Supplement (or such Transfer Notice, as the case may be) shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Party and the resulting adjustment of Commitment Percentages or Available Commitment Percentages arising from the purchase by such Purchasing Party of all or a portion of the rights and obligations of such transferor Purchaser under this Agreement.

(d) The Managing Facility Agent shall maintain at its address referred to in subsection 11.2 a copy of each Commitment Transfer Supplement and each Transfer Notice delivered to it and a register (the "Register") for the recordation of the names and addresses of the Purchasers and the Commitment of, and proportionate share of the Outstanding Purchase Price from time to time payable to, each Purchaser from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Seller, the Managing Facility Agent and the Purchasers may treat each Person whose name is recorded in the Register as the holder of the Commitment recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the Seller, the Servicer or any Purchaser at any reasonable time and from time to time upon reasonable prior notice to the Managing Facility Agent.

(e) Upon its receipt of a Commitment Transfer Supplement or a Transfer Notice executed by a transferor Purchaser and Purchasing Party (and, in the case of a Purchasing Party that is not then a Purchaser or an Affiliate thereof, by the Seller and the Managing Facility Agent) and, except in the case of a transfer from an SPC to its Liquidity Bank, payment by the transferor Purchaser or the Purchasing Party of a servicing fee of $3,500 to the Managing Facility Agent, the Managing Facility Agent shall (i) promptly accept such Commitment Transfer Supplement or Transfer Notice, as the case may be, and (ii) on the Transfer Effective Date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Seller, such transferor Purchaser and such Purchasing Party.

(f) The Seller authorizes each Purchaser to disclose to any Participant or Purchasing Party (each, a "Transferee") and any prospective Transferee any and all financial information in such Purchaser's possession concerning the Seller and its Affiliates which has been delivered to such Purchaser by or on behalf of the Seller pursuant to this Agreement or which has been delivered to such Purchaser by or on behalf of the Seller in connection with such Purchaser's credit evaluation of the Seller and its Affiliates prior to becoming a party to this Agreement; provided that such Transferee or such prospective Transferee shall have agreed in writing to be bound by the same confidentiality provisions as a Purchaser with respect to all information delivered hereunder.

(g) If, pursuant to this subsection, any interest in this Agreement is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any state thereof, the transferor Purchaser shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Purchaser (for the benefit of the transferor Purchaser, the Managing Facility Agent, Raytheon, RAC, the Servicer and the Seller) that under applicable law and treaties no taxes will be required to be withheld by the Managing Facility Agent, the Seller, Raytheon, RAC, the Servicer or the transferor Purchaser with respect to any payments to be made to such Transferee in respect of the Outstanding Purchase Price, (ii) to furnish to the transferor Purchaser (and, in the case of any Purchasing Party registered in the Register, the Managing Facility Agent and the Seller) (A) either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein such Transferee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder) and (B) an Internal Revenue Service Form W-8 or W-9 and (iii) to agree (for the benefit of the transferor Purchaser, the Managing Facility Agent, Raytheon, RAC and the Seller) to provide the transferor Purchaser (and, in the case of any Purchasing Party registered in the Register, the Managing Facility Agent and the Seller) a new Form 4224 or Form 1001, or Form W-8 or W-9, if applicable, upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such Transferee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(h) Nothing herein shall prohibit any Purchaser from pledging or assigning its interests hereunder to any Federal Reserve Bank in accordance with applicable law or prohibit any SPC from pledging or assigning its interests hereunder to its SPC Bank.

11.7 Adjustments; Set-off.

(a) If any Purchaser (a "Benefitted Purchaser") shall at any time receive any payment of all or part of its Outstanding Purchase Price, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in subsection 8.1(j) or pursuant to the Guarantee, the Repurchase Agreement or otherwise), in a greater proportion than any such payment to or collateral received by any other Purchaser, if any, in respect of such other Purchaser's Outstanding Purchase Price, or interest payable thereon, such Benefitted Purchaser shall purchase for cash from the other Purchasers such portion of each such other Purchaser's Outstanding Purchase Price, or shall provide such other Purchasers with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such Benefitted Purchaser to share the excess payment or benefits of such collateral or proceeds ratably with each of the Purchasers; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Purchaser, such purchase shall be rescinded, and the Purchase Price and benefits returned, to the extent of such recovery, but without interest. The Seller agrees that each Purchaser so purchasing a portion of another Purchaser's Outstanding Purchase Price may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Purchaser were the direct holder of such portion.

(b) In addition to any rights and remedies of the Purchasers provided by law, each Purchaser shall have the right, without prior notice to the Seller, any such notice being expressly waived by the Seller to the extent permitted by applicable law, upon the occurrence and continuance of a Rating Event or an Amortization Event of the type described in subsection 8.1(a), (b), (i) or (j), to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Purchaser or any branch or agency thereof to or for the credit or the account of the Seller. Each Purchaser agrees promptly to notify the Seller and the Managing Facility Agent after any such set-off and application made by such Purchaser, provided that the failure to give such notice shall not affect the validity of such set-off and application.

11.8 Responsibilities of the Seller. Anything herein to the contrary notwithstanding:

(a) the Seller shall perform all of its obligations under Contracts related to the Purchased Receivables to the same extent as if such Purchased Receivables had not been sold hereunder and the exercise by either Administrative Agent or the Managing Facility Agent or any Purchaser of any of their rights hereunder shall not relieve the Seller from such obligations or its obligations with respect to such Purchased Receivables; and

(b) neither Administrative Agent, nor the Managing Facility Agent nor any Purchaser shall have any obligation or liability with respect to any Purchased Receivables or the related Contracts or Financed Aircraft, nor shall any of them be obligated to perform any of the obligations of the Seller thereunder.

11.9 Optional Repurchase. If the Outstanding Purchase Price at any time during the Amortization Period is less than 10% of the maximum Outstanding Purchase Price at any time during the Revolving Period, then on any Settlement Date thereafter the Seller may, by 10 days prior irrevocable notice to the Managing Facility Agent, repurchase the ownership interests in the Purchased Receivables by payment to the Managing Facility Agent for the account of the Purchasers of an amount equal to the sum of (i) the Outstanding Purchase Price on such Settlement Date, (ii) interest accrued to such Settlement Date and (iii) all other amounts payable to the Managing Facility Agent and the Purchasers under this Agreement.

11.10 Reassignments. (a) The Purchasers (or a Dissenting Purchaser, as the case may be) shall assign (subject to the Purchasers' right to receive Net Recoveries in certain circumstances as described herein) to the Seller all their (or its) ownership interests in any Purchased Receivable (or portion thereof) sold hereunder (i) which has been repurchased pursuant to subsection 2.8(b) or 2.13(c) (in the case of repurchases from a Dissenting Purchaser) or subsection 2.7(b), 2.10, 2.11, 2.12, or 11.9 (in all other cases) or for which an indemnity in an amount satisfactory to the Managing Facility Agent and the Purchasers has been paid pursuant to subsection 9.1(a)(vi) or 9.1(a)(xii) or (ii) when the Principal Balance of any such Purchased Receivable has been reduced to zero. In connection with reassignments pursuant to this subsection 11.10(a), the Managing Facility Agent, the Administrative Agent and the Purchasers shall promptly execute and deliver to the Seller, at the Seller's expense, such documents and instruments of reassignment as the Seller may reasonably request.

(b) With respect to any Contract for which all amounts outstanding thereunder (including accrued interest) are paid prior to the Final Payment Date of such Contract, and upon receipt by the Managing Facility Agent of certification by the Servicer of such prepayment in full, the Administrative Agent agrees to execute such documents and instruments (including releases of security interests) for recording and filing with the FAA Registry which are necessary to release the Lien on the related Financed Aircraft as a result of such prepayment in full. In order to facilitate the business operations of the Seller and the Servicer, the Administrative Agent may provide the Servicer with a limited number of executed releases; provided that, the Servicer shall not file any such release without the written consent of the Managing Facility Agent; provided further that, the Servicer shall promptly return all such releases to the Managing Facility Agent upon the occurrence of an Amortization Event or if the Managing Facility Agent shall so request. With respect to any substitution of Lease Receivables made pursuant to subsection 2.13(e), the Administrative Agent agrees to execute such documents and instruments

(including releases of security interests) for recording and filing with the FAA Registry which are necessary (i) to release the Lien on the lease related to the Replaced Lease Receivable so long as, prior to or concurrently with the recording and filing with the FAA Registry of any such document or instrument of release, the conditions contained in subsection 5.2(e) with respect to the lease and the Financed Aircraft related to the Substituted Lease Receivable substituted for such Replaced Lease Receivable have been satisfied and (ii) if amounts are required to be paid pursuant to subsection 2.13(e) because the Outstanding Balance of the Replaced Lease Receivable is greater than the Purchase Price of the Substituted Lease Receivable at the time the substitution occurs have been so paid, to release the Financed Aircraft related to such Replaced Lease Receivable. Each Purchaser authorizes the Administrative Agent to execute such documents and instruments in accordance with this subsection 11.10(b) and with respect to Foreign Receivables and Affiliate Receivables, except for Uncertified Foreign Receivables, to take whatever action is necessary to release any Liens in accordance with the intent of this subsection 11.10(b).

(c) In connection with any Receivable not purchased by the Purchasers hereunder for which an FAA Assignment was filed with respect to the related Financed Aircraft, the Administrative Agent agrees to promptly execute such documents and instruments for recording and filing with the FAA Registry which are necessary to reassign to the Seller the interests covered by such FAA Assignment in such Financed Aircraft and to take whatever actions with respect to any Foreign Receivable and any Affiliate Receivables are necessary to effect a reassignment in the applicable foreign jurisdictions.

(d) The Purchasers shall assign (subject to the Purchasers' right to receive Net Recoveries in certain circumstances as described herein) to Raytheon all of their ownership interests in any Receivable (or portion thereof) purchased by Raytheon pursuant to paragraph 2(e) of the Guarantee. In addition, the Purchasers shall assign (subject to the Purchasers' right to receive Net Recoveries in certain circumstances as described herein) to RAC all of their ownership interests in any Receivable (or portion thereof) purchased by RAC pursuant to Section 2 of the Repurchase Agreement. In connection with reassignments pursuant to this subsection 11.10(d), the Managing Facility Agent, the Administrative Agent and the Purchasers shall promptly execute and deliver to Raytheon or RAC, as appropriate, such documents and instruments of reassignment as Raytheon or RAC, as the case may be, may reasonably request.

(e) All reassignments by the Managing Facility Agent, the Administrative Agent and the Purchasers pursuant to this Section 11.10 shall be made without any recourse, representation or warranty whatsoever.

11.11 Intention of the Parties; Lien on Intercompany Purchase Agreement. (a) It is expressly intended that each purchase hereunder be, and be construed as, an absolute sale of the Purchased Receivables by the Seller to the Purchasers conveying good title thereto free and clear of any Lien, and that the Purchased Receivables not be part of the estate of the Seller in the event of bankruptcy or insolvency of the Seller. It is further expressly intended that such conveyance not be deemed a pledge of the Purchased Receivable by the Seller to the Purchasers or the Administrative Agent for the ratable benefit of the Purchasers to secure a debt or other obligation of the Seller. However, in the event that the Purchased Receivables are held to be the property of the Seller, or if for any other reason this Agreement is held or deemed not to effect an absolute sale of the Purchased Receivables, then () the parties hereto intend that the extensions of credit from the Purchasers to the Seller shall be a loan in a principal amount equal to the then Outstanding Purchase Price with interest payable thereon pursuant to subsection 2.17, (ii) the parties hereto intend that this Agreement constitute a security agreement and (iii) the Seller hereby grants to the Administrative Agent for the ratable benefit of the Purchasers, as collateral security for all of the obligations of the Seller and Raytheon Credit hereunder, a first priority security interest in all of the right, title and interest of the Seller whether now owned or hereafter acquired, in and to:

(A) all accounts, contract rights, general intangibles, chattel paper, instruments, documents, proceeds of a letter of credit and money consisting of, arising from, constituting or relating to the Purchased Receivables (including, without limitation, amounts from time to time on deposit in the Cash Collateral Account or the Concentration Account);

(B) all of the Seller's rights in, under and to the Contracts and its interest in the related Financed Aircraft, including any security interests in such Financed Aircraft, and the Applicable Leases;

(C) all accounts, contract rights, general intangibles, chattel paper, instruments, documents and money and other rights arising from or by virtue of or constituting the Collections; and

(D) all proceeds of the collateral described in the foregoing clauses A, B and C (clauses A through D, collectively, the "Receivables Collateral").

(b) In connection with the transfer of the Receivables Collateral as aforesaid (whether or not such transfer constitutes a sale or the grant of a Lien) the Seller hereby grants to the Administrative Agent for the ratable benefit of the Purchasers, as collateral security for all of the obligations of the Seller and Raytheon Credit hereunder, a first priority security interest in all of the right, title and interest of the Seller, whether now owned or hereafter acquired, in and to the Intercompany Purchase Agreement, including, without limitation, the obligation of Raytheon Credit to make repurchases thereunder (together with the Receivables Collateral, the "Collateral").

(c) In connection herewith, if this Agreement is held or deemed not to effect on absolute sale of the Purchased Receivables to the Purchasers, the Managing Facility Agent and each Purchaser shall have all the rights and remedies of a secured party and a creditor under the UCC and all other applicable laws in each relevant jurisdiction. Without limiting the generality of the foregoing, upon the occurrence and during the continuance of a Trigger Amortization Event, if this Agreement is held or deemed not to effect an absolute sale of the Purchased Receivables to the Purchasers, with the consent of the Required Purchasers the Managing Facility Agent may, or at the direction of the Required Purchasers, the Managing Facility Agent shall, by notice to the Seller, declare the Outstanding Purchase Price to be immediately due and payable, whereupon such amount shall become immediately due and payable and, at such time or at any time after such declaration, the Administrative Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Seller or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Administrative Agent or any Purchaser or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Administrative Agent or any Purchaser shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Seller, which right or equity is hereby waived or released. The Seller further agrees, at the Administrative Agent's request, to assemble the Collateral and make it available to the Administrative Agent at places which the Administrative Agent shall reasonably select, whether at the Seller's premises or elsewhere. The Administrative Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Administrative Agent and the Purchasers hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as the Administrative Agent in its reasonable discretion may elect, and only after such application and after the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the UCC in the relevant jurisdiction, need the Administrative Agent account for the surplus, if any, to the Seller. To the extent permitted by applicable law, the Seller waives all claims, damages and demands it may acquire against the Administrative Agent or any Purchaser arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition. The Seller shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Obligations and the fees and disbursements of any attorneys employed by the Administrative Agent or any Purchaser to collect such deficiency. The Seller authorizes the Administrative Agent and the Purchasers, at any time and from time to time, to execute, in connection with the sale provided for in this subsection 11.11(c), any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(d) Each Administrative Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the UCC in the relevant jurisdiction or otherwise, shall be to deal with it in the same manner as such Administrative Agent deals with similar property for its own account. Neither the Managing Facility Agent, either Administrative Agent, any Co-Administrative Agent, any Purchaser nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Seller or otherwise. Nothing in this subsection 11.11 shall be construed to prejudice any rights the Purchasers have as purchasers or owners of the Purchased Receivables.

(e) The foregoing transfer, assignment, set-over and conveyance does not constitute and is not intended to result in the creation or an assumption by either Administrative Agent or any Purchaser of any obligation of the Seller, the Servicer or any other Person in connection with the Purchased Receivables or any agreement or instrument relating thereto, including, without limitation, any obligation to any Obligors or insurers, or in connection with the Intercompany Purchase Agreement.

11.12 Leases; Grant of Security Interest. () The Seller agrees to perform and to cause each Affiliate Obligor to perform all its respective obligations under (other than the payment by such Affiliate Obligor of the rent payable under such Lease), and not to terminate or to permit (voluntarily or involuntarily, whether during a bankruptcy case involving the Seller or such Affiliate Obligor or otherwise) the termination of, any Applicable Lease or any lease related to a Lease Receivable (other than in connection with substitutions of Lease Receivables in accordance with subsection 2.13(e)) or the lease by an Obligor on an ExIm Bank Receivable (such leases, collectively, the "Security Interest Leases") sold or substituted hereunder; provided that (i) if a Substituted Lease Receivable which is substituted on any day other than a Settlement Date in accordance with subsection 2.13(e) has a Purchase Price less than the related Replaced Lease Receivable, the Seller agrees to deposit into the Concentration Account on the Settlement Date following such date of substitution (or, if a Remittance Event has occurred, within two Business Days after such substitution) the difference between the Outstanding Balance of such Replaced Lease Receivable and the Purchase Price of such Substituted Lease Receivable and (ii) if such Security Interest Lease has been declared to be in default, the Seller may terminate and may permit any Affiliate Obligor to terminate, such Security Interest Lease if the Seller pays on the date of termination to the Administrative Agent for the account of the Purchasers an amount equal to the aggregate amount of rent payable for the remaining term under such Lease (including any interest thereon on amounts past due), up to the then Outstanding Balance of the related Receivable together with interest on such Outstanding Balance at the rate set forth in such Lease Receivable or Applicable Lease related to such Affiliate Receivable for the period from the last date of payment on such Receivable (all of the foregoing, including any damages resulting from a breach of the foregoing, collectively, the "Lease Obligations"). As collateral security for (i) the prompt and complete payment and performance of the Lease Obligations and (ii) the agreement of the Seller not to reject or permit an Affiliate Obligor to reject pursuant to 11 U.S.C. ss.365 any Lease after the occurrence of a bankruptcy case involving the Seller or such Affiliate Obligor (and all other Obligations under this Agreement) the Seller does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge, grant a security interest in and confirm unto the Administrative Agent for the ratable benefit of the Purchasers the following:

(A) each Financed Aircraft subject to a Security Interest Lease, the related Receivable of which is sold or substituted hereunder on the Closing Date or on any Settlement Date; and

(B) all proceeds thereof (clauses A and B, collectively, the "Lease Collateral").

(b) In connection with the foregoing grant, the Administrative Agent and each Purchaser shall have all the rights and remedies of a secured party and a creditor under the UCC and all other applicable laws in each relevant jurisdiction. Without limiting the generality of the foregoing, upon the occurrence and during the continuance of a Trigger Amortization Event, the Administrative Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Seller or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Lease Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Lease Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at a public or private sale or sales, at any exchange, broker's board or office of the Administrative Agent or any Purchaser or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Administrative Agent or any Purchaser shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Lease Collateral so sold, free of any right or equity of redemption in the Seller, which right or equity is hereby waived or released. The Seller further agrees, at the Administrative Agent's request, to assemble the Lease Collateral, to the extent available to the Seller under applicable law, and make it available to the Administrative Agent at places which the Administrative Agent shall reasonably select, whether at the Seller's premises or elsewhere. The Administrative Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Lease Collateral or in any way relating to the Lease Collateral or the rights of the Administrative Agent and the Purchasers hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Lease Obligations, in such order as the Administrative Agent in its reasonable discretion may elect, and only after such application and after the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the UCC in the relevant jurisdiction, need the Administrative Agent account for the surplus, if any, to the Seller. To the extent permitted by applicable law, the Seller waives all claims, damages and demands it may acquire against the Administrative Agent or any Purchaser arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Lease Collateral shall be required by law, such notice shall

be deemed reasonable and proper if given at least 10 days before such sale or other disposition. The Seller shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Lease Collateral are insufficient to pay the Lease Obligations and the fees and disbursements of any attorneys employed by the Administrative Agent or any Purchaser to collect such deficiency. The Seller authorizes the Administrative Agent and the Purchasers, at any time and from time to time, to execute, in connection with the sale provided for in this subsection 11.12(b), any endorsements, assignments or other instruments of conveyance or transfer with respect to the Lease Collateral.

(c) Each Administrative Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Lease Collateral in its possession, under Section 9-207 of the UCC in the relevant jurisdiction or otherwise, shall be to deal with it in the same manner as such Administrative Agent deals with similar property for its own account. Neither the Managing Facility Agent, either Administrative Agent any Co-Administrative Agent or any Purchaser nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Lease Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Lease Collateral upon the request of the Seller or otherwise.

11.13 Power of Attorney. (a) The Seller hereby irrevocably constitutes and appoints the Managing Facility Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Seller and in the name of the Seller or in its own name, from time to time after the occurrence and during the continuance of a Specified Amortization Event or in connection with any action taken pursuant to subsection 11.11(c) or subsection 11.12(b) in the Managing Facility Agent's discretion, for the purpose of carrying out the terms of this Agreement and obtaining the benefit of the Purchased Receivables, the Collections with respect thereto and the related Contracts and Financed Aircraft, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary to perform the duties and obligations of the Seller or the Servicer under this Agreement or desirable to accomplish the purposes of this Agreement, including the power and right, on behalf of the Seller, without notice to or assent by the Seller, to do the following after the occurrence and during the continuance of a Specified Amortization Event or in connection with any action taken pursuant to subsection 11.11(c) or subsection 11.12(b):

(i) in the name of the Seller or its own name, or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Purchased Receivable or on account of Collections with respect thereto or the related Contract or Financed Aircraft (collectively, the "Transferred Property") and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Managing Facility Agent for the purpose of collecting any and all such moneys due under any Purchased Receivable or with respect to any other Transferred Property whenever payable;

(ii) to pay or discharge taxes and Liens levied or placed on or threatened against any of the Transferred Property, to effect any repairs or any insurance called for by the terms of this Agreement and to pay all or any part of the premiums therefor and the costs thereof; and

(iii) to file financing or continuation statements under the UCC, or with respect to Foreign Receivables and Affiliate Receivables, excluding Uncertified Foreign Receivables, under the appropriate foreign statute, in any relevant jurisdiction covering the interests of the Administrative Agent, the Managing Facility Agent and the Purchasers in the Transferred Property; and

(iv) (A) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect any of the Transferred Property or any thereof and to enforce any other right in respect of any Transferred Property; (B) to defend any suit, action or proceeding brought against the Seller with respect to any Transferred Property; and (C) to settle, compromise or adjust any suit, action or proceeding described in clause (B) above and, in connection therewith, to give such discharges or releases as the Managing Facility Agent may deem appropriate.

(b) The Seller hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

11.14 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement 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 Agreement signed by all the parties shall be lodged with the Seller and the Managing Facility Agent.

11.15 Severability; Headings. Any provision of this Agreement 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 Agreement are for convenience of reference only and are not to affect the construction hereof or to be taken into consideration in the interpretation hereof.

11.16 Integration. This Agreement represents the agreement of the Seller, the Servicer, the Managing Facility Agent, each Administrative Agent, the Co-Administrative Agents and the Purchasers with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Managing Facility Agent, either Administrative Agent, the Co-Administrative Agents or any Purchaser relative to subject matter hereof not expressly set forth or referred to herein.

11.17 GOVERNING LAW. THIS AGREEMENT, THE ASSIGNMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

11.18 Submission To Jurisdiction; Waivers. Each of the Seller and the Servicer hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the Assignments, or for recognition and enforcement of any judgement in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or thereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Person at its address set forth in subsection 11.2 or at such other address of which the Managing Facility Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this subsection any special, exemplary, punitive or consequential damages.

11.19 Acknowledgements. (a) The Seller hereby acknowledges with respect to the transactions contemplated by the Purchase Documents that:

(i) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Purchase Documents;

(ii) neither the Managing Facility Agent, either Administrative Agent, any Co-Administrative Agent nor any Purchaser has any fiduciary relationship to the Seller; and

(iii) no joint venture exists among the Purchasers or among the Seller and the Purchasers or among the Guarantor, RAC, the Servicer, the Seller and the Purchasers.

(b) By execution of this Agreement, each Purchaser acknowledges and agrees to be bound by the provisions of paragraph 18 of the Guarantee and paragraph 18 of the Repurchase Agreement.

11.20 WAIVERS OF JURY TRIAL. THE SELLER, THE SERVICER, THE MANAGING FACILITY AGENT, EACH ADMINISTRATIVE AGENT, EACH CO-ADMINISTRATIVE AGENT AND EACH PURCHASER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER PURCHASE DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

11.21 Bankruptcy Petition. (a) Each of the Seller, the Servicer, the Managing Facility Agent, each Administrative Agent, each Co-Administrative Agent and each Purchaser hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all outstanding senior indebtedness of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

(b) Each of the the Servicer, the Managing Facility Agent, each Administrative Agent, each Co-Administrative Agent and each Purchaser hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of the Outstanding Purchase Price and all amounts owing with respect thereto and hereunder, it will not institute against the Seller, or join any other Person in instituting against the Seller, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceedings under the laws of the United States or any state of the United States.

11.22 Confidentiality. Each of the Managing Facility Agent, the Co-Administrative Agent and the Purchasers agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this subsection, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Seller or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this subsection by such Person or (ii) becomes available to the Managing Facility Agent, any Co-Administrative Agent or any Purchaser on a nonconfidential basis from a source other than Raytheon, RAC, Raytheon Credit or the Seller. For the purposes of this Section, "Information" means all information received from Raytheon, RAC, Raytheon Credit or the Seller relating to Raytheon, RAC, Raytheon Credit or the Seller or their business, other than any such information that is available to the Managing Facility Agent, any Co-Administrative or any Purchaser on a nonconfidential basis prior to disclosure by Raytheon, RAC, Raytheon Credit or the Seller; provided that, in the case of information received from the Raytheon, RAC, Raytheon Credit or the

Seller after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this subsection shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. The Seller and the Servicer hereby consent to the disclosure of any non-public information with respect to either of them as related to this transaction and the assets sold hereunder by any SPC to any rating agency, commercial paper dealer, or provider of a surety, guaranty or credit or liquidity enhancement to that SPC.

11.23 Claims Against SPCs. The obligations of each SPC under this Agreement and the other Purchase Documents are solely its corporate obligations. No recourse shall be had for the payment of any amount owing by any SPC under this Agreement or the other Purchase Documents or for the payment by any SPC of any fee in respect of this Agreement or the other Purchase Documents or any other obligations or claim of or against any SPC arising out of or based upon this Agreement or the other Purchase Documents, against any of the SPC's employees, officers, directors, incorporators or stockholders. It is further agreed that each SPC shall be liable for any claims against such SPC in connection with this Agreement and other Purchase Documents only to the extent that such SPC has, on any date of determination, excess funds not required to pay or provide for the payment of all commercial paper notes that such SPC has outstanding. Any and all claims against any SPC in connection with this Agreement and the other Purchase Documents shall be subordinate to the claims of the holders of commercial paper notes issued by such SPC.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in New York, New York by their 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:

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

By:
Title: Authorized Signatory

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

By:
Title:

UBS AG, STAMFORD BRANCH, solely as Administrative Agent

By:
Title:

By:
Title:

SPC: RECEIVABLES CAPITAL CORPORATION

By:
Title:

SPC BANK: BANK OF AMERICA NT&SA

By:
Title:

BANK OF MONTREAL

By:
Title:

THE BANK OF NEW YORK

By:
Title:

BANK OF TOKYO - MITSUBISHI TRUST COMPANY

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: THE FIRST NATIONAL BANK OF CHICAGO

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 NATIONAL BANK

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:

By:
Title:

SPC BANK: BAYERISCHE HYPO-UND VEREINSBANK AG

By:
Title:

By:
Title:

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

By:
Name:
Title:

By:
Name:
Title:

BANCA COMMERCIALE ITALIANA

By:
Title:

By:
Title:

BANCA POPOLARE DI MILANO

By:
Title:

By:
Title:

WITHDRAWING PURCHASERS

BANK AUSTRIA CREDITANSTALT CORPORATE FINANCE INC.

By:
Title:

By:
Title:

UBS AG, STAMFORD BRANCH

By:
Title:

By:
Title:

THE DAI-ICHI KANGYO BANK, LTD.

By:
Title:

SCHEDULE I

COMMITMENTS AND PURCHASER INFORMATION

Purchaser	Amount of Commitment at Amendment Effective Date	Commitment Percentage at Amendment Effective Date
The Chase Manhattan Bank 270 Park Avenue New York, NY 10017 Attention: James Treger	$147,500,000.00	5.46%
Citibank, N.A. 339 Park Avenue 8th Floor, Zone 2 New York, NY 10043 Attention: Bill Martens	$145,000,000.00	5.37%
Bank of America NT&SA 231 South Lasalle Street Chicago, IL 60697 Attention: Willem Van Beek	$147,500,000.00	5.46%
Credit Suisse First Boston, New York Branch 11 Madison Ave., 20th Floor New York, NY 10010 Attention: David Kratovil	$145,000,000.00	5.37%
Commerzbank AG 2 World Financial Center 34th Floor New York, NY 10281 Attention: Bob Donahue	$115,000,000.00	4.26%
Wachovia Bank of Georgia, N.A. 191 Peachtree Street, N.E., 30th Floor Atlanta, GA 30303 Attention: Elizabeth Wagner	$115,000,000.00	4.26%
Westdeutsche Landesbank Girozentrale, New York Branch 1211 Avenue of the Americas New York, NY 10036 Attention: John Moorhead	$115,000,000.00	4.26%
First National Bank of Chicago One First National Plaza Mail Suite 1-0596 Chicago, IL 60670 Attention: Wanda Harrison	$115,000,000.00	4.26%

BankBoston, N.A. 100 Federal Street Boston, MA 02110 Attention: Amy Roberts	$115,000,000.00	4.26%
Canadian Imperial Bank of Commerce, New York Agency 425 Lexington Avenue New York, NY 10017 Attention: Todd Constable	$110,000,000.00	4.07%
Bank of Montreal 430 Park Avenue New York, New York 10022 Attention: Glenridge Pole	$110,000,000.00	4.07%
SG Cowen 181 West Madison Street Suite 3400 Chicago, IL 60602 Attention: Joe Moreno	$110,000,000.00	4.07%
Mellon Bank One Boston Place, 6th Floor Boston, MA 02108 Attention: Jane Westrich	$100,000,000.00	3.70%
First Union National Bank 301 South College Street Charlotte, N.C. 28288 Attention: Russ Morrison	$100,000,000.00	3.70%
Credit Lyonnais 1301 Avenue of the Americas 12th Floor New York, NY 10019 Attention: Conrad Meyer	$100,000,000,00	3.70%
Morgan Guaranty Trust Company of New York 500 Stanton Christiana Road Newark, DE 19713 Attention: Janine Marshini	$115,000,000.00	4.26%
Fleet National Bank One Federal Street Boston, MA 02211 Attention: Amy Tsokanis	$90,000,000.00	3.33%

Den Danske Bank Aktieselskab, Cayman Islands Branch 280 Park Avenue 4th Floor, East Building New York, NY 10017 Attention: Peter Hargraves	$90,000,000.00	3.33%
KBC Bank 125 West 55th Street 10th Floor New York, NY 10019 Attention: Robert Surdam	$90,000,000.00	3.33%
Industrial Bank of Japan Trust Company 1251 Avenue of the Americas New York, New York 10020 Attention: Kenneth Biegen	$90,000,000.00	3.33%
Bayerishe Hypo-und Verseinsbank AG 150 East 42nd Street 31st Floor New York, New York 10017 Attention: Marianna Welnzinger	$65,000,000.00	2.41%
Deutsche Bank AG, New York a/o Cayman Island Branches 31 West 52nd Street New York, NY 10019 Attention: Ruth Leong	$65,000,000.00	2.41%
Banque Nationale de Paris 499 Park Avenue New York, NY 10022 Attention: Rick Pace	$65,000,000.00	2.41%
Paribas Equitable Tower 787 Seventh Avenue New York, NY 10019 Attention: Sean Reddington	$65,000,000.00	2.41%
Bank of Tokyo-Mitsubishi (New York) 1251 Avenue of the Americas 12th Floor New York, NY 10020 Attention: Tom Finnessey	$50,000,000.00	1.85%
The Bank of New York One Wall Street 21st Floor New York, NY 10286 Attention: William Dakin	$40,000,000.00	1.48%

Banca Commerciale Italiana, New York Branch One William Street New York, NY 10004 Attention: Karen Purelis	$40,000,000.00	1.48%
Bayerische Landesbank (New York) - RE 560 Lexington Avenue New York, NY 10022 Attention: James Boyle	$25,000,000.00	0.93%
Banca Popolare di Milano, New York 375 Park Avenue 9th Floor New York, NY 10152 Attention: Fulvio Montanari	$20,000,000.00	0.74%

SCHEDULE II

UCC FILING LOCATIONS

Secretary of State, State of Kansas
Register of Deeds, Sedgwick County, Kansas

SCHEDULE III

PROHIBITED FOREIGN JURISDICTIONS

Kingdom of Cambodia
Cuba

Federal Republic of Yugoslavia (Serbia and Montenegro)
Republic of Bosnia-Herzegovina
Republic of Croatia
Republic of Macedonia
Republic of Slovenia
Haiti
Iran
Iraq
Libya
Nicaragua
North Korea
Socialist Republic of Viet Nam

EXHIBIT 10.24

AMENDED AND RESTATED GUARANTEE

AMENDED AND RESTATED GUARANTEE, dated as of March 18, 1999 (as amended, supplemented or otherwise modified from time to time, the "Guarantee"), made by RAYTHEON COMPANY, a Delaware corporation ("Raytheon", together with its successors and assigns permitted herein, the "Guarantor"), in favor of the Purchasers referred to below and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as managing facility agent (in such capacity, the "Managing Facility Agent") for such Purchasers.

W I T N E S S E T H :

WHEREAS, pursuant to the Purchase and Sale Agreement, dated as of March 20, 1997 (as amended, supplemented or otherwise modified from time to time, the "1997 Agreement"), among Raytheon Aircraft Credit Corporation ("RACC"), as servicer (in such capacity, the "Servicer"), Raytheon Aircraft Receivables Corporation ("RARC"), as seller (the "Seller"), the financial institutions from time to time parties thereto, the several co-agents parties thereto, the several agents parties thereto and Swiss Bank Corporation, New York Branch ("SBC"), Raytheon entered into the Guarantee dated as of March 20, 1997 (as amended, supplemented or otherwise modified from time to time, the "1997 Guarantee"), in favor of the Purchasers referred to in the 1997 Agreement and SBC, as administrative agent for such Purchasers;

WHEREAS, the 1997 Agreement is being amended and restated by the Amended and Restated Purchase and Sale Agreement (the "Purchase Agreement"), dated as of March 18, 1999, among RARC, as Seller, RACC, as Servicer, the financial institutions and special purpose corporations from time to time parties to the Purchase Agreement (the "Purchasers"), the Managing Facility Agent, Bank of America National Trust and Savings Association and The Chase Manhattan Bank, as Co-Administrative Agents for the Purchasers (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 (in such capacity, a "Co-Syndication Agent"), and each Administrative Agent party thereto.

WHEREAS, pursuant to the Purchase Agreement, the Purchasers have severally agreed to purchase from the Seller from time to time hereafter undivided interests in certain Receivables generated in the Seller's ordinary course of business;

WHEREAS, the Purchasers desire to continue the guarantee by the Guarantor of the obligations under the 1997 Agreement, and the Guarantor is willing to continue such guarantees and to guarantee the obligations of the Seller and the Servicer under the Purchase Agreement as set forth herein;

WHEREAS, pursuant to the Amended and Restated Repurchase Agreement, dated as of March 18, 1999 (as amended, supplemented or otherwise modified from time to time, the "Repurchase Agreement"), made by Raytheon Aircraft Company, a Kansas corporation (together with its successors and assigns permitted herein, "RAC"), in favor of the Purchasers and the Managing Facility Agent, RAC has agreed to repurchase certain Defaulted Receivables from the Purchasers;

WHEREAS, the Purchasers also desire the Guarantor to continue the guarantee of the obligations of RAC under the Repurchase Agreement, and the Guarantor is also willing to continue the guarantee of the obligations of RAC under the Repurchase Agreement as set forth herein;

WHEREAS, it is a condition precedent to the obligations of the Purchasers to make their respective purchases from the Seller under the Purchase Agreement that the Guarantor shall have executed and delivered this Guarantee to the Managing Facility Agent for the ratable benefit of the Purchasers;

WHEREAS, the Guarantor is the indirect parent of RAC, the Seller and the Servicer and it is to the advantage of the Guarantor that the Purchasers purchase certain Receivables from the Seller; and

WHEREAS, the parties hereto desire to restate the 1997 Guarantee as so amended modified and supplemented in its entirety;

NOW THEREFORE, in consideration of the premises and to induce the Managing Facility Agent and the Purchasers to enter into the Purchase Agreement and to induce the Purchasers to make their respective purchases from the Seller under the Purchase Agreement, the Guarantor hereby agrees with the Managing Facility Agent, for the ratable benefit of the Purchasers, as follows:

1. Defined Terms. Terms defined in the preamble hereof and the recitals hereto and terms defined in the Purchase Agreement and used herein without definition shall have their defined meanings when used herein, and the following terms shall have the following meanings:

"Debt": indebtedness for money borrowed.

"Material Subsidiary": at any time, a Subsidiary of Raytheon which as of such time meets the definition of a "significant subsidiary" as in effect at the Closing Date in Regulation S-X of the Securities and Exchange Commission.

"Obligations": all obligations and liabilities of the Seller, the Servicer or RAC to the Managing Facility Agent or any Purchaser, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, pursuant to, out of, or in connection with, the Purchase Agreement or the Repurchase Agreement (including, without limitation, interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Seller, the Servicer or RAC, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) and any other Purchase Document and any other document made, delivered or given in connection therewith or herewith, whether on account of Collections, deposit obligations, repurchase

obligations (including, without limitation, repurchase obligations arising under subsections 2.7(b), 2.10, 2.11 and 2.12 of the Purchase Agreement and under Section 2 of the Repurchase Agreement), payments required to be made pursuant to subsection 2.18 of the Purchase Agreement, all obligations of the Seller pursuant to subsections 11.11 and 11.12 of the Purchase Agreement, payments on account of adjusted Receivables, principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees and disbursements of counsel to the Managing Facility Agent or the Purchasers (including, but not limited to, allocated costs of in-house counsel and costs incurred by counsel with respect to the Foreign Receivables) that are required to be paid by the Seller, the Servicer or RAC pursuant to the terms of the Purchase Agreement or the Repurchase Agreement, as the case may be) or otherwise.

"Principal Property": the Guarantor's principal office building and any manufacturing plant or principal research facility of the Guarantor or any Subsidiary of the Guarantor which is located within the United States of America or Canada, except any such principal office building, plant or facility which the Board of Directors by resolution declares is not of material importance to the total business conducted by the Guarantor and its Subsidiaries as an entirety.

2. Guarantee. (a) The Guarantor hereby unconditionally and irrevocably guarantees to the Managing Facility Agent for the ratable benefit of the Managing Facility Agent and the Purchasers the prompt and complete payment by the Seller, the Servicer and RAC when due (whether at the stated maturity or otherwise) of the Obligations. Such guarantee shall be a guarantee of payment.

(b) The Guarantor further unconditionally and irrevocably covenants and agrees with the Managing Facility Agent for the ratable benefit of the Managing Facility Agent and the Purchasers that the Guarantor will cause each of the Seller, the Servicer and RAC duly and punctually to perform and observe all of their respective terms, conditions, covenants, agreements and indemnities under the Purchase Agreement and the Repurchase Agreement, including but not limited to the obligations of the Seller pursuant to subsection 2.6 and 2.10 of the Purchase Agreement and the obligations of RAC pursuant to Sections 2 and 3 of the Repurchase Agreement, and any other document executed and delivered by the Seller, the Servicer or RAC in connection therewith, strictly in accordance with the terms thereof, and that if for any reason whatsoever the Seller, the Servicer or RAC shall fail so to perform and observe such terms, conditions, covenants, agreements and indemnities, the Guarantor will duly and punctually perform and observe the same.

(c) The Guarantor further agrees to pay any and all expenses (including, without limitation, all reasonable fees and disbursements of counsel) which may be paid or incurred by the Managing Facility Agent or any Purchaser in enforcing or preserving any of their rights under this Guarantee.

(d) The Guarantor agrees that whenever, at any time, or from time to time, it shall make any payment to the Managing Facility Agent or any Purchaser on account of its liability hereunder, it will notify the Managing Facility Agent and such Purchaser, if applicable, in writing that such payment is made under this Guarantee for such purpose. No payment or payments made by the Seller, the Servicer, RAC or any other Person or received or collected by the Managing Facility Agent or any Purchaser from the Seller, the Servicer, RAC or any other Person by virtue of any action or proceeding or any set-off or appropriation or application, at any time or from time to time, in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the Guarantor hereunder which shall, notwithstanding any such payment or payments, continue until the Obligations are paid in full and the Commitments are terminated. This Guarantee shall remain in full force and effect until the Obligations are paid in full and the Commitments are terminated, notwithstanding that from time to time prior thereto the Seller, the Servicer and/or RAC may be free from any Obligations.

(e) Notwithstanding anything herein to the contrary, the Guarantor, in lieu of paying or depositing the amount required to repurchase any Purchased Receivable pursuant to the Purchase Agreement or the Repurchase Agreement, may purchase such Receivable directly from the Purchasers in accordance with the provisions of the Purchase Agreement or the Repurchase Agreement, as the case may be, for repurchases as if the Guarantor were the Seller or RAC thereunder.

3. Right of Set-off. Upon the occurrence and continuance of a Rating Event or of an Amortization Event of the type described in subsection 8.1(a), (b), (i) or (j) of the Purchase Agreement, the Managing Facility Agent and each Purchaser are hereby irrevocably authorized at any time and from time to time without notice to the Guarantor, any such notice being hereby waived by the Guarantor, to set off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Managing Facility Agent or such Purchaser to or for the credit or the account of the Guarantor, or any part thereof in such amounts as the Managing Facility Agent or such Purchaser may elect, on account of the liabilities of the Guarantor hereunder and claims of every nature and description of the Managing Facility Agent or any Purchaser against the Guarantor, in any currency, whether arising hereunder, under the Purchase Agreement or under the Repurchase Agreement, as the Managing Facility Agent or such Purchaser may elect, whether or not the Managing Facility Agent or such Purchaser has made any demand for payment and although such liabilities and claims may be contingent or unmatured. The Managing Facility Agent and such Purchaser shall notify the Guarantor promptly of any such set-off made by it and the application made by it of the proceeds thereof, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Managing Facility Agent and each Purchaser under this paragraph are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Managing Facility Agent or such Purchaser may have.

4. No Subrogation, Contribution, Reimbursement or Indemnity. Notwithstanding anything to the contrary in this Guarantee, the Guarantor hereby irrevocably waives all rights which may have arisen in connection with this Guarantee to be subrogated to any of the rights (whether contractual, under Title 11 of the United States Code, including Section 509 thereof, under common law or otherwise) of the Managing Facility Agent and the Purchasers against the Seller, the Servicer or RAC or against any right of offset of the Managing Facility Agent and the Purchasers with respect to the Obligations. The Guarantor hereby further irrevocably waives all contractual, common law, statutory or other rights of reimbursement, contribution, exoneration or indemnity (or any similar right) from or against the Seller, the Servicer, RAC or any other Person which may have arisen in connection with this Guarantee. So long as any Obligations remain outstanding, if any amount shall be paid by or on behalf of the Seller, the Servicer or RAC to the Guarantor on account of any of the rights waived in this paragraph, such amount shall be held by the Guarantor in trust, segregated from other funds of the Guarantor, and shall, forthwith upon receipt by the Guarantor (duly endorsed by the Guarantor to the Managing Facility Agent, if required), be applied against the Obligations, whether matured or unmatured, in such order as the Managing Facility Agent may determine. The provisions of this paragraph shall survive the termination of the Purchase Agreement and the Repurchase Agreement and the payment in full of the Obligations; provided that the foregoing waiver shall be of no force and effect 370 days following the termination of the Purchase Agreement and the Repurchase Agreement and the payment in full of the Obligations but only if during such 370-day period none of the Seller, the Servicer, RAC or the Guarantor shall have commenced or have commenced against it a bankruptcy proceeding under Title 11 of the United States Code.

5. Amendments, etc. with respect to the Obligations. The Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against the Guarantor, and without notice to or further assent by the Guarantor, any demand for payment of any of the Obligations made by the Managing Facility Agent or any Purchaser may be rescinded by the Managing Facility Agent or such Purchaser, and any of the Obligations continued, and the Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Managing Facility Agent or any Purchaser, and the Purchase Agreement, the Repurchase Agreement, any other Purchase Document or any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Purchasers (or the Required Purchasers, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Managing Facility Agent or any Purchaser for the payment of the Obligations may be sold, exchanged, waived, surrendered or released. Neither the Managing Facility Agent nor any Purchaser shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Obligations or for this Guarantee or any property subject thereto.

6. Guarantee Absolute and Unconditional. The Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by the Managing Facility Agent or any Purchaser upon this Guarantee or acceptance of this Guarantee; the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guarantee; and all dealings between the Seller, the Servicer, RAC or the Guarantor, on the one hand, and the Managing Facility Agent and the Purchasers, on the other, shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guarantee. The Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Seller, the Servicer, RAC or the Guarantor with respect to the Obligations. This Guarantee shall be construed as a continuing, absolute and unconditional guarantee without regard to the validity or enforceability of the Purchase Agreement, the Repurchase Agreement, the Assignments, the FAA Assignments, the Foreign Assignments, the Bailment Agreement or any other document or instrument executed in connection with any of the foregoing documents, any of the Obligations or any collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Managing Facility Agent or any Purchaser, any defense which relates, directly or indirectly, to the matters covered by the representations and warranties set forth in Section 4 of the Purchase Agreement or Section 8 of the Repurchase Agreement or set-off which in either case may at any time be available to or be asserted by the Seller, the Servicer or RAC against the Managing Facility Agent or any Purchaser, or any other circumstance whatsoever (with or without notice to or knowledge of the Seller, the Servicer, RAC or the Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Seller, the Servicer or RAC for the Obligations, or of the Guarantor under this Guarantee, in bankruptcy or in any other instance; provided that this clause (c) shall not prevent the Guarantor from being discharged from its obligations under this Guarantee pursuant to confirmation of a plan of reorganization under Chapter 11 of the United States Code in a case in which the Guarantor is the debtor. When the Managing Facility Agent, or any Purchaser is pursuing its rights and remedies hereunder against the Guarantor, the Managing Facility Agent or such Purchaser may, but shall be under no obligation to, pursue such rights and remedies as it may have against the Seller, the Servicer, RAC or any other Person or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by the Managing Facility Agent or any Purchaser to pursue such other rights or remedies or to collect any payments from the Seller, the Servicer, RAC or any such other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Seller, the Servicer, RAC or any such other Person or of any such collateral security, guarantee or right of offset, shall not relieve the Guarantor of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Managing Facility Agent and the Purchasers against the Guarantor.

7. Reinstatement. This Guarantee shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be restored or returned by the Managing Facility Agent or any Purchaser upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Seller, the Servicer or RAC or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Seller, the Servicer, RAC or any substantial part of its property, or otherwise, all as though such payments had not been made.

8. Payments. The Guarantor hereby agrees that the Obligations will be paid to the Managing Facility Agent in immediately available funds without set-off in U.S. Dollars at the office of the Managing Facility Agent at the address specified in subsection 11.2 of the Purchase Agreement.

9. Representations and Warranties. The Guarantor represents and warrants to the Managing Facility Agent and the Purchasers that:

(a) the Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority and the legal right to own and operate its property, to lease the property it operates and to conduct the business in which it is currently engaged, is duly qualified and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except where the failure so to qualify could not reasonably be expected to have a material adverse effect on the business, operations, property or financial or other condition of the Guarantor and its consolidated Subsidiaries taken as a whole or on the ability of the Guarantor to perform its obligations hereunder and is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property or financial or other condition of the Guarantor and its consolidated Subsidiaries taken as a whole or on the ability of the Guarantor to perform its obligations hereunder;

(b) the Guarantor has the corporate power and authority and the legal right to execute and deliver, and to perform its obligations under, this Guarantee, and has taken all necessary corporate action to authorize its execution, delivery and performance of this Guarantee;

(c) this Guarantee has been duly executed and delivered on behalf of the Guarantor and this Guarantee constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally (whether enforcement is sought by proceedings in equity or at law);

(d) the execution, delivery and performance of this Guarantee will not violate any provision of any Requirement of Law or Contractual Obligation of the Guarantor or any of its Material Subsidiaries except to the extent that such violation could not, in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property or financial or other condition of the Guarantor and its consolidated Subsidiaries taken as a whole or on the ability of the Guarantor to perform its obligations hereunder, and will not result in or require the creation or imposition of any Lien on any of the properties or revenues of the Guarantor or any of its Material Subsidiaries pursuant to any Requirement of Law or Contractual Obligation of the Guarantor or such Material Subsidiary;

(e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder or creditor of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guarantee;

(f) no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Guarantor, threatened by or against the Guarantor or any of its Material Subsidiaries or against any of their respective properties or revenues with respect to this Guarantee or any of the transactions contemplated hereby or which, individually or in the aggregate, could reasonably be expected to have a material adverse effect on the business, operations, property or financial or other condition of the Guarantor and its consolidated Subsidiaries taken as a whole or on the ability of the Guarantor to perform its obligations hereunder;

(g) no tax Lien has been filed, and, to the knowledge of the Guarantor, no claim is being asserted, with respect to any such tax, fee or other charge which could reasonably be expected to have a material adverse effect on the business, operations, property or financial or other condition of the Guarantor and its consolidated Subsidiaries taken as a whole or on the ability of the Guarantor to perform its obligations hereunder;

(h) the consolidated balance sheet of the Guarantor and its consolidated Subsidiaries as at the last day of the fiscal year of the Guarantor most recently ended at least 90 days prior to the date this representation and warranty is made and the related statements of income, stockholders' equity and cash flows for such fiscal year of the Guarantor then ended, reported on by Coopers & Lybrand or other comparable independent certified public accountants and set forth in the Guarantor's applicable Form 10-K, as filed with the Securities and Exchange Commission (the "SEC") (or if not required to be so filed, as delivered to the Purchasers), are complete and correct, have been prepared in accordance with GAAP applied consistently throughout the period involved (except for any changes disclosed therein) and present fairly the consolidated financial condition of the Guarantor and its consolidated Subsidiaries as at such date and the results of its operations for such fiscal year;

(i) the unaudited consolidated balance sheet of the Guarantor and its consolidated Subsidiaries as at the end of the fiscal quarter of the Guarantor most recently ended at least 45 days prior to the date this representation and warranty is made and the related statements of income, stockholders' equity and cash flows for the portion of the Guarantor's fiscal year then ended, as set forth in the Guarantor's applicable quarterly report on Form 10-Q for such quarter, as filed with the SEC (or if not required to be so filed, as delivered to the Purchasers), are

complete and correct, have been prepared in accordance with GAAP applied consistently throughout the period involved (except for any changes disclosed therein) and present fairly the consolidated financial condition of the Guarantor and its consolidated Subsidiaries as at such date and the results of its operations for such fiscal quarter (subject to all adjustments, which are of a normal recurring nature, necessary to a fair presentation of the consolidated financial statements of Raytheon and its consolidated Subsidiaries for the interim period reflected therein); and

(j) since December 31, 1995, there has been no material adverse change (other than as disclosed in the Guarantor's quarterly reports on Form 10-Q for the quarters ended since December 31, 1995, the change in the Guarantor's credit rating announced by S&P and Moody's, the possible divestiture of the Guarantor's Appliance Group announced in the Guarantor's press release dated February 23, 1997, the purchase by the Guarantor of the Defense Systems and Electronics Business of Texas Instruments Incorporated described in the Guarantor's report on Form 8K filed January 6, 1997 and the merger of the Guarantor with the Defense Business of Hughes Electronics Corporation described in the Guarantor's report on Form 8K filed January 17, 1997) in the business, operations, property or financial or other condition of the Guarantor and its consolidated Subsidiaries taken as a whole.

The Guarantor agrees that the foregoing representations and warranties (other than the representation set forth in clause (j)) shall be deemed to have been made by the Guarantor on each date required by subsection 5.2(a) of the Purchase Agreement.

10. Covenants. The Guarantor hereby agrees that until the Obligations are paid in full and the Commitments are terminated, it shall and (except in the case of paragraphs (a), (b), (c), (d), (j)(1), (k), (l) and (m) below) shall cause each of its Material Subsidiaries to:

(a) Deliver to the Managing Facility Agent, with sufficient copies for each Purchaser, all reports and notices filed with the SEC, promptly after the filing thereof, including, without limitation, the Guarantor's quarterly reports on Forms 10-Q and annual reports on Form 10-K; provided that if the Guarantor is no longer required to file such forms with the SEC, the Guarantor shall deliver to the Managing Facility Agent and the Purchasers comparable periodic financial information for comparable periods at the same time as such reports are required to be filed, certified as requested by the Managing Facility Agent in a form consistent with the representations and warranties set forth in paragraphs 9(h) and (i).

(b) Promptly give notice to the Managing Facility Agent and each Purchaser of the occurrence of any Amortization Event or Ineligibility Event of which it has knowledge, the occurrence of any Rating Event, Discount Event or Remittance Event and (iii) the occurrence of any event which causes a Ratings Adjustment.

(c) At its own expense timely and fully perform and comply with, and enforce and defend, or, with respect to Affiliate Receivables, cause the related Affiliate Obligor to perform and comply with and enforce and defend, all material provisions, covenants and other promises (which promises are required to be observed by it) under the Contracts (other than the payment by such Affiliate Obligor of the principal of and interest on the promissory note included in such Contract) and with respect to the Financed Aircraft related to the Purchased Receivables; and defend the right, title and interest of the Managing Facility Agent and each Purchaser in and to such Purchased Receivable, the Collections with respect thereto and the related Contract and Financed Aircraft against the claims and demands of any Persons whomsoever (other than of the Managing Facility Agent or any Purchaser).

(d) Not convey, sell, lease, assign, transfer or otherwise dispose of all or substantially all the property, business or assets of the Guarantor to any Person or Persons unless such Person or Persons delivers a written assumption of the Guarantor's obligations under this Guarantee (which assumption shall not release the Guarantor hereunder) and a legal opinion with respect thereto, all satisfactory in form and substance to the Managing Facility Agent and its counsel.

(e)(i) Not issue, assume or guarantee any Debt on or after the date hereof, if such Debt is secured by a mortgage, pledge, security interest or lien (any mortgage, pledge, security interest or lien being hereinafter in this subsection 10(e) referred to as a "mortgage" or "mortgages") upon any Principal Property, or any shares of stock or indebtedness of any Subsidiary, whether now owned or hereafter acquired, without in any such case effectively providing, concurrently with the issuance, assumption or guarantee of any such Debt, that this Guarantee (together with, if the Guarantor shall so determine, any other indebtedness of or guaranteed by the Guarantor or such Subsidiary ranking equally with the Guarantor and then existing or thereafter created) shall be secured equally and ratably with (or prior to) such Debt; provided however, that the foregoing restriction shall not apply to:

(A) mortgages on any Principal Property, shares of stock or indebtedness of any corporation existing at the time such corporation becomes a Subsidiary;

(B) mortgages on any Principal Property acquired, constructed or improved by the Guarantor or any Subsidiary after the date hereof which are created or assumed contemporaneously with, or within 90 days after, such acquisition, construction or improvement to secure or provide for the payment of the purchase price of such property or the cost of such construction or improvement incurred after the date hereof, or, in addition to mortgages contemplated by clause (C) below, mortgages on any Principal Property existing at the time of acquisition thereof; provided, however, that in the case of any such acquisition, construction or improvement the mortgage shall not apply to any property theretofore owned by the Guarantor or any Subsidiary, other than, in the case of any such construction or improvement, any theretofore unimproved real property on which the property so constructed, or the improvement, is located;

(C) mortgages on any Principal Property or shares of stock or indebtedness acquired from a corporation which is merged with or into the Guarantor or a Subsidiary;

(D) mortgages to secure Debt of a Subsidiary to the Guarantor or to another Subsidiary; and

(E) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the foregoing clauses (A) to (D) inclusive; provided, however, that the principal amount of Debt secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement and that such extension, renewal or replacement shall be applicable only to all or a part of the property which secured the mortgage extended, renewed or replaced (plus improvements on the property).

(ii) The Guarantor will not, nor will it permit any Subsidiary to merge or consolidate with another corporation, or sell all or substantially all of its assets to another corporation for a consideration other than the fair market value thereof which consideration shall consist of liquid assets (which shall have a fair market value readily determinable by an independent source), (x) unless, in the case of a merger or consolidation of the Guarantor or a sale by the Guarantor of substantially all of its assets, the successor or purchasing corporation, as applicable, has assumed all of the obligations of the Guarantor hereunder and (y) if such other corporation has outstanding obligations secured by a mortgage which, after such merger, consolidation or sale would extend to any of the assets owned by the Guarantor or such Subsidiary immediately prior to such merger, consolidation or sale unless, prior to such merger, consolidation or sale, the Guarantor or such Subsidiary shall have effectively provided that this Guarantee (together with, if the Guarantor or such Subsidiary shall so determine, any other Debt, indebtedness or liability issued, assumed or guaranteed by the Guarantor or such Subsidiary, whether then existing or thereafter created) shall be secured by a mortgage, the lien of which, upon completion of said merger, consolidation or sale, will rank prior to the lien of such mortgage of such other corporation on all assets owned by the Guarantor or such Subsidiary immediately prior to such merger, consolidation or sale, which, upon completion of such merger, consolidation or sale, will be subjected to the lien of such mortgage of such other corporation.

(iii) In the event that the Guarantor shall enter into any indenture or other agreement or instrument relating to the issuance of Debt (collectively, referred to herein as an "indenture") and the provisions of any such indenture with respect to restrictions on Liens permitted to be created or to exist on any of the Guarantor's property or the granting of equal and ratable security interests (collectively, the "Lien Provisions") are more restrictive on the Guarantor than this subsection 10(e), then without any action by any Person, the Lien Provisions shall be deemed to be incorporated by reference in the provisions of this subsection 10(e) with the Obligations under this Guarantee constituting the "Debt" for purposes of such Lien Provision.

(f) Not enter into any material transaction with any Affiliate (other than a Subsidiary of Raytheon), including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, unless any such transaction is upon fair and reasonable terms no less favorable to the Guarantor or such Material Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person not an Affiliate.

(g) Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all obligations of whatever nature which are material to the business, operations, property or financial or other condition of the Guarantor and its consolidated Subsidiaries taken as a whole, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Guarantor and its consolidated Subsidiaries taken as a whole.

(h) Comply with all Contractual Obligations and Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a material adverse effect on the business, operations, property or financial or other condition of the Guarantor and its consolidated Subsidiaries taken as a whole or on the ability of the Guarantor to perform its obligations hereunder.

(i) Maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks as are usually insured against in the same general area by companies engaged in the same or a similar business; and furnish to the Managing Facility Agent, upon written request of any Purchaser, a schedule of insurance then in force setting forth the type of coverage, the names of the insurance carriers, policy numbers, the amount and type of coverage and the term of each policy, together with a certificate or certificates of insurance.

(j) Permit representatives of the Managing Facility Agent or any Purchaser to visit and inspect any of its properties and examine and make abstracts from any books and records of the Guarantor with respect to the transactions contemplated by the Purchase Documents at any reasonable time and as often as may reasonably be necessary and to discuss the business, operations, properties and financial and other condition of the Guarantor and its Material Subsidiaries with officers of the Guarantor having knowledge of such matters and with its independent certified public accountants; provided that any information, records and materials obtained by the Managing Facility Agent or any Purchaser pursuant to this paragraph 10(j) shall be used by the Managing Facility Agent or such Purchaser solely in connection with its participation in the transactions contemplated by the Purchase Documents (including pursuant to subsection 11.6(b) and (c) of the Purchase Agreement) and shall be treated as confidential by the Managing Facility Agent or such Purchaser in accordance with Section 11.22 of the Purchase Agreement.

(k) Cause its short-term unsecured indebtedness to be rated by either or both S&P and Moody's and cause its long-term unsecured indebtedness to be rated by S&P, Moody's and Duff or any combination thereof.

(l) Within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Guarantor and within 90 days after the end of the fourth fiscal quarter of each fiscal year of the Guarantor, deliver to the Managing Facility Agent, with sufficient copies for each Purchaser, a certificate of the chief financial officer, treasurer or comparable officer of the Guarantor setting forth the Guarantor's Debt Ratio for the Guarantor's fiscal quarter ended prior to the date of such certificate and Interest Coverage Ratio for the Guarantor's four consecutive fiscal quarters ended prior to the date of such certificate, showing calculations therefor in reasonable detail and specifying whether a Trigger Amortization Event of the type specified in subsection 8.1(g) or (h) of the Purchase Agreement has occurred.

(m) Cause RAC to maintain full and adequate product liability insurance with respect to each Financed Aircraft with financially sound and reputable insurance companies (which may include a program of product liability insurance maintained by an Affiliate of Raytheon, the sole business of which is providing insurance for Raytheon and its Affiliates).

11. Severability. Any provision of this Guarantee 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.

12. Paragraph Headings. The paragraph headings used in this Guarantee are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

13. No Waiver; Cumulative Remedies. Neither the Managing Facility Agent nor any Purchaser shall by any act (except by a written instrument pursuant to paragraph 14 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any default or Amortization Event, Ineligibility Event, Remittance Event, Discount Event or Rating Event, or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Managing Facility Agent or any Purchaser, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Managing Facility Agent or any Purchaser of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Managing Facility Agent or such Purchaser would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

14. Waivers and Amendments; Successors and Assigns. None of the terms or provisions of this Guarantee may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Guarantor and the Managing Facility Agent in accordance with the Purchase Agreement. This Guarantee shall be binding upon the successors and assigns of the Guarantor and shall inure to the benefit of the Managing Facility Agent and the Purchasers and their successors and assigns.

15. GOVERNING LAW. THIS GUARANTEE AND THE OBLIGATIONS OF THE GUARANTOR HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

16. Notices. All notices by the Managing Facility Agent to the Guarantor hereunder to be effective shall be in writing (including by telecopy or telex), and shall be deemed to have been duly given or made when delivered by hand, in the case of mail, three Business Days after deposit in the mail, postage prepaid, in the case of telecopy notice, when received, or in the case of telex notice, when sent, answerback received, addressed to the Guarantor at its address or transmission number set forth under its signature below. The Guarantor may change its address and transmission numbers by written notice to the Managing Facility Agent.

17. Authority of Managing Facility Agent. The Guarantor acknowledges that the rights and responsibilities of the Managing Facility Agent under this Guarantee with respect to any action taken by the Managing Facility Agent or the exercise or non-exercise by the Managing Facility Agent of any option, right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Guarantee shall, as between the Managing Facility Agent and the Purchasers, be governed by the Purchase Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Managing Facility Agent and the Guarantor, the Managing Facility Agent shall be conclusively presumed to be acting as agent for the Purchasers with full and valid authority so to act or refrain from acting, and the Guarantor shall not be under any obligation, or entitlement, to make any inquiry respecting such authority.

18. Waivers. Each of the Managing Facility Agent and, by its acceptance of this Guarantee, each Purchaser hereby irrevocably and unconditionally waives, to the maximum extent not prohibited by law, any right the Managing Facility Agent or such Purchaser may have to claim or recover in any legal action or proceeding relating to this Guarantee any special, exemplary, punitive or consequential damages; provided that the waiver contained in this paragraph 18 shall not extend to any right to claim or recover from the Guarantor any special, exemplary, punitive or consequential damages for which the Managing Facility Agent or any Purchaser is liable to any Person (other than an Affiliate of the Managing Facility Agent or such Purchaser).

19. Acknowledgements. The Guarantor hereby acknowledges with respect to the transactions contemplated by the Purchase Documents that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Guarantee;

(b) neither the Managing Facility Agent nor any Purchaser has any fiduciary relationship to the Guarantor or the Seller and the relationship between the Managing Facility Agent and the Purchasers, on the one hand, and the Guarantor or the Seller, on the other hand, is solely that of debtor and creditor; and

(c) no joint venture exists among the Purchasers, among the Seller, the Purchasers and the Managing Facility Agent or among the Guarantor, the Purchasers and the Managing Facility Agent.

20. WAIVERS OF JURY TRIAL. THE GUARANTOR AND, BY THEIR ACCEPTANCE HEREOF, THE MANAGING FACILITY AGENT AND THE PURCHASERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS GUARANTEE AND FOR ANY COUNTERCLAIM THEREIN.

21. Submission To Jurisdiction; Waivers. The Guarantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Guarantee, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or thereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address set forth below its signature hereto or at such other address of which the Managing Facility Agent shall have been notified pursuant hereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this subsection any special, exemplary, punitive or consequential damages.

22. Existing Guaranties Superseded. Upon the execution and delivery of the Purchase Agreement, the Repurchase Agreement and this Guarantee, the obligations of the Guarantor under the Existing Guarantees shall be continued (and not repaid) by and in accordance with the terms hereof and the obligations guaranteed thereunder shall be amended and restated (and not repaid) by and in accordance with the terms of the Purchase Agreement and the Repurchase Agreement as described therein.

IN WITNESS WHEREOF, the Guarantor has caused this Guarantee to be duly executed and delivered in New York, New York by its proper and duly authorized officer as of the day and year first above written.

RAYTHEON COMPANY

By:
Title:

Address for Notices:

Raytheon Company
141 Spring Street
Lexington, Massachusetts 02173

Attention: Vice President & Treasurer
Telecopy: (718) 860-2240

Acknowledged By:

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Managing Facility Agent

By:
Title:

EXHIBIT 10.25

RAYTHEON SAVINGS AND INVESTMENT PLAN

As Amended and Restated Effective January 1, 1999

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 (except as otherwise indicated below), 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 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 (merger effective January 14, 1999) Serv-Air, Inc. Savings and Retirement Plan (merger effective January 14, 1999) Hughes STX Corporation 401(k) Retirement Plan (merger effective February 11, 1999) Standard Missile 401(k) Plan (merger effective in the first quarter of 1999) Raytheon Stock Ownership Plan Raytheon Stock Ownership Plan for Specified Hourly Employees.

(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 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, 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)), (8) 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, (H) 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 (I) 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.

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 and ESOP Contribution Accounts.

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. 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.

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 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 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 Allied-Signal 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 Allied-Signal 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 Allied-Signal 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 10, 1998 was an employee of AlliedSignal and who on such date became an Employee of the Company or one of its Affiliates in connection with the Company's acquisition of AlliedSignal's defense communications business, 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 and all 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. Within a reasonable period of time before the allocation to individual accounts as specified in subsection (b), the Trustee shall use the ESOP Contribution, to the extent not contributed in Common Stock, to acquire Common Stock which will be held by the Trustee for the benefit of the Participants in the Plan.

(b) Allocation of ESOP Contribution: As soon as administratively feasible after the ESOP Contribution is made to the Plan, 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.

(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.

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.

(2) The Administrator may, on the basis of such evidence it deems relevant, determine that the Participant has experienced an immediate and heavy financial need for reasons other than those enumerated above in this subsection.

(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 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 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. 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) f 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 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. 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.

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 December, March, June and September of each year. The rate published on the first business day in December will apply to loans which are made at any time during the period January 1 through March 31; the rate published on the first business day of March will apply to loans which are made at any time during the period April 1 through June 30; the rate published on the first business day in June will apply to loans which are made at anytime during the period July 1 through September 30; and the rate published on the first business day in September will apply to loans which are made at any time during the period October 1 through December 31. For purposes of this section 9.7, a loan is considered to be made when the loan proceeds are made available to the Participant.

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 n 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 ESOP or Qualified Nonelective Contributions made and allocated under this Plan or any other contributions (as permitted under section 416 of the Code and the regulations thereunder) from the Adopting Employers made and allocated under any other Aggregated Plans.

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(c)(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.

.. (8) Years of Top-Heavy Service. The number of Years 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 02421.

(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 claims review committee, as designated by the Company, by mailing a copy thereof to the address shown in subsection (a)(1); provided, however, that such officer or any member of such claims review 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 claims review committee shall provide the claimant a further opportunity to present his or her position. At the designated officer or claims review 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 claims review 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.

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 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
RSE 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	AFCE, 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
RES	H	IBEW, Local 1505 (MA)
RES	H	IAM, Lodge 1836 (MA)
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
E-SYS	H (PS)	UPGWA, Local 263 (Garland, TX)
E-SYS	H (PS)	UAW, Local 967 (Greenville, TX)
(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
RES	H	IBEW, Local 1505 (Marlboro, MA)
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
	H	IBEW, Local 1505 (MA)

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. 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
	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 (except as otherwise indicated), 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 (assets transferred on January 14, 1999).

F. Serv-Air, Inc. Savings and Retirement Plan (assets transferred January 14, 1999).

G. Savings and Investment Plan of Standard Missile Company, L.L.C. (assets transferred in the first quarter of 1999).

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 10.26

RAYTHEON EMPLOYEE SAVINGS AND INVESTMENT PLAN
As Amended and Restated Effective January 1, 1999

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 (except as otherwise indicated below), 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 (merger effective January 14, 1999)
Raytheon Stock Ownership Plan for Specified Hourly Employees

(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 elected to participate 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 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.

2.55 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).

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. 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.

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.

(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.

(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 Section 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. Within a reasonable period of time before the allocation to individual accounts as specified in subsection (b) below, the Trustee shall use the ESOP Contribution, to the extent not contributed in Common Stock, to acquire Common Stock which will be held by the Trustee for the benefit of the eligible Participants in the Plan.

(b) Allocation of ESOP Contribution: As soon as administratively feasible after the ESOP Contribution is made to the Plan, 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.

(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. 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) 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. 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 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. 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.

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.

(2) The Administrator may, on the basis of such evidence it deems relevant, determine that the Participant has experienced an immediate and heavy financial need for reasons other than those enumerated above in this subsection.

(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. 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 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. 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 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. 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 9.3 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 December, March, June and September of each year. The rate published on the first business day in December will apply to loans which are made at any time during the period January 1 through March 31; the rate published on the first business day of March will apply to loans which are made at any time during the period April 1 through June 30; the rate published on the first business day in June will apply to loans which are made at anytime during the period July 1 through September 30; the rate published on the first business day in September will apply to loans which are made at any time during the period October 1 through December 31. For purposes of this section 9.7, a loan is considered to be made when the loan proceeds are made available to the Participant.

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 ESOP or Qualified Nonelective Contributions made and allocated under this Plan or any other contributions (as permitted under section 416 of the Code and the regulations thereunder; including, but not limited to, Matching Contributions that are not needed to satisfy the limits prescribed in section 4.8) from the Adopting Employers made and allocated under any other Aggregated Plans.

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(c)(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 o 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.

(8) Years of Top-Heavy Service. The number of Years 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 02421.

(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 claims review committee, as designated by the Company, by mailing a copy thereof to the address shown in subsection (a)(1); provided, however, that such officer or any member of such claims review 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 claims review committee shall provide the claimant a further opportunity to present his or her position. At the designated officer or claims review 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 claims review 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.

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 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)

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		
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

(C.)12

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)

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Allied Signal	EX, NE, H		Salaried (Comm. Systems, Towson, MD)
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)

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, Lode 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 (assets transferred January 14, 1999).

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.

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) reimbursements or other expense allowances under a nonaccountable plan (as described in Treas. Reg. section 1.62-2(c)), (8) 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, (H) 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 (I) 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.

I. Raytheon Systems Company; but only with respect to the following division:

Allied Signal	EX, NE, H	Salaried (Comm. Systems - Towson, MD)

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%
Allied Signal EX, NE,	H	Salaried (Comm. Systems-Towson, MD)	20%
E-Systems	H	UAW, Local 298 (St. Petersburg, FL)	18%

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)

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)
Allied Signal	EX, NE, H	Salaried (Comm. Systems-Towson, MD)

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)

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 equal 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:

RSSCcc87	H	IBEW, Local 898 (Eldorado AFB, TX) $0.70 per Hour of Service
RSSCcc87	H	IAM, Dist. Lodge 131 (Warner Robins AFB, GA) $0.55 per Hour of Service
RSSCcc87	H	IBEW, Local 223 (Cape Cod AFB, MA) $0.98 per Hour of Service
RSSCcc87	H	IBEW, Local 340 (Beal AFB, CA) $0.90 per Hour of Service
RSSCcc87	NE	Dept. 8708 NASA Logistics (Annapolis Junction, MD) $0.10 per Hour of Service
RSSCcc87	EX	Dept. 8779 Onizuka AFB, CA $0.33 per Hour of Service
RSSCcc87	EX, NE, H	Dept. 8793 PMEL PMO $0.10 per Hour of Service
RSSCcc87	NE, H	Dept. 8729 ROTHR $0.10 per Hour of Service
RSSCcc87	EX, NE, H	Dept. 8796 SSPARS PMO $0.40 per Hour of Service
RSSCcc87	EX, NE	Dept. 8738 CISF $0.40 per Hour of Service
RSSCcc87	EX, NE	Dept. 8712 SSPARS 2 (Beal AFB, CA) $0.90 per Hour of Service
RSSCcc87	EX, NE	Dept. 8711 SSPARS 1 $0.98 per Hour of Service

RSSCcc87	EX, NE	Dept. 8704 SSPARS 4 (El Dorado AFB, TX) $0.70 per Hour of Service
RSSCcc87	EX, NE, H	Dept. 8789 NASA $0.10 per Hour of Service
RSSCcc87	EX, NE, H	Dept. 8798 MSFC $0.10 per Hour of Service
RSSCcc87	EX, NE, H	Dept. 8725 McCellan AFB $0.10 per Hour of Service
RSSCcc87	EX, NE, H	Dept. 8780 FAA Depot $0.10 per Hour of Service
RSSCcc87	EX, NE	Dept. 8703 SSPARS 3 $0.65 per Hour of Service
RSSCcc87	EX	Dept. 8781 STARS/DASR $0.60 per Hour of Service
RSSCcc87	NE, H	Dept. 8781 STARS/DASR $0.40 per Hour of Service
RSSCcc87	EX	Dept. 8721 IATC $0.60 per Hour of Service
RSSCcc87	NE, H	Dept. 8721 IATC $0.40 per Hour of Service
RSSCcc87	EX, NE, H	Dept. 8770 Trojan $0.10 per Hour of Service
RSSCcc87	EX	Dept. Multiple TSSC (Wash., DC) $0.60 per Hour of Service
RSSCcc87	EX	Dept. 8728 SEI $0.60 per Hour of Service
RSSCcc87	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

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)	1998	1997	1996	1995	1994
Results of Operations					
Net sales	$ 19,419(1)	$ 13,593	$ 12,257	$ 11,836	$ 10,070
Operating income	2,006(2)	1,060(4)	1,192(6)	1,122(7)	888(9)
Interest expense	739	397	256	197	49
Net income	844(3)	511(5)	757(6)	795(8)	592(9)
Diluted earnings per share	$2.47(3)	$2.11(5)	$3.15(6)	$3.24(8)	$2.23(9)
Dividends declared per share	0.80	0.80	0.80	0.75	0.738
Average diluted shares outstanding (in thousands)	341,861	241,886	240,165	245,397	265,650
Financial Position at Year-End					
Current assets	$ 8,965	$ 9,155	$ 5,688	$ 5,279	$ 5,013
Property, plant, and equipment, net	2,275	2,891	1,802	1,584	1,361
Total assets	28,232	28,520	11,358	9,999	7,568
Current liabilities	7,032	11,176	4,875	3,801	3,425
Long-term debt	8,163	4,406	1,500	1,488	25
Total debt	8,990	10,062	3,727	2,704	1,058
Stockholders' equity	10,797	10,386	4,575	4,273	3,906
General Statistics					
Total backlog	$ 24,045(10)	$ 21,515	$ 12,251	$ 10,662	$ 8,213
U.S. government backlog included above	14,622(10)	12,547	5,637	5,142	3,641
Capital expenditures	509	459	406	329	267
Depreciation and amortization	761	457	369	371	304
Number of employees (actual)	108,200	119,200	75,300	73,200	60,200

(1) Includes a charge of $310 million.

(2) Includes a charge of $310 million and restructuring and special charges of $252 million.

(3) 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.

(4) Includes restructuring and special charges of $495 million.

(5) 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.

(6) Includes a special charge of $34 million pretax, $22 million after-tax, or $0.09 per diluted share.

(7) Includes a charge of $77 million and a special charge of $125 million.

(8) 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.

(9) Includes a restructuring charge of $250 million pretax, $162 million after-tax, or $0.61 per diluted share.

(10) 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: 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.

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 Electronics segments were established in conjunction with the consolidation and reorganization of the Company's Electronics businesses and the creation of Raytheon Systems Company in December 1997 in order to create a premier electronics company. 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 and 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. Raytheon Systems Company is comprised of the Defense Systems segment, the Sensors and Electronic Systems segment, the Intelligence, Information, and Aircraft Integration Systems segment, and the defense electronics portion of the segment that includes Command, Control, and Communication Systems, Training and Services, Commercial Electronics, and Other. 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

On December 6, 1999, the SEC 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 has 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 has 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 held 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 Form 10-K/A reflect all such restatements.

Net sales in 1998 were $19.4 billion compared with $13.6 billion in 1997 and $12.3 billion in 1996. Sales to the U.S. Department of Defense were 56 percent of sales in 1998, 34 percent in 1997, and 33 percent in 1996. Total sales to the U.S. government were 66 percent of sales in 1998, 46 percent in 1997, and 42 percent in 1996. The increases are primarily a result of the merger with Hughes Defense and the acquisition of TI Defense. Total international sales, including foreign military sales, were 26 percent of sales in 1998, 29 percent in 1997, and 28 percent in 1996. The decrease is due to lower international sales at Hughes Defense and TI Defense; however, the Company is working to increase its international presence and expects continued growth in this area.

Gross margin in 1998 was $4.3 billion compared with $2.7 billion in 1997 and $2.5 billion in 1996 or 21.9 percent of sales in 1998, 19.6 percent in 1997, and 20.7 percent in 1996. Excluding the restructuring and special charges described below of $85 million in 1998, $401 million in 1997, and $34 million in 1996, gross margin was $4.3 billion in 1998, $3.1 billion in 1997, and $2.6 billion in 1996 or 22.3 percent of sales in 1998, 22.5 percent in 1997, and 21.0 percent in 1996. The increases in 1997 from 1996 are principally a result of the acquisition of TI Defense.

Administrative and selling expenses increased to $1,664 million in 1998 from $1,189 million in 1997 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. Administrative and selling expenses were $1,021 million in 1996. Administrative and selling expenses were 8.6 percent of sales in 1998, 8.7 percent in 1997, and 8.3 percent in 1996. Excluding the special charges described below of $167 million in 1998 and $94 million in 1997, administrative and selling expenses decreased to 7.7 percent of sales in 1998 from 8.1 percent in 1997 and 8.3 percent in 1996 reflecting increased efficiencies resulting from the merger with Hughes Defense and the acquisition of TI Defense.

Research and development expenses increased to $582 million in 1998 from $415 million in 1997 and $323 million in 1996, due principally to the merger with Hughes Defense and the acquisition of TI Defense. Research and development expenses were 3.0 percent of sales in 1998, 3.1 percent in 1997, and 2.6 percent in 1996.

In January 1998, the Company announced plans to reduce the newly formed Raytheon Systems Company (RSC) workforce by 8,700 employees, close 20 facilities, and partially close an additional 6 facilities, reducing space by approximately 8 million square feet. This announcement was made in conjunction with the consolidation and reorganization of RSC in order to remain competitive in the defense industry. In October 1998, the Company announced previously planned actions to accelerate and expand these initiatives, reducing employment by approximately 14,000 positions by the end of 1999. RSC will also vacate an additional 3 million square feet at 8 facilities through sales, subleases and lease terminations. During 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. Also during the fourth quarter of 1998, the Company determined that facilities exit cost 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. Additionally, costs to return facilities to the required condition were less than originally planned. In addition, during 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 is estimated at $67 million, comprised of $14 million of severance and other employee related costs and $53 million of facility closure and related costs. 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.

The total program cost of the RSC actions is estimated at $1.1 billion, of which $804 million pertains to exit costs. Approximately $385 million of the exit costs relate to employee severance and $419 million relate to facilities exit. In connection with these actions, the Company recorded a $220 million restructuring charge in the fourth quarter of 1997, which is included in cost of sales. 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. Through December 31, 1998, RSC employment has been reduced by approximately 9,000 people (which includes a 2,400 net reduction due to attrition) to approximately 79,000 employees, and 3.3 million square feet have been vacated. The Company expects to essentially complete these restructuring actions in 1999 and terminate an additional 8,800 employees which will be partially offset by new hire additions. Cash expenditures pertaining to exit costs under the restructuring initiatives outlined above were $104 million for employee severance and related items and $130 million for facility and office closures. Lower than expected costs of severance per employee have reduced the Company's estimates of employee related costs; however, these cost savings have been more than offset by higher than expected facilities exit costs and the cost of the additional fourth quarter actions. 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. Note S to the financial statements contains additional information pertaining to these restructuring actions.

In January 1998, the Company also announced plans to reduce the Raytheon Engineers & Constructors (RE&C) workforce by 1,000 employees and close or partially close 16 offices, or approximately 1.1 million square feet. In connection with these actions and other committed but unannounced actions, the Company recorded a $75 million restructuring charge in the fourth quarter of 1997, which is included in cost of sales. The restructuring charge included $31 million for employee severance for approximately 2,300 people, including the 1,000 positions announced in January 1998, and $44 million for facilities exit. During the fourth quarter of 1998, the Company modified the plan for RE&C that was committed to in January 1998 to close fewer facilities. As a result of this modification, the number of employee terminations was reduced from approximately 2,300 to approximately 1,400 and the total cost of employee severance decreased by $11 million. Because higher than expected facility 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 also 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 total costs of these actions are currently estimated at $108 million, of which $53 million relate to employee severance and $55 million relate to facilities exit. 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 are scheduled to be closed in 1999. The charge, which is included in cost of sales, consists 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.

Through December 31, 1998, RE&C employment had been reduced by approximately 1,200 people and 900,000 square feet had been vacated. Cash expenditures in 1998 under the restructuring initiatives outlined above were $19 million for employee severance and related items and $23 million for facility and office closures. 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 1998, the Company recorded special charges of $167 million, discussed below, which are included in administrative and selling expenses.

In the second quarter of 1998, the Company's partner in a Commercial Electronics joint 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 joint venture, reducing the book value of the investment to estimated fair value. During the third quarter of 1998, the financial condition of the joint 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 joint venture.

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. The other sale is expected to close in 1999. The operating results, which are not material, continue to be included in the Company's results of operations.

In 1997, the Company recorded special charges of $200 million, discussed below, of which $106 million is included in cost of sales and $94 million is included in administrative and selling expenses.

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.

In 1996, the Company recorded a $34 million special charge, which is included in cost of sales, to close a Major Appliances operation.

The Company recorded the following restructuring and special charges, which were included in the statements of income and classified as either cost of sales (cos) or administrative and selling expenses (A&S) as indicated below (in millions):

	1998			1997			1996	
	COS	A&S	Total	COS	A&S	Total	COS	Total
Restructuring charges								
Electronics				$220		$220		
RE&C	$33		$ 33	75		75		
Special charges								
RE&C								
Asset impairment	52		52					
Contract valuations				50		50		
Electronics								
Asset impairment		$ 42	42	9		9		
Exit a line of business		83	83					
Writedown assets to be sold		42	42		48	48		
One time merger costs				17	46	63		
Aircraft								
Asset impairment				30		30		
Major Appliances								
Operation closure							$34	$34
Total impact, pretax	$85	$167	$252	$401	$94	$495	$34	$34

Operating income was $2,006 million or 10.3 percent of sales in 1998, $1,060 million or 7.8 percent of sales in 1997, and $1,192 million or 9.7 percent of sales in 1996. Excluding the restructuring and special charges of $252 million in 1998, $495 million in 1997, and $34 million in 1996, operating income as a percent of sales was 11.6 percent, 11.4 percent, and 10.0 percent in 1998, 1997, and 1996, respectively. The changes in operating income by segment are discussed below.

Interest expense in 1998 increased to $739 million from $397 million in 1997 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 6.9 percent in 1998 versus 6.8 percent in 1997. Interest expense increased to $397 million in 1997 from $256 million in 1996. The increase was due principally to the debt-financed acquisition of TI Defense in July 1997 and higher short-term interest rates available to the Company.

Interest and dividend income decreased to $28 million in 1998 from $38 million in 1997 and $102 million in 1996. The 1996 amount included accrued interest on a retroactive federal income tax refund claim.

Other income, net of $142 million in 1998 includes a $141 million net gain on sales of operating units. Other income, net was $65 million in 1997 versus $39 million in 1996. The 1997 amount includes a $72 million net gain on sales of operating units.

The effective tax rate was 41.3 percent in 1998, 33.3 percent in 1997, and 29.7 percent in 1996. The effective tax rate reflects primarily the United States 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 1998 was primarily due to the increase in non-deductible amortization of goodwill resulting from the merger with Hughes Defense. The increase in the effective tax rate in 1997 from 1996 was due to accrued retroactive research and development tax credits applicable to certain government contracts recorded in 1996.

The impact of the 1998 charges, and net gain on sales of operating units combined was a net charge of $421 million pretax and $271 million after-tax. The impact of the 1997 charges and net gain on sales of operating units combined was a net charge of $423 million pretax and $275 million after-tax. The impact of the 1996 charge was $34 million pretax and $22 million after-tax.

Net income for 1998 was $844 million, or $2.47 per diluted share on 341.9 million average shares outstanding. Net income for 1997 was $511 million, or $2.11 per diluted share on 241.9 million average shares outstanding. Net income for 1996 was $757 million, or $3.15 per diluted share on 240.2 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.

Total employment was approximately 108,200 at December 31, 1998, approximately 119,200 at December 31, 1997, and approximately 75,300 at December 31, 1996. The decrease between 1998 and 1997 is primarily a result of the restructuring initiatives at RSC and RE&C outlined above. The increase between 1997 and 1996 was due principally to the merger with Hughes Defense and the

acquisition of TI Defense.

Segment Results

Sales (In millions)	1998	1997	1996
Defense Systems	$ 4,958		
Sensors and Electronic Systems	3,011		
Intelligence, Information, and Aircraft Integration Systems	2,667		
Command, Control, and Communication Systems, Training and Services, Commercial Electronics, and Other	4,186		
Total Electronics	14,822	$ 8,972	$ 6,186
Engineering and Construction	2,065	2,255	2,291
Aircraft	2,532	2,366	2,271
Major Appliances	--	--	1,509
Total	$19,419	$13,593	$12,257

Operating Income (In millions)	1998	1997	1996
Defense Systems	$ 885		
Sensors and Electronic Systems	540		
Intelligence, Information, and Aircraft Integration Systems	305		
Command, Control, and Communication Systems, Training and Services, Commercial Electronics, and Other	302		
Total Electronics	2,032	$ 856	$ 793
Engineering and Construction	(253)	19	184
Aircraft	227	185	175
Major Appliances	--	--	40
Total	$ 2,006	$ 1,060	$ 1,192

Certain prior year segment amounts were reclassified to conform to the current year presentation. The Major Appliances segment was substantially divested in 1997 with the remaining operations sold in 1998. As a result of these dispositions, the Company has included the remaining operations of the Major Appliances segment within Total Electronics in 1998 and 1997. Information for the segments that comprise Total Electronics has not been presented for 1997 and 1996 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 1998 and 1997. 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. Note O to the financial statements contains additional information about this change. This organizational change will be reflected in the Company's 1999 financial statements.

The Electronics businesses reported 1998 sales of $14.8 billion, an increase of 65 percent compared with 1997, and 1998 operating income of $2,032 million, a 137 percent increase compared with 1997. The significant increase 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. The Electronics businesses reported 1997 sales of $9.0 billion, an increase of 45 percent compared with 1996, and 1997 operating income of $856 million, an 8 percent increase compared with 1996. The increase was attributable primarily to the acquisition of TI Defense offset by the restructuring and special charges discussed above. The Electronics businesses reported 1996 sales of $6.2 billion and operating income of $793 million.

RE&C reported 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. During 1998, RE&C recorded a non-recurring charge of $310 million for a change in estimate on certain contracts and contract claims. The $310 million charge consisted of a $153 million change in estimate on certain contracts and a $157 million charge related to certain contract claims. 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 was due primarily to the $310 million charge. In addition, new orders have not progressed as anticipated. This lower growth combined with operational performance on certain contracts resulted in continued margin pressure. In response to these circumstances, RE&C announced corrective actions which included strengthening the management team, improving cash flow management by revising contractual terms where possible and shortening the billing cycle. In addition, reductions in the overhead structure are expected to occur as a result of eliminating layers of management, being more selective in the bidding process, and the closing or partial closing of 16 offices. RE&C reported 1996 sales of $2.3 billion and operating income of $184 million.

Raytheon Aircraft reported 1998 sales of $2.5 billion, up slightly compared with 1997, and 1998 operating income of $227 million, an improvement of 23 percent compared with 1997. The increase in sales is primarily due to increased shipments of general aviation aircraft. The increase in operating income is primarily due to the 1997 special charge of $30 million discussed above.

Raytheon Aircraft reported 1997 sales of $2.4 billion, up slightly compared with 1996, and 1997 operating income of $185 million, an increase of 6 percent compared with 1996. The increases reflect increased shipments of general aviation aircraft and contracts for services. The increase in operating income was offset by the 1997 special charge discussed above. Raytheon Aircraft reported 1996 sales of $2.3 billion and operating income of $175 million.

Backlog consisted of the following at:

(In millions) December 31:	1998 (Restated)	1997 (Restated)	1996 (Restated)
Electronics	$17,648	$16,641	$ 7,559
Engineering and Construction	3,888	2,900	3,309
Aircraft	2,509	1,974	1,348
Major Appliances	--	--	35
Total backlog	$24,045	$21,515	$12,251
U.S. government backlog included above	$14,622	$12,547	$ 5,637

During 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, 1997.

Financial Condition and Liquidity

Net cash provided by operating activities for the year ended December 31, 1998 was $994 million versus $1,044 million for the year ended December 31, 1997. The decrease is due principally to increased working capital requirements and restructuring activities at the Electronics businesses. In 1998, the Company incurred cash expenditures of $276 million on restructuring and exit costs and $56 million of capital expenditures and period expenses related to restructuring and consolidation activities for RSC and RE&C combined. The Company expects to spend approximately $534 million on exit costs and approximately $225 million on capital expenditures and period costs related to restructuring actions in 1999. For the year ended December 31, 1996, net cash provided by operating activities was $522 million. 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 generate significant cash from operations.

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. 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 provided by investing activities was $617 million in 1998 versus net cash used in investing activities of $2,937 million and $1,169 million in 1997 and 1996, respectively. Origination of financing receivables was $1,339 million in 1998, $1,317 million in 1997, and $1,336 million in 1996. Sale of financing receivables was $1,105 million in 1992, $1,182 million in 1998, and $1,031 in 1996.

Capital expenditures of $509 million in 1998 increased slightly from $459 million in 1997, primarily due to the merger with Hughes Defense and the acquisition of TI Defense. Capital expenditures in 1999 are expected to approximate 1998 levels. Capital expenditures were $406 million in 1996.

Proceeds from sales of property, plant, and equipment include 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 $109 million in 1999, $94 million in 2000, $77 million in 2001, $63 million in 2002, and $212 million in 2003. The lease facility contains covenants that are substantially similar to those in the Company's senior credit facilities. Also during 1998, the Company received proceeds of $210 million from various property sales.

During 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. During 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 gain contingency.

Pursuant to the terms of the Separation Agreement, Hughes Electronics delivered to the Company a balance sheet for Hughes Defense (the "Closing Balance Sheet"), as of December 17, 1997, the effective time of the merger of the Company and 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 costs accruals and additional goodwill during 1998. 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 Hughes Defense 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, $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. 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 Company's November 10, 1997 Solicitation Statement/Prospectus and the unaudited pro forma financial information included above 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.

During 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 during 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.

During 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 $271 million in 1998, $189 million in 1997, and $190 million in 1996. The quarterly dividend rate was $0.20 per share for each of the four quarters of 1998, 1997, and 1996. 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 4.6 million shares for $247 million in 1998 and 1.7 million shares for $94 million in 1997.

Total debt was $9.0 billion at December 31, 1998 as compared with $10.1 billion at December 31, 1997 and $3.7 billion at December 31, 1996. The increase is principally due to the financing requirements of the merger with Hughes Defense and the acquisition of TI Defense, partially offset by the sale of certain appliance and other non-core operations. 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 45.4 percent,

49.2 percent, and 44.9 percent at December 31, 1998, 1997, and 1996, respectively.

The Company issued $3.8 billion of long-term notes and debentures during 1998 and $3.0 billion during 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. Note J to the financial statements contains additional disclosures related to long-term debt.

Credit ratings for the Company were established by Moody's at P-2 for short-term borrowing and Baa1 for senior debt, Standard and Poor's at A-2 for short-term borrowing and BBB for senior debt, and Duff & Phelps at D-2 for short-term borrowing and BBB+ for senior debt.

Lines of credit with certain commercial banks totaling $4.4 billion at December 31, 1998 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, 1998, there were no borrowings under these lines of credit. At December 31, 1997, the Company had lines of credit totaling $9.0 billion as a source of direct borrowing and as a standby facility to support the issuance of commercial paper of which $3.5 billion was outstanding. Given the present state of the financial markets and economic conditions, the Company does not currently anticipate making future borrowings under the remaining lines of credit.

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 cash position will be sufficient to maintain investment grade credit ratings and its sources of and access to capital markets are adequate to support 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 with commercial banks primarily to reduce the impact of changes in interest rates on short-term financing arrangements. The Company also enters into foreign exchange 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 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, 1998 which are subject to interest rate risk resulting from a hypothetical increase in interest rates of 10 percent is $1 million, after-tax. 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, 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 exchange contracts include contracts to buy and/or sell British Pounds, Netherlands Guilders, German Marks, Canadian Dollars, Swiss Francs, and Norwegian Kroner. All foreign exchange contracts were related to specific transactions for which a firm commitment existed, and therefore the associated market risk of the market risk sensitive instruments and the underlying firm commitments in the aggregate is not material.

On January 1, 1999, eleven participating countries of the European Union converted to a common currency, the Euro, which became their official currency. National currencies will initially remain legal tender. The Company recently conducted an internal analysis to determine the impact of the Euro conversion which is not expected to have a material impact on the Company's business.

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 includes 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 program has developed standard processes and an internal service center in support of Year 2000 readiness. The Company is following 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).

The Company has identified eight system types that could have risk as follows: application, infrastructure, test equipment, engineering computing, manufacturing, delivered product, facilities, and supply chain. The completion of several large acquisitions in recent years through which the Company inherited a large number of systems, products, and facilities adds to the complexity of this task. As the Company continues to acquire new businesses, these businesses must then be brought into the program.

The detection phase of the program is currently estimated to be 95 percent complete. On the basis of expected total cost, the detection phase is 73 percent complete. The remaining work in this phase is expected to be completed in early 1999. The work in the detection phase has covered all eight system types, including delivered product and supply chain.

The Company has made substantial progress in the corrective action phase of the program, with 82 percent of the tasks required in this phase completed, up from 19 percent at the end of the third quarter of 1998. On the basis of expected total cost, the corrective action phase is 45 percent complete. The Company expects to complete corrective activities by the third quarter of 1999. The Company has instituted and is executing a formal audit program to assess the state of readiness. Also, the Company is assessing the risk of supplier readiness, and in selected cases will review the preparedness of individual suppliers for Year 2000. Finally, the Company plans to audit Year 2000 compliance of selected vendors.

When the corrective action phase of the program is completed the Company expects to have developed contingency plans, augmenting existing disaster recovery plans and sourcing strategies, for identified risks.

Since January 1998, the Company has spent approximately $67 million on the Year 2000 program, $16 million on the detection phase, and $51 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 $136 million. Of the total $136 million estimated costs, $22 million relates to the detection phase and $114 million is for correction. 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.

While the Company expects to resolve all Year 2000 risks without a material adverse effect on its results of operations, liquidity, or financial condition, there can be no assurances as to the ultimate success of the program. Uncertainties exist as to the Company's ability to detect all Year 2000 problems as well as its ability to achieve successful and timely resolution of all Year 2000 issues. Uncertainties also exist concerning the preparedness of the Company's critical suppliers to avoid Year 2000 related service and delivery interruptions. A "reasonably likely worst case" scenario of Year 2000 risks for the Company could include isolated performance problems with manufacturing or administrative systems, isolated interruption of deliveries from critical suppliers, and product liability issues. The consequences of these issues may include increases in manufacturing and administrative costs until the problems are resolved, lost revenues, lower cash receipts, and product liability; however, the Company is unable to quantify the potential effect of these items on its results of operations, liquidity, or financial condition should some or a combination of these events come to pass.

Accounting Standards

Effective January 1, 1999, the Company adopted the American Institute of Certified Public Accountants (AICPA) 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 award costs be expensed as incurred. The Company will report a first quarter 1999 charge of $53 million, 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.

In March 1998, the AICPA issued Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use (SOP 98-1). This accounting standard, which is effective for fiscal years beginning after December 15, 1998, requires that certain costs incurred in connection with internal-use computer software projects be capitalized. The adoption of SOP 98-1 is not expected to have a material effect on the Company's financial position or results of operations.

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, 1999, 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.

Forward-Looking Statements

Statements which are not historical facts contained in this 1998 Annual Report are forward-looking statements under the provisions of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. These risks include, in addition to the specific uncertainties referenced in this report, the effect of worldwide political and market conditions, the impact of competitive products and pricing, the timing of awards and contracts, particularly international contracts, and risks inherent with large long-term fixed price contracts. Further information regarding the factors that could cause actual results to differ materially from projected results can be found in "Item 1-Business" in Raytheon's Annual Report on Form 10-K/A for the year ended December 31, 1998.

Raytheon Company Consolidated Balance Sheets

(In millions except share amounts)	December 31, 1998 (Restated)	December 31, 1997 (Restated)
Assets		
Current assets		
Cash and cash equivalents	$ 421	$ 296
Accounts receivable, less allowance for doubtful accounts of $21 in 1998 and $22 in 1997	618	1,056
Deferred federal and foreign income taxes (note K)	840	1,265
Contracts in process (note F)	4,859	4,361
Inventories (note G)	1,991	2,038
Prepaid expenses and other current assets	236	139
Total current assets	8,965	9,155
Property, plant, and equipment, net (note H)	2,275	2,891
Goodwill, net of accumulated amortization of $669 in 1998 and $308 in 1997	14,396	13,836
Other assets, net (notes I and N)	2,596	2,638
Total assets	$28,232	$28,520

Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current portion of long-term debt (note J)	$ 827	$ 5,656
Advance payments, less contracts in process of $1,159 in 1998 and $420 in 1997	1,251	797
Accounts payable	2,071	1,844
Accrued salaries and wages	703	680
Other accrued expenses (note E)	2,180	2,199
Total current liabilities	7,032	11,176
Accrued retiree benefits and other long-term liabilities (notes E and N)	1,679	1,766
Deferred federal and foreign income taxes (note K)	561	786
Long-term debt (note J)	8,163	4,406
Commitments and contingencies (note L)		
Stockholders' equity (note R)		
Preferred stock, $0.01 par value, 200,000,000 shares authorized, none outstanding in 1998 and 1997		
Class A common stock, par value $0.01 per share, 450,000,000 shares authorized, 101,503,000 and 102,630,000 shares outstanding in 1998 and 1997, respectively after deducting 839,000 treasury shares in 1998	1	1
Class B common stock, par value $0.01 per share, 1,000,000,000 shares authorized, 235,295,000 and 235,935,000 shares outstanding in 1998 and 1997, respectively after deducting 3,889,000 treasury shares in 1998	2	2
Additional paid-in capital	6,272	6,151
Accumulated other comprehensive income	(50)	(23)
Treasury stock	(257)	--
Retained earnings	4,829	4,255
Total stockholders' equity	10,797	10,386
Total liabilities and stockholders' equity	$28,232	$28,520

Raytheon Company Consolidated Statements of Income

(In millions except per share amounts)

Years Ended December 31:	1998 (Restated)	1997 (Restated)	1996 (Restated)
Net sales	$19,419	$13,593	$12,257
Cost of sales	15,167	10,929	9,721
Administrative and selling expenses	1,664	1,189	1,021
Research and development expenses	582	415	323
Total operating expenses	17,413	12,533	11,065
Operating income	2,006	1,060	1,192
Interest expense, net	711	359	154
Other income, net	(142)	(65)	(39)
Non-operating expense, net	569	294	115
Income before taxes	1,437	766	1,077
Federal and foreign income taxes	593	255	320
Net income	$ 844	$ 511	$ 757
Earnings per common share			
Basic	$ 2.50	$ 2.14	$ 3.20
Diluted	$ 2.47	$ 2.11	$ 3.15

Raytheon Company Consolidated Statements of Stockholders' Equity

(In millions except per share amounts) Years Ended December 31, 1998, 1997 and 1996:	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings (Restated)	Comprehensive Income (Restated)	Total Stockholders' Equity (Restated)
Balance at December 31, 1995	$241		$259	$ 5		$3,768		$ 4,273
Net income						757	$757	757
Other comprehensive income								
Foreign exchange translation adjustments							(3)	(3)
SFAS No. 115 valuation adjustment							(15)	(15)
SFAS No. 87 pension adjustment							1	1
Other comprehensive income				(17)			(17)	
Comprehensive income-1996							$740	
Dividends declared-$0.80 per share						(190)		(190)
Common stock plan activity		1	64					65
Treasury stock activity		(6)	(15)			(292)		(313)
Balance at December 31, 1996		236	308	(12)		4,043		4,575
Net income						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							$500	
Dividends declared-$0.80 per share						(209)		(209)
Common stock plan activity		2	172					174
Treasury stock activity		(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	1	2	6,151	(23)		4,255		10,386
Net income						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							$817	
Dividends declared-$0.80 per share						(270)		(270)
Common stock plan activity			121					121
Treasury stock activity (note R)					$(257)			(257)
Balance at December 31, 1998	$1	$2	$6,272	$(50)	$(257)	$4,829		$10,797

Raytheon Company Consolidated Statements of Cash Flows

(In millions) Years Ended December 31:	1998 (Restated)	1997 (Restated)	1996 (Restated)
Cash flows from operating activities			
Net income	$ 844	$ 511	$ 757
Adjustments to reconcile net income to net cash provided by operating activities, net of the effect of acquisitions and divestitures			
Depreciation and amortization	761	457	369
Net gain on sales of operating units	(141)	(72)	--
Decrease in accounts receivable	209	233	215
Increase in contracts in process	(746)	(585)	(581)
Increase in inventories	(247)	--	(104)
Decrease in current deferred federal and foreign income taxes	816	122	45
(Increase) decrease in prepaid expenses and other current assets	(106)	(60)	--
Increase in advance payments	459	32	30
Increase in accounts payable	264	128	49
Increase in accrued salaries and wages	28	363	21
Decrease in other accrued expenses	(776)	(283)	(398)
Other adjustments, net	(371)	198	119
Net cash provided by operating activities	994	1,044	522
Cash flows from investing activities			
Sale of financing receivables	1,105	1,182	1,031
Origination of financing receivables	(1,339)	(1,317)	(1,336)
Collection of financing receivables not sold	60	54	74
Expenditures for property, plant, and equipment	(509)	(459)	(406)
Proceeds from sales of property, plant, and equipment	700	69	16
Increase in other assets	(52)	(84)	(31)
Payment for purchase of acquired companies, net of cash received (note D)	(96)	(3,087)	(584)
Proceeds from sales of operating units and investments	748	705	67
Net cash provided by (used in) investing activities	617	(2,937)	(1,169)
Cash flows from financing activities			
Dividends	(271)	(189)	(190)
(Decrease) increase in short-term debt	(4,828)	(597)	1,007
Increase in long-term debt	3,757	2,889	4
Purchase of treasury shares	(247)	(94)	(306)
Proceeds under common stock plans	103	44	57
All other, net	--	--	3
Net cash (used in) provided by financing activities	(1,486)	2,053	575
Effect of foreign exchange rates on cash	--	(1)	--
Net increase (decrease) in cash and cash equivalents	125	159	(72)
Cash and cash equivalents at beginning of year	296	137	209
Cash and cash equivalents at end of year	$ 421	$ 296	$ 137

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 TI Defense 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.

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. Under the Company's cash management program, checks and amounts in transit prior to December 31, 1998 were not considered reductions of cash or accounts payable until presented to the appropriate banks for payment. At December 31, 1997, checks and amounts in transit were $290 million. Cash equivalents are valued in accordance with the provisions of Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115).

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, and certain available for sale investments are accounted for in accordance with the provisions of SFAS No. 115.

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.

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, 1998 and 1997 was $(37) million and $(28) million, respectively. Foreign exchange transaction gains and losses in 1998, 1997, and 1996 were not material.

Accounting Pronouncements

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 Consolidated Statements of Stockholders' Equity. The SFAS No. 115 valuation adjustment is shown net of tax benefits (provisions) of $3 million, $(14) million, and $8 million in 1998, 1997, and 1996, respectively.

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 award costs be expensed as incurred. The Company will report a first quarter 1999 charge of $53 million, 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.

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 on the balance sheet. The Company annually funds those pension costs which are calculated in accordance with Internal Revenue Service regulations and standards issued by the Cost Accounting Standards Board.

Interest Rate Swap Agreements and Foreign Exchange 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 with commercial banks primarily to reduce the impact of changes in interest rates on short-term financing arrangements. Settlement accounting is used for interest rate swaps. The Company also enters into foreign exchange 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 exchange 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 and foreign exchange 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 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.

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 also 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 non-qualified 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 M, Employee Stock Plans.

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 management to believe 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.

B. Restatement of Financial Statements

On December 6, 1999, the SEC 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 has 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 has 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 Form 10-K/A reflect all such restatements. A summary of the impact of the restatements for the years ended December 31, 1998, 1997, and 1996 follows (in millions except per share amounts):

Results of Operations

	Year Ended December 31, 1998		Year Ended December 31, 1997		Year Ended December 31, 1996	
	Previously Reported	As Restated	Previously Reported	As Restated	Previously Reported	As Restated
Net sales	$19,530	$19,419	$13,673	$13,593	$12,331	$12,257
Cost of sales	15,248	15,167	10,985	10,929	9,789	9,721
Operating income	2,036	2,006	1,084	1,060	1,198	1,192
Net income	864	844	527	511	761	757
Diluted earnings per share	$ 2.53	$ 2.47	$ 2.18	$ 2.11	$ 3.17	$ 3.15

Financial Position

	December 31, 1998		December 31, 1997	
	Previously Reported	As Restated	Previously Reported	As Restated
Inventories	$ 1,711	$ 1,991	$ 1,837	$ 2,038
Deferred taxes	809	840	1,244	1,265
Current assets	8,637	8,965	9,233	9,155
Total assets	27,939	28,232	28,598	28,520
Advance payments	865	1,251	525	797
Accounts payable	2,091	2,071	1,845	1,844
Other accrued expenses	2,194	2,180	2,509	2,499
Current liabilities	6,680	7,032	11,215	11,176
Stockholders' equity	10,856	10,797	10,425	10,386

C. Certain Reclassifications

Certain reclassifications have been made to contracts in process, accounts payable, and goodwill to correct immaterial errors discovered in 1999. These items did not impact reported earnings but rather were balance sheet only reclassifications. The Company has also adjusted the contracts in process footnote to correct for the misclassification of the type of certain contracts between fixed price and cost (see note F).

Note D: 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 and January 1, 1996:

(In millions except per share amounts)	1997 (Restated)	1996 (Restated)
Net sales	$ 21,279	$ 20,440
Net income	548	913
Basic earnings per share	1.62	2.69
Diluted earnings per share	1.60	2.65

The pro forma results are not necessarily indicative of what the results of operations would have been if the transactions had occurred on the applicable dates 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 gain contingency.

Pursuant to the terms of the Separation Agreement, Hughes Electronics delivered to the Company a balance sheet for Hughes Defense (the "Closing Balance Sheet"), as of December 17, 1997, the effective time of the merger of the Company and 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 costs accruals and additional goodwill during 1998. 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 Hughes Defense 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, $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. As a result, the Company believes that the September 28, 1997 Hughes Defense balance sheet may contain items that are material departures from General Accepted Accounting Principles, therefore, investors are cautioned that the pro forma combined condensed financial statements contained in the Company's November 10, 1997 Solicitation Statement/Prospectus and the unaudited pro forma financial information included above 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.

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 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.

The Company has included in its consolidated results of operations the following acquisitions made in June 1996, under the purchase method of accounting: the aircraft modification and defense electronics businesses of Chrysler Technologies, the engineering and construction assets of Rust International, and the marine communication assets of Standard Radio AB of Sweden. The cost of the acquisitions, net of cash acquired, was $584 million. No pro forma results have been presented since they would not be material to the Company's consolidated results.

In April 1996, the Company sold Xyplex, its data-networking subsidiary, for $118 million in cash and securities.

Note E: 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 1998, the Company recorded restructuring and special charges totaling $252 million of which $85 million is included in cost of sales and $167 million is included in administrative and selling expenses. The charges included $33 million for costs pertaining to restructuring actions taken by the Engineering and Construction segment, $167 million for asset impairments in the Electronics businesses, and $52 million for asset impairments in the Engineering and Construction segment.

In 1997, the Company recorded restructuring and special charges totaling $495 million of which $401 million is included in cost of sales and $94 million is included in administrative and selling expenses. The charges included $295 million for costs related to restructuring actions at the Electronics businesses ($220 million) and at the Engineering and Construction segment ($75 million). The charges also included $63 million for one-time costs associated with the merger with Hughes Defense and the acquisition of TI Defense. Special charges of $137 million related to asset impairments in the Electronics businesses ($57 million), contract valuations in the Engineering and Construction segment ($50 million), and a permanent impairment in the Aircraft segment ($30 million).

In 1996, the Company recorded a $34 million special charge, which is included in cost of sales.

Exit Costs and Restructuring Charges -- Electronics

In January 1998, the Company announced plans to consolidate and reorganize its Electronics businesses, including the operations of Hughes Defense and TI Defense. In connection with these actions, the Company recorded $804 million of restructuring and exit costs. The Company recorded a $220 million restructuring charge in the fourth quarter of 1997, including $148 million for employee separation costs and $72 million for facilities exit costs. During 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. Also during the fourth quarter of 1998, the Company determined that facilities exit cost would run lower than the original estimate by $30 million because many of the facility actions were progressing ahead of the original schedule. In addition, during 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 is estimated at $67 million, comprised of $14 million of severance and other employee related costs and $53 million of facility closure and related costs. The Company's revised estimate of exit costs include $125 million for employee separation costs and $95 million for facilities exit costs.

The remaining $584 million of exit costs were recorded as liabilities assumed in connection with the merger with Hughes Defense and the acquisition of TI Defense. Costs of $300 million were recorded in 1997, reflecting the Company's initial plan related to the reorganization and consolidation of these operations. In 1998, as a result of finalization of these plans, additional exit costs of $284 million were accrued. The Company's final estimate of exit costs include $260 million for employee separation costs and $324 million for facilities exit costs.

The $804 million of restructuring and exit costs provides for severance and related benefits for approximately 15,400 employees and costs to vacate and dispose of approximately 11 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. The Company expects to essentially complete these actions by the end of 1999. 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. Note S to the financial statements contains additional information pertaining to these restructuring actions.

Electronics Exit Costs

(In millions)	1998	1997
Accrued liability at beginning of year	$ 300	
Charges and liabilities accrued		
Severance and other employee related costs	58	$ 202
Facility closure and related costs	226	98
	284	300
Costs incurred		
Severance and other employee related costs	51	--
Facility closure and related costs	134	--
	185	--
Accrued liability at end of year	$ 399	$ 300
Cash expenditures	$ 178	--
Number of employee terminations due to restructuring actions	3,600	--

Electronics Restructuring

(In millions)	1998	1997
Accrued liability at beginning of year	$ 220	
Charges and liabilities accrued		
Severance and other employee related costs	14	$ 148
Facility closure and related costs	53	72
	67	220
Changes in estimate		
Severance and other employee related costs	(37)	--
Facility closure and related costs	(30)	--
	(67)	--

Costs incurred		
Severance and other employee related costs	53	--
Facility closure and related costs	3	--
	56	--
Accrued liability at end of year	$ 164	$ 220
Cash expenditures	$ 56	--
Number of employee terminations due to restructuring actions	3,000	--

In addition to the $241 million of restructuring and exit costs incurred in 1998, the Company also incurred $56 million of capital expenditures and period expenses in 1998 related to the implementation of the Electronics businesses consolidation and reorganization. Note O contains additional disclosures related to Electronics exit costs and restructuring activity by segment.

Restructuring Charges -- Engineering and Construction

In January 1998, the Company announced plans to reduce the Raytheon Engineers & Constructors (RE&C) workforce by 1,000 employees and to close or partially close 16 offices, or approximately 1.1 million square feet of facilities. In connection with these actions and other committed but unannounced actions, the Company recorded a $75 million restructuring charge in the fourth quarter of 1997. The restructuring charge included $31 million for employee severance for approximately 2,300 people, including the 1,000 positions announced in January 1998, and $44 million for facilities exit. During the fourth quarter of 1998, the Company modified the plan for RE&C that was committed to in January 1998 to close fewer facilities than originally estimated. As a result of this modification, the number of employee terminations was reduced from approximately 2,300 to approximately 1,400 and the total cost of employee severance decreased by $11 million. Because higher than expected facility 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 also announced plans for an additional 260 person reduction in the RE&C workforce and recorded an additional $33 million restructuring charge. 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)	1998	1997
Accrued liability at beginning of year	$ 75	--
Charges and liabilities accrued		
Severance and other employee related costs	22	$ 31
Facility closure and related costs	11	44
	33	75
Costs incurred		
Severance and other employee related costs	19	--
Facility closure and related costs	23	--
	42	--
Accrued liability at end of year	$ 66	$ 75
Cash expenditures	$ 42	--
Number of employee terminations due to restructuring actions	1,300	--

Special Charges

In the second quarter of 1998, the Company's partner in a Commercial Electronics joint 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 joint venture, reducing the book value of the investment to estimated fair value. During the third quarter of 1998, the financial condition of the joint 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 joint venture.

The Company's partner in this joint 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 joint venture. The remaining assets related to the joint venture consist of $20 million of inventory and a $20 million receivable. Any remaining exposure related to the operations of the joint venture is not expected to have a material adverse effect on the Company's financial position or results of operations.

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 are scheduled to be closed in 1999. The charge includes $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. The other sale is expected to close in 1999. The operating results, which are not material, continue to be included in the Company's results of operations.

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.

In 1996, the Company recorded a $34 million special charge to close a Major Appliances operation.

Note F: Contracts in Process

(In millions)
Contracts in process consisted of the following at December 31, 1998:

	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)
Total	1,240	2,014	3,254
Other customers			
Billed	128	670	798
Unbilled	94	1,205	1,299
Less progress payments	--	(492)	(492)
Total	222	1,383	1,605
	$ 1,462	$ 3,397	$ 4,859

(In millions)
Contracts in process consisted of the following at December 31, 1997:

	Cost Type	Fixed Price Type	Total
U.S. government end-use contracts			
Billed	$ 534	$ 400	$ 934
Unbilled	314	3,519	3,833
Less progress payments	--	(1,968)	(1,968)
Total	848	1,951	2,799
Other customers			
Billed	70	321	391
Unbilled	210	1,237	1,447
Less progress payments	--	(276)	(276)
Total	280	1,282	1,562
	$ 1,128	$ 3,233	$ 4,361

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, 1998 is approximately $210 million 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. Management believes that Raytheon has contractual or legal bases 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; accordingly, the timing of the collection will vary and approximately $160 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, 1998, retentions amounted to $279 million and are anticipated to be collected as follows: 1999-$132 million, 2000-$90 million, and the balance thereafter.

Note G: Inventories

(In millions)

Inventories consisted of the following at December 31:	1998 (Restated)	1997 (Restated)
Finished goods	$ 317	$ 314
Work in process	1,193	1,541
Materials and purchased parts	746	509
Excess of current cost over LIFO values	(148)	(154)
	2,108	2,210
Less progress payments	(117)	(172)
	$ 1,991	$ 2,038

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 $880 million and $704 million at December 31, 1998 and 1997, respectively.

Note H: Property, Plant, and Equipment

(In millions)

Property, plant, and equipment consisted of the following at December 31:	1998	1997
Land	$ 70	$ 78
Buildings and leasehold improvements	1,828	1,754
Machinery and equipment	2,376	3,299
Equipment leased to others	201	119
	4,475	5,250
Less accumulated depreciation and amortization	(2,200)	(2,359)
	$2,275	$2,891

Depreciation expense was $380 million, $318 million, and $276 million in 1998, 1997, and 1996, respectively. During 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 $10 million and $8 million at December 31, 1998 and 1997, respectively. Future minimum lease payments from non-cancelable aircraft operating leases, which extend to 2013, amounted to $90 million.

At December 31, 1998, these payments were due as follows:

(In millions)		
	1999	$ 16
	2000	16
	2001	16
	2002	13
	2003	8
	Thereafter	21

Note I: Other Assets

(In millions) Other assets consisted of the following at December 31:	1998	1997
Long-term receivables		
Due from customers in installments to 2012	$ 222	$ 148
Sales-type leases, due in installments to 2015	20	27
Other, principally due through 2007	42	42
Investments	387	372
Prepaid pension and other noncurrent assets	1,925	2,049
	$ 2,596	$ 2,638

The Company provides long-term financing principally to its aircraft customers. Long-term receivables include commuter airline receivables of $113 million and $63 million at December 31, 1998 and 1997, 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, 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 had been established as of December 31, 1998: 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. The balance of receivables sold to banks or financial institutions outstanding at December 31, 1998 and 1997, was $3,002 million and $2,909 million, respectively. No material gain or loss resulted from the sales of receivables.

Note J: Notes Payable and Long-term Debt

(In millions) Debt consisted of the following at December 31:	1998	1997
Notes payable at a weighted average interest rate of 6.71% for 1998 and 6.30% for 1997	$ 34	$ 3,641
Commercial paper at a weighted average interest rate of 5.91% for 1998 and 6.46% for 1997	785	2,010
Current portion of long-term debt	8	5
Notes payable and current portion of long-term debt	827	5,656
Notes due through 2005, 5.70% to 6.50%, not redeemable prior to maturity	3,557	2,206
Notes due from 2007 to 2010, 6.15% to 6.75%, redeemable at any time	2,002	957
Debentures due from 2010 to 2028, 6.00% to 7.375%, redeemable at varying dates	2,212	826
Commercial paper backed by five year fixed for variable interest rate swap at 6.40%	375	375
Other notes with varying interest rates	25	47
Less installments due within one year	(8)	(5)
Long-term debt	8,163	4,406
Total debt	$8,990	$10,062

In 1998, the Company issued $500 million of 5.95% notes due in 2001, $450 million of 6.30% notes due in 2005, $400 million of 5.70% notes due in 2003, $750 million of 6.15% notes due in 2008, $300 million of 6.55% notes due in 2010, $250 million of 6.00% debentures due in 2010, $550 million of 6.40% debentures due in 2018, $350 million of 6.75% debentures due in 2018, and $250 million of 7.00% debentures due in 2028. The proceeds from these issues were used for acquisition refinancing and to reduce short-term borrowings.

In 1997, the Company issued $500 million of 7.20% debentures due in 2027, $1,000 million of 6.75% notes due in 2007, $1,000 million of 6.45% notes due in 2002, and $500 million of 6.30% notes due in 2000. The proceeds from these issues were used for acquisition financing.

Commercial paper in the amount of $375 million has been classified as long-term 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 during 2000.

Excluding commercial paper classified as long-term, the aggregate amounts of installments due on long-term debt for the next five years are:

(In millions)		
	1999	$ 8
	2000	877
	2001	502
	2002	1,002
	2003	403

Lines of credit with certain commercial banks totaling $4.4 billion at December 31, 1998 exist as standby facilities to support the issuance of commercial paper by the Company. At December 31, 1998, there were no borrowings under these lines of credit. At December 31, 1997, the Company had lines of credit totaling $9.0 billion as a source of direct borrowing and as a standby facility to support the issuance of commercial paper of which $3.5 billion was outstanding. Credit lines or commitments with banks were maintained by subsidiary companies amounting to $202 million and $252 million at December 31, 1998 and 1997, 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:

(In millions) December 31:	1998	1997
Principal	$8,317	$4,542
Unamortized issue discounts	(66)	(38)
Unamortized interest rate hedging costs	(88)	(98)
Long-term debt	$8,163	$4,406

The Company has bank agreement covenants. The most restrictive requires that the earnings before interest and taxes be at least three times net interest expense for the prior four quarters. The Company was in compliance with this covenant during 1998, 1997, and 1996.

Total interest payments were $778 million, $295 million, and $257 million for 1998, 1997, and 1996, respectively.

Note K: 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 in 1998, 1997, and 1996 consisted of the following:

(In millions)	1998 (Restated)	1997 (Restated)	1996 (Restated)
Current income tax expense			
Federal	$ 46	$191	$170
Foreign	7	9	34
Deferred income tax expense (benefit)			
Federal	549	53	149
Foreign	(9)	2	(33)
	$593	$255	$320

The provision for income taxes in 1998, 1997, and 1996 differs from the U.S. statutory rate due to the following:

Tax at statutory rate	35.0%	35.0%	35.0%
Research and development tax credit	(0.3)	(2.2)	(4.6)
Foreign sales corporation tax benefit	(1.3)	(2.2)	(2.5)
Goodwill amortization	7.9	3.3	1.7
Other, net	--	(0.6)	0.1
	41.3%	33.3%	29.7%

In 1998, 1997, and 1996, domestic profit before taxes amounted to $1,401 million, $719 million, and $1,055 million, respectively, and foreign profit before taxes amounted to $36 million, $47 million, and $22 million, respectively.

Cash (refunds) payments were $(16) million, $169 million, and $275 million in 1998, 1997, and 1996, respectively.

In 1998 and 1997, net deferred tax assets were increased by $371 million and $393 million, respectively, in connection with acquisitions and subsequent adjustments to acquisitions.

Deferred federal and foreign income taxes consisted of the following at:

(In millions) December 31:	1998 (Restated)	1997 (Restated)
Current deferred tax assets (liabilities)		
Inventory and other	$ 115	$ 465
Long-term contracts	459	582
Restructuring reserves	262	126
Inventory capitalization	(27)	(24)
Other	31	85
Net current deferred tax assets	840	1,234
Current period tax prepaid		31
Deferred federal and foreign income taxes -- current	$ 840	$1,265
Noncurrent deferred tax assets (liabilities)		
Depreciation	$(159)	$ (284)
Revenue on leases	(104)	(75)
Pension	(521)	(588)
Postretirement benefits	249	247
Other	(26)	(86)
Deferred federal and foreign income taxes -- noncurrent	$(561)	$ (786)

At December 31, 1998, $105 million of taxes payable was included in accounts payable.

Note L: Commitments and Contingencies

At December 31, 1998, the Company had commitments under long-term leases requiring approximate annual rentals on a net lease basis as follows:

(In millions)	
1999	$366
2000	331
2001	292
2002	236
2003	355
Thereafter	881

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 $109 million in 1999, $94 million in 2000, $77 million in 2001, $63 million in 2002, and $212 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.

Rental expense for 1998, 1997, and 1996 amounted to $283 million, $136 million, and $113 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 $30 million at December 31, 1998.

Recurring costs associated with the Company's environmental compliance program are not material and are expensed as incurred. Capital expenditures in connection with environmental compliance are not material. The Company is involved in various stages of investigation and cleanup relative to remediation of various sites. All appropriate costs expected to be incurred in connection therewith have been accrued at December 31, 1998. 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 $1,527 million, $1,148 million, and $1,363 million of these contingent obligations, net of related outstanding advance payments, were outstanding at December 31, 1998, 1997, and 1996, respectively. These instruments expire on various dates through the year 2005.

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 gain contingency.

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 M: 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, 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 nine 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 periods. Awards of 541,100, 315,900, and 19,500 shares of restricted stock and restricted units were made to employees and directors at a weighted average value at the grant date of $57.21, $47.92, and $50.87 in 1998, 1997, and 1996, respectively. There were 834,900, 1,678,700, and 1,443,400 shares of restricted stock and restricted units outstanding at December 31, 1998, 1997, and 1996, respectively. The amount of compensation expense recorded was $15 million, $22 million, and $7 million in 1998, 1997, and 1996, 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 53.7 million, 52.8 million, and 49.6 million shares of common stock (including shares held in treasury) reserved for stock options and restricted stock awards at December 31, 1998, 1997, and 1996, 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.

Information for 1998, 1997, and 1996 follows:

(Share amounts in thousands)	Shares	Weighted Average Option Price
Outstanding at December 31, 1995	10,781	$30.63
Granted	3,890	52.53
Exercised	(1,845)	26.91
Expired	(256)	45.47
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

The following table summarizes information about stock options outstanding at December 31, 1998 (share amounts in thousands):

Options Outstanding				Options Exercisable	
Exercise Price Range	Shares Outstanding at December 31, 1998	Weighted Average Contractual Remaining Life	Weighted Average Exercise Price	Shares Exercisable at December 31, 1998	Weighted Average Exercise Price
$14.51 to $29.63	2,705	5.2 years	$22.65	2,537	$22.41
$31.13 to $49.75	6,589	6.8 years	$38.27	5,355	$36.68
$51.06 to $54.69	7,156	7.6 years	$52.14	6,921	$52.11
$55.59 to $59.31	6,272	9.5 years	$56.02	134	$56.16
Total	22,722			14,947	

Shares exercisable at the corresponding weighted average exercise price at December 31, 1998, 1997, and 1996, respectively, were 14.9 million at $41.58, 13.0 million at $37.35, and 8.8 million at $31.32.

The Company applies Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, in accounting for its 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, accordingly, no compensation expense was recognized for the stock option plans. Had compensation cost 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)	1998 (Restated)	1997 (Restated)	1996 (Restated)
Net income-as reported	$ 844	$ 511	$ 757
Net income-pro forma	$ 800	$ 468	$ 735
Basic earnings per share-			
as reported	$2.50	$2.14	$3.20
pro forma	$2.37	$1.96	$3.11
Diluted earnings per share-			
as reported	$2.47	$2.11	$3.15
pro forma	$2.34	$1.93	$3.06

The weighted average fair value of each option granted in 1998, 1997, and 1996, respectively, is estimated as $10.40, $17.41, and $10.79 on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

Expected life	4 years
Assumed annual dividend growth rate (5 year historical rate)	6%
Expected volatility	15%
Risk free interest rate (month-end yields on 4 year treasury strips equivalent zero coupon)	4.4% to 5.7% range
Assumed annual forfeiture rate	5%

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, and additional awards in future years are anticipated.

Note N: 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. The major plans provide pension benefits that are based on the five highest consecutive years of the employee's annual compensation in the ten years before retirement. Some of the plans covering hourly and union employees also contain provisions based upon a stated benefit amount per year of service. The Company's funding policy, for the majority of the plans, is to contribute annually at a rate that is intended to remain at a level percentage of compensation for the covered employees. Unfunded prior service costs under the funding policy are generally amortized over periods from 10 to 30 years.

Total pension expense includes foreign pension expense of $10 million, $11 million, and $10 million in 1998, 1997, and 1996, respectively. Plan assets consist primarily of equity securities (including 13,919,000 shares of Raytheon Company Class A and Class B common stock combined, with a fair value of $736 million at December 31, 1998) and fixed income securities (including $15 million of Raytheon Company 6.75% notes due in 2007).

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 if they reach normal retirement age while working for the Company. Some of the retiree health plans are paid for, in part, by retiree contributions, which are adjusted annually. Benefits are provided through various insurance companies whose charges are based either on the benefits paid during the year or annual premiums. Health benefits are provided to retirees, their covered dependents, and beneficiaries. Retiree life insurance plans cover the retiree only.

In 1993, the Company adopted Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions. At adoption, some of the plans began amortizing past service cost over 20 years, while others recognized the past service cost immediately.

The Company is funding the liability for certain salaried and hourly employees and plans to continue to do so. The information presented below includes the effect of acquisitions, subsequent adjustments to acquisitions, and divestitures.

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.

Change in Benefit Obligation

	Pension Benefits		Other Benefits	
(In millions) December 31:	1998	1997	1998	1997
Benefit obligation at beginning of year	$ 9,927	$ 4,267	$ 1,303	$ 732
Service cost	338	143	30	10
Interest cost	703	332	98	57
Plan participants' contributions	27	--	--	--
Amendments	3	3	(2)	(1)
Actuarial loss	384	422	30	34
Acquisitions	182	5,088	75	547
Divestitures	(28)	(44)	(1)	--
Curtailments	2	(7)	--	--
Benefits paid	(744)	(277)	(107)	(76)
Benefit obligation at end of year	$10,794	$ 9,927	$ 1,426	$1,303

Change in Plan Assets

		Pension Benefits		Other Benefits	
(In millions)	December 31:	1998	1997	1998	1997
Fair value of plan assets at beginning of year		$12,188	$ 4,961	$ 289	$ 184
Actual return on plan assets		1,388	1,097	22	18
Acquisitions		(203)	6,388	--	94
Divestitures		(40)	(47)	--	--
Company contribution		175	66	107	69
Plan participants' contributions		27	--	--	--
Benefits paid		(744)	(277)	(100)	(76)
Fair value of plan assets at end of year		$12,791	$12,188	$ 318	$ 289

Funded Status -- unrecognized components

		Pension Benefits		Other Benefits	
(In millions)	December 31:	1998	1997	1998	1997
Funded status		$1,997	$2,261	$(1,108)	$(1,014)
Unrecognized actuarial (gain) loss		(894)	(953)	21	(15)
Unrecognized transition (asset) obligation		(18)	(26)	288	316
Unrecognized prior service cost		182	200	(14)	(13)
Prepaid (accrued) benefit cost		$1,267	$1,482	$ (813)	$ (726)

Funded Status -- recognized in balance sheets

		Pension Benefits		Other Benefits	
(In millions)	December 31:	1998	1997	1998	1997
Prepaid benefit cost		$1,674	$1,864	$ 11	$ 13
Accrued benefit liability		(453)	(406)	(824)	(739)
Intangible asset		15	11	--	--
Accumulated other comprehensive income		31	13	--	--
Prepaid (accrued) benefit cost		$1,267	$1,482	$ (813)	$ (726)

Components of Net Periodic Benefit Cost

	Pension Benefits			Other Benefits		
(In millions)	1998	1997	1996	1998	1997	1996
Service cost	$ 338	$ 143	$ 127	$ 30	$ 10	$ 9
Interest cost	703	332	307	98	57	52
Expected return on plan assets	(1,016)	(401)	(352)	(25)	(19)	(16)
Amortization of transition (asset) obligation	(7)	(8)	(8)	25	27	27
Amortization of prior service cost	19	20	20	(2)	(1)	--
Recognized net actuarial gain	(30)	(21)	(5)	(1)	(7)	(6)
(Gain) loss due to curtailment	--	(6)	1	1	11	3
Net periodic benefit cost	$ 7	$ 59	$ 90	$126	$ 78	$ 69

Weighted Average Assumptions

	Pension Benefits		Other Benefits	
(In millions) December 31:	1998	1997	1998	1997
Discount rate	7.00%	7.25%	7.00%	7.25%
Expected return on plan assets	9.375%	9.375%	8.50%	8.50%
Rate of compensation increase	4.50%	4.50%	4.50%	4.50%
Health care trend rate in the next year			6.00%	6.50%
Gradually declining to a trend rate of			5.00%	5.00%
In the years			2001 & Beyond	

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 $9 million and $(5) million, respectively, and for the accumulated postretirement benefit obligation is $99 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 $515 million, $483 million, and $151 million, respectively, as of December 31, 1998 and $350 million, $322 million, and $47 million, respectively, as of December 31, 1997.

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 $121 million, $78 million, and $71 million in 1998, 1997, and 1996, respectively. The increase in 1998 expense is attributable to the merger with Hughes Defense in December 1997.

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 $160,000, of most United States salaried and hourly employees. The expense was $18 million, $15 million, and $15 million and the number of shares allocated to participant accounts was 271,000, 290,000, and 296,000 in 1998, 1997, and 1996, respectively.

Note O: 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 and 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 Major Appliances segment was substantially divested in 1997 with the remaining operations sold in 1998. As a result of these dispositions, the Company has included the remaining operations of the Major Appliances segment within Total Electronics in 1998 and 1997.

The Company adopted Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information (SFAS No. 131) during the fourth quarter of 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 related 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 Electronics Systems; Intelligence, Information, and Aircraft Integration Systems; Command, Control, and Communication 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 four identifiable segments within Total Electronics, all except Intelligence, Information, and Aircraft Integration Systems have combined operations of Hughes Defense, TI Defense and Raytheon.

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, will merge 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. This organizational change will be reflected in the Company's 1999 financial statements.

Operations by Business Segments

(In millions)	Sales			Operating income		
	1998 (Restated)	1997 (Restated)	1996 (Restated)	1998 (Restated)	1997 (Restated)	1996 (Restated)
Defense Systems	$ 4,958			$ 885		
Sensors and Electronics Systems	3,011			540		
Intelligence, Information, and Aircraft Integration Systems	2,667			305		
Command, Control, and Communication Systems, Training and Services, Commercial Electronics, and Other	4,186			302(1)		
Total Electronics	14,822	$ 8,972	$ 6,186	2,032	$ 856(3)	$ 793
Engineering and Construction	2,065	2,255	2,291	(253)(2)	19(4)	184
Aircraft	2,532	2,366	2,271	227	185(5)	175
Major Appliances	--	--	1,509	--	--	40(6)
Total	$19,419	$13,593	$12,257	$2,006	$1,060	$1,192

(In millions)	Capital expenditures			Depreciation and amortization		
	1998	1997	1996	1998	1997	1996
Defense Systems	$ 79			$ 190		
Sensors and Electronics Systems	117			194		
Intelligence, Information, and Aircraft Integration Systems	45			114		
Command, Control, and Communication Systems, Training and Services, Commercial Electronics, and Other	79			158		
Total Electronics	320	$ 257	$ 160	656	$ 360	$ 233
Engineering and Construction	41	18	27	28	33	24
Aircraft	148	184	140	77	64	50
Major Appliances	--	--	79	--	--	62
Total	$ 509	$ 459	$ 406	$ 761	$ 457	$ 369

(In millions)	Identifiable assets at December 31: 1998 (Restated)	1997 (Restated)	1996 (Restated)	Change in net debt 1998	1997	1996
Defense Systems	$ 3,499			$ (396)		
Sensors and Electronics Systems	1,722			(101)		
Intelligence, Information, and Aircraft Integration Systems	1,870			(161)		
Command, Control, and Communication Systems, Training and Services, Commercial Electronics, and Other	3,314			(322)		
Unallocated Electronics Items	12,872			387		
Total Electronics	23,277	$22,532	$ 6,177	(593)		
Engineering and Construction	1,495	1,758	1,564	(239)		
Aircraft	2,688	3,032	2,313	(130)		
Major Appliances	--	--	815	--		
Corporate	772	1,198	489	(235)		
Total	$28,232	$28,520	$11,358	$(1,197)	$6,178	$1,095

(1) Includes special charges of $167 million.
(2) Includes restructuring and special charges of $85 million.
(3) Includes restructuring and special charges of $340 million.
(4) Includes restructuring and special charges of $125 million.
(5) Includes special charges of $30 million.
(6) Includes special charges of $34 million.

Identifiable assets attributed to Unallocated Electronics Items primarily consist 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 the Electronics segments operating income.

All material intercompany transactions have been eliminated at the segment level for sales and operating income. Intercompany receivables are included in identifiable assets. 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 is 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 and 1996, 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 1998 and 1997.

Electronics Restructuring and Exit Costs

	Charges Accrued	Adjustments Decrease	Adjustments Increase	Costs Incurred	Ending Balance
Defense Systems	$ 374	$ (28)	$ 62	$ 106	$ 302
Sensors and Electronics Systems	243	(42)	1	60	142
Intelligence, Information, and Aircraft Integration Systems	11	(1)	1	9	2
Command, Control, and Communication Systems, Training and Services Commercial Electronics, and and Other	176	4	3	66	117
	$ 804	$ (67)	$ 67	$ 241	$ 563

	Number of Employee Terminations	Square Feet Exited (thousands)
Defense Systems	1,500	1,000
Sensors and Electronics Systems	2,000	1,400
Intelligence, Information, and Aircraft Integration		

Systems	300	-
Command, Control, and Communication Systems, Training and Services, Commercial Electronics, and Other	2,800	900
	6,600	3,300

Operations by Geographic Areas

(In millions)	United States	Outside United States (Principally Europe)	Consolidated
Sales to unaffiliated customers (Restated)			
1998	$18,417	$1,002	$19,419
1997	12,827	766	13,593
1996	11,496	761	12,257
Identifiable assets at (Restated)			
December 31, 1998	$27,227	$1,005	$28,232
December 31, 1997	27,898	622	28,520
December 31, 1996	10,705	653	11,358

The country of origin was used to attribute sales to either United States or Outside United States. United States (U.S.) sales of $18,417 million, $12,827 million, and $11,496 million include export sales, principally to Europe, the Middle East, and Far East, of $2,380 million, $2,756 million, and $2,137 million in 1998, 1997, and 1996, respectively.

Sales to major customers, principally in Electronics, in 1998, 1997, and 1996, were: U.S. government (end user), $11,167 million, $5,787 million, and $4,638 million, respectively, U.S. Department of Defense, $10,816 million, $4,591 million, and $4,032 million, respectively, and U.S. government (foreign military sales), $1,660 million, $483 million, and $502 million, respectively.

Note P: Quarterly Operating Results (unaudited)

(In millions except per share amounts)	First	Second	Third	Fourth
1998 (Restated)				
Net sales	$4,693	$5,037	$4,431	$5,258
Cost of sales	3,656	3,910	3,671	3,930
Net income	228	263(1)	12(2)	341(3)
Earnings per share				
Basic	0.67	0.78(1)	0.04(2)	1.01(3)
Diluted	0.66	0.77(1)	0.04(2)	1.00(3)
Cash dividends per common 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

1997 (Restated)				
Net sales	$2,946	$3,292	$3,422	$3,933
Cost of sales	2,262	2,547	2,620	3,500
Net income	187	203	207(4)	(86)(5)
Earnings per share				
Basic	0.79	0.86	0.88(4)	(0.35)(5)
Diluted	0.78	0.85	0.86(4)	(0.35)(5)
Cash dividends per common 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				57.00
Class A-Low				48.00
Class B-High	51.25	53.88	60.56	60.50
Class B-Low	43.25	41.75	50.81	49.19
1998 (Previously reported)				
Net sales	$4,574	$5,078	$4,436	$5,442
Cost of sales	3,558	3,939	3,678	4,073
Net income	215	270(1)	11(2)	368(3)
Earnings per share				
Basic	0.63	0.80(1)	0.03(2)	1.09(3)
Diluted	0.63	0.79(1)	0.03(2)	1.08(3)
1997 (Previously reported)				
Net sales	$2,899	$3,325	$3,445	$4,004
Cost of sales	2,221	2,570	2,636	3,558
Net income	183	210	211(4)	(77)(5)
Earnings per share				
Basic	0.78	0.89	0.90(4)	(0.31)(5)
Diluted	0.77	0.88	0.88(4)	(0.31)(5)

(1) - 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.

(2) - Includes a charge of $180 million after-tax and restructuring and special charges of $104 million after-tax and net gain on sales of operating units of $3 milion after-tax. The impact of these items combined was a net charge of $281 million after-tax, or $0.82 per share.

(3) - Includes a net gain on sales of operating units of $3 million after-tax, or $0.01 per share.

(4) - Includes a net gain on sales of operating units of $8 million after-tax, or $0.03 per share.

(5) - Includes restructuring and special charges of $322 milion after-tax and a net gain on sales of operating units of $38 million after-tax. The impact of these items combined was a net charge of $284 million after-tax, or $1.14 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.

Note Q: 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 of the debt.

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 values 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.

At December 31, 1998 and 1997, the Company had outstanding interest rate swap agreements and foreign currency forward exchange 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:

(In millions)	1998		1997	
	Buy	Sell	Buy	Sell
British Pounds	$138	$100	$ 70	$ 27
Netherlands Guilders	41	89	45	--
German Marks	40	27	71	19
Canadian Dollars	20	50	13	66
Swiss Francs	12	85	--	8
Norwegian Kroner	100	--	--	--
All other	49	25	57	49
Total	$400	$376	$256	$169

"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.

Swap contracts were $383 million and $386 million at December 31, 1998 and 1997, respectively. Swap contracts outstanding at December 31, 1998 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 5.2% at December 31, 1998.

Foreign exchange forward contracts, used primarily to minimize fluctuations in the values of foreign currency payments and receipts, have maturities at various dates through June 2003 as follows:

$678 million in 1999
$ 70 million in 2000
$ 4 million in 2001
$ 11 million in 2002
$ 13 million in 2003

Estimated fair values for the swap contracts and foreign exchange contracts total $13 million.

Note R: 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 its 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.

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 and 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 million shares purchased under these authorizations through December 31, 1998. There were 1.7 million shares repurchased under this program during 1998.

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 2.9 million shares repurchased under this program during 1998 to offset 2.9 million shares issued due to the exercise of stock options.

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, outstanding shares were reduced by the repurchase of 1.7 million shares on the open market to offset 1.7 million shares issued due to the exercise of stock options.

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 B common stock have been aggregated in the basic and diluted EPS calculation which follows:

	1998 (Restated)	1997 (Restated)	1996 (Restated)
Net income for basic and diluted EPS	$ 844	$ 511	$ 757
Share information (in thousands)			
Average common shares outstanding for basic EPS	337,882	238,915	236,600
Dilutive effect of stock options and restricted stock	3,979	2,971	3,565
Shares for diluted EPS	341,861	241,886	240,165
Basic EPS	$ 2.50	$ 2.14	$ 3.20
Diluted EPS	$ 2.47	$ 2.11	$ 3.15

Stock options to purchase 6.7 million, 8.2 million, and 3.7 million shares of common stock outstanding at December 31, 1998, 1997, and 1996, 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 S: Subsequent Events

In the fourth quarter of 1997, the Company took a charge for $220 million for a series of restructuring actions. In the fourth quarter of 1999, the Company determined that the cost of these initiatives would be $65 million lower than originally planned. 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.

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 Raytheon'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. Raytheon's management is responsible for the integrity and objectivity of the financial statements and other financial information included in this 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

Senior Vice President and
Chief Financial Officer

/s/ 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

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, of stockholders' equity, and of cash flows present fairly, in all material respects, the financial position of Raytheon Company at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards 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 three years in the period ended December 31, 1998 have been restated as described in Note B.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
January 26, 1999, except for the information in Notes B, C and S as to which the date is January 17, 2000

EXHIBIT 21

Name of Subsidiary	Percent Ownership	Jurisdiction of Incorporation
AMI Instruments, Inc.	100%	Oklahoma
Advanced Electronics Systems International	100%	California
Amber Engineering, Inc.	100%	California
Brasil Sistemas De Integracao Ltda	100%	Brazil
Data Logic, Inc.	100%	Delaware
Electronica Nayarit, S.A.	100%	Mexico
Holwood Realty Company	100%	Delaware
Hughes Aircraft Systems International	100%	
Hughes International Corporation	100%	Delaware
Hughes Nadge Corporation	100%	Delaware
Hughes Research Analytics, Inc.	100%	
Hughes Simulation International, Inc.	100%	California
Hughes Systems Management International	100%	California
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
Raytheon Air Control Company	100%	Delaware
Raytheon Aircraft Holdings, Inc.	100%	Delaware
Raytheon Aircraft Company	100%	Kansas
Arkansas Aerospace, Inc.	100%	Arkansas
Beech Military Regional Offices, Inc.	100%	Kansas
Raytheon Aerospace Company	100%	Kansas
Raytheon Aerospace Support Services Company	100%	Kansas
Raytheon Aircraft (Bermuda) Ltd.	100%	Bermuda
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-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%	Delaware

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 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 and Distribution Company	100%	Kansas
Raytheon Aircraft Quality Support Company	100%	Kansas
Raytheon Aircraft Services, Inc.	100%	Kansas
Raytheon Travel Air Company	100%	Kansas
Travel Air Insurance Company Ltd.	100%	Kansas
Travel Air Insurance Company (Kansas)	100%	Kansas
Raytheon Philippines, Inc.	99.98%	Republic of the Philippines
Raytheon Appliances Asia, Inc.	100%	Delaware
Raytheon Charitable Foundation	100%	Massachusetts
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
Alliance Logistics, LTD	50%	Scotland
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%	U.S. 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
Cedarapids, Inc.	100%	Iowa

Standard Havens, Inc.	100%	Delaware
SH Properties, Inc.	100%	Missouri
Standard Havens Products, Inc.	100%	Delaware
Raytheon Architects, Ltd.	100%	Colorado
Raytheon Catalytic Inc.	100%	Delaware
Raytheon Constructors International, Inc.	100%	Delaware
ARAYCO INC.	100%	Colorado
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 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
Litwin Aruba, Inc.	100%	Delaware
Litwin Panama Construction, Inc.	100%	Delaware
Litwin S.A.	99.99%	France
Raytheon Engineers & Constructors S.R.L.	100%	Romania
Litwin Trinidad and Tobago Limited	100%	Delaware
McBride-Ratcliff and Associates, Inc.	100%	Texas
Polytec, S.A.R.L.	99.5%	France
RE&C Receivables Corporation	100%	Delaware
Raytheon Engineers & Constructors (Russia) Ltd.	100%	Massachusetts
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.	99.9995%	Brazil
Raytheon Engineers & Constructors Midwest, Inc.	100%	Delaware
Raytheon Engineers & Constructors Pty Limited	100%	South Africa
Badger Africa (Pty) Ltd.	50%	South Africa
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	0.487500%	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-Ansaldo Rail Systems Inc.	100%	Delaware
Raytheon-Ebasco Pakistan Ltd.	100%	Delaware
Stearns Catalytic Corporation	100%	Delaware
Raytheon Environmental Systems, Inc.	100%	California
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
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.	99.98%	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 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
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%	Ontario
Raytheon Overseas Service Company	100%	Delaware
Raytheon Services Company Puerto Rico	100%	Delaware
Raytheon Support Services Company	100%	Delaware
Raytheon Training LLC	100%	Delaware
Raytheon Technical and Administration Services Ltd.	100%	Delaware
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%	United Kingdom
Raytheon Marine Limited	100%	England
Raytheon Systems Ltd.	100%	England
Raytheon Computer Products Europe Limited	99%	England
Raytheon TI Systems, Ltd.	100%	United Kingdom
Raytheon-Tag Components Limited	100%	England

Square One Computer Services Limited	100%	England
SAVI Technology, Inc.	100%	California
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
Tube Holding Company, Inc.	100%	Connecticut
Xyplex Foreign Sales Corporation, Inc.	100%	U.S. Virgin Islands

EXHIBIT 23.1

CONSENT OF
INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of Raytheon Company on Form S-3 (File Nos. 33-59241; 333-27757 and 333-44321), Form S-4 (File No. 333-78219) and Form S-8 (File Nos. 333-56117 and 333-45629) of our report dated January 26, 1999, except for the information in Notes B, C and S as to which the date is January 17, 2000, on our audit of the consolidated financial statements and financial statement schedule of Raytheon Company as of December 31, 1998 and 1997, and for each of the three years in the period ended December 31, 1998, which reports are included in this Annual Report on Form 10-K/A.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Boston, Massachusetts
January 21, 2000

EXHIBIT 23.2

REPORT OF INDEPENDENT ACCOUNTANTS
FINANCIAL STATEMENT SCHEDULES

To the Board of Directors
of Raytheon Company:

Our audits of the consolidated financial statements referred to in our report dated January 26, 1999 appearing in the 1998 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/A) also included an audit of the financial statement schedule listed in Item 14(a)(2) on this Form 10-K/A. 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 26, 1999

EXHIBIT 24

POWER OF ATTORNEY

RAYTHEON COMPANY

The undersigned hereby constitutes Thomas D. Hyde and Michele Heid, 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/A of Raytheon Company (the "Company") and any amendments thereto for the Company's fiscal year ended December 31, 1998 with exhibits thereto, including, but not limited to, the Company's Audited Consolidated Financial Statements as of December 31, 1998 and 1997 and for each of the three years in the period ended December 31, 1998 and Management's Discussion and Analysis of Financial Condition and Results of Operations for the Company's fiscal year ended December 31, 1998, and other documents in connection therewith (collectively, the "Form 10-K/A"), and all matters required by the Commission in connection with the Form 10-K/A, 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 24, 1999

Daniel P. Burnham	Ferdinand Colloredo-Mansfeld
Daniel P. Burnham	Ferdinand Colloredo-Mansfeld
John M. Deutch	Steven D. Dorfman
John M. Deutch	Steven D. Dorfman
Thomas E. Everhart	John R. Galvin
Thomas E. Everhart	John R. Galvin
Barbara B. Hauptfuhrer	Richard D. Hill
Barbara B. Hauptfuhrer	Richard D. Hill
L. Dennis Kozlowski	James N. Land, Jr.
L. Dennis Kozlowski	James N. Land, Jr.
Henrique de Campos Meirelles	Thomas L. Phillips
Henrique de Campos Meirelles	Thomas L. Phillips
Dennis J. Picard	Warren B. Rudman
Dennis J. Picard	Warren B. Rudman
Alfred M. Zeien	
Alfred M. Zeien	

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