

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported): December 17, 1997

RAYTHEON COMPANY (formerly HE Holdings, Inc.)

(Exact name of registrant as specified in its charter)

Delaware

1-13699

95-1778500

(State of Incorporation)

(Commission File
Number)

(IRS Employer
Identification
Number)

141 Spring Street
Lexington, Massachusetts

02173

(Address of principal executive offices)

(Zip Code)

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

Item 2. Acquisition or Disposition of Assets.

On December 17, 1997, HE Holdings, Inc. ("HE Holdings") consummated the merger of Raytheon Company ("Old Raytheon") with and into HE Holdings. Immediately upon consummation of the merger, HE Holdings changed its name to Raytheon Company ("New Raytheon"). In connection with the merger, each share of issued and outstanding common stock, \$1.00 par value per share of Old Raytheon was converted into one share of Class B common stock \$.01 par value per share of New Raytheon (the "Class B Common Stock"). Immediately prior to the merger, HE Holdings incurred \$4.0 billion of indebtedness under certain credit agreements, all of which was contributed to Hughes Electronics Corporation or its affiliates. The obligation to repay this debt remains an obligation of New Raytheon. Pursuant to paragraph (a) of Rule 12g-3, promulgated under the Securities Exchange Act of 1934, as amended (the "Act"), the Class B Common Stock is deemed registered under Section 12(b) of the Act.

In connection the closing of the merger, New Raytheon issued a press release, a copy of which is attached hereto as Exhibit 99.1 and is specifically incorporated herein by reference.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(a) Financial Statements of the Businesses Acquired.

The audited balance sheet of Old Raytheon and Subsidiaries Consolidated as of December 31, 1996 and 1995 and the related statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1996, were previously filed as Appendix C to the Registration Statement on Form S-4 (File No. 333-39861), dated November 10, 1997, and are hereby incorporated herein by reference.

The unaudited balance sheet of Old Raytheon Company and Subsidiaries Consolidated as of September 28, 1997 and the related statements of income and cash flows for each of the nine months ended September 28, 1997 and September 29, 1996, were previously filed as Appendix C to the Registration Statement on Form S-4 (File No. 333-39861), dated November 10, 1997, and are hereby incorporated herein by reference.

(b) Pro Forma Financial Information.

Pro forma combined condensed statements of earnings for the year ended December 31, 1996, and for the nine months ended September 28, 1997 and pro forma combined condensed balance sheet as of September 28, 1997, in each case reflecting the merger of Old Raytheon with and into HE Holdings, were previously filed as pages 95-101 of the Solicitation Statement/Prospectus which forms a part of the Registration Statement on Form S-4 (File No. 333-39861), dated November 10, 1997, and are hereby incorporated herein by reference.

(c) Exhibits. The following exhibits are filed as part of this report.

3(i) Amended and Restated Certificate of Incorporation, as amended by the Certificate of Merger of Raytheon Company with and into HE Holdings, changing the name of the Registrant to Raytheon Company.

3(ii) Amended and Restated By-Laws.

23.1 Consent of Coopers & Lybrand L.L.P.

99.1 Press release, dated December 18, 1997.

99.2 Appendix C to the Registration Statement on Form S-4 (File No. 333-39861), dated November 10, 1997.

99.3 Pages 95-101 of the Solicitation Statement/Prospectus which forms a part of the Registration Statement on Form S-4 (File No. 333-39861), dated November 10, 1997.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: December 17, 1997

RAYTHEON COMPANY

By: /s/ Thomas D. Hyde

Name: Thomas D. Hyde
Title: Vice President and
General Counsel

EXHIBIT INDEX

Exhibit Number -----	Description -----
3(i)	Amended and Restated Certificate of Incorporation as amended by Certificate of Merger of Raytheon Company with and into HE Holdings, changing the name of the Registrant to Raytheon Company.
3(ii)	Amended and Restated By-Laws.
23.1	Consent of Coopers & Lybrand L.L.P.
99.1	Press release, dated December 18, 1997.
99.2	Appendix C to the Registration Statement on Form S-4 (File No. 333-39861), dated November 10, 1997.
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AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
HE HOLDINGS, INC.

HE Holdings, Inc. (the "Corporation"), a corporation organized and existing under the General Corporation law of the State of Delaware (the "DGCL"), does hereby certify as follows:

1. The present name of the Corporation is HE Holdings, Inc. The Corporation was originally incorporated under the name "Hughes Aircraft Company" and its original certificate of incorporation was filed with the office of the Secretary of State of the State of Delaware on December 17, 1953.

2. This Amended and Restated Certificate of Incorporation was duly adopted by the Board of Directors of the Corporation and by the sole stockholder of the Corporation in accordance with Sections 228, 242 and 245 of the DGCL.

3. This Amended and Restated Certificate of Incorporation restates and integrates and further amends the certificate of incorporation of the Corporation, as heretofore amended (the "Certificate of Incorporation").

4. Upon the filing (the "Effective Time") of this Certificate of Incorporation pursuant to the DGCL, all shares of the Corporation's common stock, no par value per share, issued and outstanding immediately prior to the Effective Time (the "Old Common Stock") shall be reclassified as and changed into an aggregate of 102,630,503 validly issued, fully paid, and non-assessable shares of Class A Common Stock, par value \$.01 per share ("Hughes Class A Common Stock"), without any action by the holder thereof. At the Effective Time, the share certificate(s) that theretofore represented shares of Old Common Stock shall thereafter represent the reclassified shares of Hughes Class A Common Stock.

5. The text of the Certificate of Incorporation is amended and restated in its entirety as follows:

ARTICLE I.
Name

The name of the corporation (which is hereinafter referred to as the "Corporation") is: "HE Holdings, Inc."

ARTICLE II
Registered Agent

The address of the Corporation's registered office in the State of Delaware is The Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

ARTICLE III
Purpose

The purpose of the Corporation shall be to engage in any lawful act or activity for which corporations may be organized and incorporated under the General Corporation Law of the State of Delaware (the "DGCL").

ARTICLE IV
Capital Stock

Section 1. The Corporation is authorized to issue 1,650,000,000 shares of capital stock, of which (a) 1,450,000,000 shares shall be shares of Common Stock, \$.01 par value per share ("Common Stock"), and which shares of Common Stock shall be divided into two classes, 450,000,000 shares of Common Stock shall be shares of Class A Common Stock ("Class A Common Stock") and 1,000,000,000 shares of Common Stock shall be shares of Class B Common Stock ("Class B Common Stock"), and (b) 200,000,000 shares shall be shares of Preferred Stock, \$.01 par value per share ("Preferred Stock").

SECTION 2. Common Stock.

(a) Until the time that any shares of Class B Common Stock are first issued, the powers, preferences and rights, and the qualifications, limitations and restrictions of the Common Stock are as follows:

(i) Voting Rights. Except as otherwise required by law, the

holders of Class A Common Stock will be entitled to one vote per share on all matters to be voted on by the Corporation's stockholders.

(ii) Dividends. The holders of Class A Common Stock will be

entitled to dividends if, when and as declared by the Corporation's board of directors, out of funds legally available therefor, whether payable in cash, property or securities of the Corporation.

(b) From and after the time that any shares of Class B Common Stock are first issued, the powers, preferences and rights, and the qualifications, limitations and restrictions of the Common Stock are as follows:

(i) Voting. The voting rights of the holders of record of shares

of Class A Common Stock and Class B Common Stock on the relevant record date for each annual or special meeting of stockholders of the Corporation shall be as set forth below:

(A) With respect to the election or removal of directors (x) the holders of record of shares of Class B Common Stock shall be entitled to one (1) vote for each share of Class B Common Stock standing in each such person's name on the stock transfer records of the Corporation, which votes shall represent in the aggregate 19.9% of the total voting power of all holders of Common Stock entitled to vote thereon, and (y) the holders of record of shares of Class A Common Stock shall be entitled to such number of votes for each share of Class A Common Stock standing in each such person's name on the stock transfer records of the Corporation as shall be necessary to entitle the holders of all shares of Class A Common Stock to vote, in the aggregate, 80.1% of the total voting power of all holders of Common Stock entitled to vote thereon. Promptly following the fixing of a record date for each annual or special meeting of stockholders at which directors are to be elected or a vote with respect to removal is to be taken, the Board of Directors of the Corporation (the "Board") shall determine the number of votes per share of Class A Common Stock that each holder of record of Class A Common Stock shall be entitled to cast to implement the foregoing. The determination of such number of votes by the Board shall be final and shall be set forth in the notice of such meeting of stockholders delivered to the holders of Common Stock.

(B) With respect to all matters on which holders of Common Stock shall be entitled to vote other than the election or removal of directors, each share of Class A Common Stock and each share of Class B Common Stock shall be entitled to cast one (1) vote per share, and the approval of any such matter shall require the affirmative vote of the holders of the shares of Class A Common Stock and the shares of Class B Common Stock outstanding at the relevant record date, with each class voting separately, in each case acting by such vote as would be required under applicable law were such class of Common Stock the only class of Common Stock of the Corporation then outstanding (or by such greater vote than would be required under applicable law as may be set forth herein or in the by-laws of the Corporation), as well as the approval of the holders of any class or series of Preferred Stock which may be entitled to vote thereon.

(ii) Dividends. Subject to the rights of the holders of any class or

series of outstanding Preferred Stock, and subject to any other provisions hereof and applicable law, holders of shares of Class A Common Stock and holders of shares of Class B Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation as may be declared thereon by the Board from time to time out of assets or funds of the Corporation legally available therefor; provided that if a dividend or other distribution on any Common Stock is declared or paid by the Corporation (which declaration and payment shall be solely in the discretion of the Board), including, but not limited to, dividends or other

distributions payable in cash, Common Stock or options or warrants to purchase Common Stock or securities exchangeable for or convertible into Common Stock, or other securities or property of the Corporation, such dividend or other distribution shall be declared and paid to the holders of Class A Common Stock and Class B Common Stock, and the holders of shares of Class A Common Stock and the holders of shares of Class B Common Stock shall be entitled to receive the same amount per share of any such dividends and other distributions in cash, securities or property of the Corporation (and with respect to dividends or distributions not in cash, in the same form); provided, however, that nothing in this Article IV shall prevent the declaration of a dividend or other distribution of shares of Class A Common Stock to holders of Class A Common Stock and shares of Class B Common Stock to holders of Class B Common Stock so long as, immediately following such dividend or other distribution, the number of shares of Class A Common Stock and Class B Common Stock then outstanding bears the same relationship to each other as did the number of shares of Class A Common Stock and Class B Common Stock outstanding immediately prior to such dividend or other distribution.

(iii) Split, Subdivision or Combination. In the case of any split,

sub division, combination or reclassification of Class A Common Stock or Class B Common Stock, the shares of Class B Common Stock or Class A Common Stock, as the case may be, shall also be split, subdivided, combined or reclassified so that the number of shares of Class A Common Stock and Class B Common Stock outstanding immediately following such split, subdivision, combination or reclassification shall bear the same relationship to each other as did the number of shares of Class A Common Stock and Class B Common Stock outstanding immediately prior to such split, subdivision, combination or reclassification.

(iv) Liquidation, Dissolution, Mergers, etc. In the event of any

liquidation, dissolution or winding up (either voluntary or involuntary) of the Corporation, the holders of Class A Common Stock and the holders of Class B Common Stock shall be entitled to receive the assets and funds of the Corporation available for distribution, after payments to creditors and to the holders of any Preferred Stock of the Corporation that may at the time be outstanding, in proportion to the number of shares held by them, respectively, without regard to class. In the event of any corporate merger, consolidation, purchase or acquisition of property or stock, or other reorganization in which any consideration is to be received by the holders of Class A Common Stock or the holders of Class B Common Stock, the holders of Class A Common Stock and the holders of Class B Common Stock shall receive the same type and amount of consideration on a per share basis.

(v) Repurchases, etc. The Corporation shall not directly or

indirectly redeem, purchase, repurchase or otherwise acquire for consideration (including, without limitation, by directly or indirectly assisting or supporting any other person or entity in any direct or indirect redemption, purchase, repurchase or other acquisition for consideration), and shall not directly or indirectly in any other fashion agree to, facilitate, condone or support in any way or manner whatsoever any direct or indirect redemption, purchase, repurchase or other acquisition for consideration by any person or entity of, any shares of Common Stock unless such redemption, purchase, repurchase or other acquisition is effected ratably in accordance with the number of outstanding shares of Class A Common Stock and Class B Common Stock, is for

consideration of the same type and amount as to shares of Class A Common Stock and shares of Class B Common Stock, and is not in any other way prejudicial to the rights of the holders of one class of Common Stock in favor of the other class of Common Stock; provided, however, that in the case of an offer to purchase shares of Common Stock by the Corporation made to all holders of Common Stock, the Corporation shall purchase shares of Common Stock ratably in accordance with the number of shares of each class of Common Stock tendered thereunder.

(vi) Rights Otherwise Identical. Except as expressly set forth

herein, the rights of the holders of Class A Common Stock and the rights of the holders of Class B Common Stock shall be in all respects and for all purposes and in all circumstances absolutely and completely identical, and the Corporation shall not in any other manner directly or indirectly take any other action or in any other fashion agree to, facilitate, condone or support any transaction in which the holders of the Class A Common Stock and the Class B Common Stock are subject to discriminatory or unequal treatment.

SECTION 3. Preferred Stock. The Preferred Stock may be issued from

time to time in one or more series. The Board is hereby authorized to provide by resolution from time to time for the issuance of shares of Preferred Stock in series and, by filing a certificate pursuant to the DGCL (hereinafter referred to as a "Preferred Stock Designation"), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, privileges, preferences and rights of the shares of each such series and the qualifications, limitations and restrictions thereof. The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

- (a) the designation of the series, which may be by distinguishing number, letter or title;
- (b) the number of shares of the series, which number the Board may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding);
- (c) whether dividends, if any, shall be cumulative or noncumulative, and, in the case of shares of any series having cumulative dividend rights, the date or dates or method of determining the date or dates from which dividends on the shares of such series shall be cumulative;
- (d) the rate of any dividends (or method of determining such dividends) payable to the holders of the shares of such series, any conditions upon which such dividends shall be paid and the date or dates or the method for determining the date or dates upon which such dividends shall be payable;
- (e) the price or prices (or method of determining such price or prices) at which, the form of payment of such price or prices (which may be cash, property or rights, including securities of the same or another corporation or other entity) for which, the period or periods within which and the terms and conditions upon which the shares of such series may be redeemed, in whole or in part, at the option of the

Corporation or at the option of the holder or holders thereof or upon the happening of a specified event or events, if any;

- (f) the obligation, if any, of the Corporation to purchase or redeem shares of such series pursuant to a sinking fund or otherwise and the price or prices at which, the form of payment of such price or prices (which may be cash, property or rights, including securities of the same or another corporation or other entity) for which, the period or periods within which and the terms and conditions upon which the shares of such series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;
- (g) the amount payable out of the assets of the Corporation to the holders of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;
- (h) provisions, if any, for the conversion or exchange of the shares of such series, at any time or times at the option of the holder or holders thereof or at the option of the Corporation or upon the happening of a specified event or events, into shares of any other class or classes or any other series of the same or any other class or classes of stock, or any other security, of the Corporation, or any other corporation or other entity, and the price or prices or rate or rates of conversion or exchange and any adjustments applicable thereto, and all other terms and conditions upon which such conversion or exchange may be made;
- (i) restrictions on the issuance of shares of the same series or of any other class or series, if any; and
- (j) the voting rights, if any, of the holders of shares of the series.

SECTION 4. Series A Junior Participating Preferred Stock. The Board

hereby authorizes the issuance of the Series A Junior Participating Preferred Stock as follows:

- (a) Designation and Amount. The shares of such series shall be

designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 4,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce

the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

- (b) Dividends and Distributions.

(i) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the

holders of shares of Class A Common Stock and Class B Common Stock of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (A) \$1 or (B) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (B) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(ii) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (i) of this subsection immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(iii) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be

allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

(c) Voting Rights. The holders of shares of Series A Preferred Stock

shall have the following voting rights:

(i) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(ii) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Class B Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(iii) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(d) Certain Restrictions.

(i) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 4(b) are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(A) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(B) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which

dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(C) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(D) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(ii) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (i) of this Section 4(d), purchase or otherwise acquire such shares at such time and in such manner.

(e) Reacquired Shares. Any shares of Series A Preferred Stock

purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

(f) Liquidation, Dissolution or Winding Up. Upon any liquidation,

dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to

which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(g) Consolidation, Merger, etc. In case the Corporation shall enter

into any consolidation, merger, other than the merger of Raytheon Company with and into the Corporation, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(h) No Redemption. The shares of Series A Preferred Stock shall

not be redeemable.

(i) Rank. The Series A Preferred Stock shall rank, with respect to

the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

(j) Amendment. The Certificate of Incorporation of the Corporation

shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

SECTION 5. General. The Common Stock shall be subject to the express

terms of the Preferred Stock and any series thereof. Except as otherwise provided by law or by the resolution or resolutions adopted by the Board designating the rights, powers and preferences of any series of Preferred Stock, the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, and holders of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote. The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

ARTICLE V
Stockholder Action

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of stockholders of the Corporation for any purpose or purposes may be called only by the Board pursuant to a resolution stating the purpose or purposes thereof approved by a majority of the total number of directors which the Corporation would have if there were no vacancies (the "Whole Board") or by the Chairman of the Board and any power of stockholders to call a special meeting is specifically denied. No business other than that stated in the notice shall be transacted at any special meeting.

ARTICLE VI
Board of Directors

SECTION 1. Number, election and terms. The number of directors of

the Corporation shall be, except as otherwise fixed by or pursuant to the provisions of Article IV relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, fixed from time to time exclusively pursuant to a resolution adopted by a majority of the Whole Board (but shall not be less than three). The directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1998, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1999, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 2000, with each director to hold office until such person's successor is duly elected and qualified. At each succeeding annual meeting of stockholders, directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with

each director to hold office until such person's successor shall have been duly elected and qualified.

SECTION 2. Stockholder nomination of director candidates; Stockholder

Proposal of Business. Advance notice of stockholder nominations for the

election of directors and of the proposal of business by stockholders shall be given in the manner provided in the By-Laws of the Corporation, as amended and in effect from time to time.

SECTION 3. Newly created directorships and vacancies. Except as

otherwise provided for or fixed by or pursuant to the provisions of Article IV relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, (i) newly created directorships resulting from any vacancies on the Board resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board, and not by the stockholders and (ii) newly created directorships resulting from any increase in the number of directors after the adoption of a resolution by a majority of the Whole Board in accordance with Section 1 of this Article VI shall be filled by the affirmative vote of the holders of Common Stock, voting in accordance with the provisions of Section 2(a)(i) of Article IV regarding election of directors at the next succeeding annual or special meeting of stockholders. Any director appointed in accordance with clause (i) of the preceding sentence shall hold office until the next annual or special meeting of stockholders and until such director's successor shall have been duly elected and qualified. Any director elected in accordance with clause (ii) of the preceding sentence shall hold office for the remainder of the full term of the class of director in which the new directorship was created and until such director's successor shall have been duly elected and qualified. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

SECTION 4. Removal. Subject to the rights of any class or series of

stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, any director may be removed from office only for cause by the affirmative vote of the holders of the shares of Common Stock, voting together as a single class in the same manner and with the same votes per share as provided in Section 2(a)(i) of Article IV with respect to the election of directors (i.e. with the holders of Class A Common Stock having 80.1% of the total voting power to remove directors and the number of votes per share necessary to achieve such voting power determined by the Board).

ARTICLE VII
By-Laws

The By-Laws may be altered or repealed and new By-Laws may be adopted (1) at any annual or special meeting of stockholders, by the affirmative vote of the holders of the shares of Common Stock voting in accordance with Section 2(a)(ii) of Article IV; provided, however, that in the case of any such stockholder action at a special meeting of stockholders, notice of the

proposed alteration, repeal or adoption of the new By-law or By-Laws must be contained in the notice of such special meeting, or (2) by the affirmative vote of a majority of the Whole Board.

ARTICLE VIII
Amendment of Certificate of Incorporation

The Corporation reserves the right at any time from time to time to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and, except as set forth in Article X, all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article.

ARTICLE IX
Corporate Action

In addition to any other considerations which the Board may lawfully take into account, in determining whether to take or to refrain from taking corporate action on any matter, including making or declining to make any recommendation to the stockholders of the Corporation, the Board may in its discretion consider the long-term as well as short-term best interests of the Corporation (including the possibility that these interests may be best served by the continued independence of the Corporation), taking into account, and weighing as the directors deem appropriate, the effects of such action on employees, suppliers and customers of the Corporation and its subsidiaries and the effect upon communities in which offices or other facilities of the Corporation are located, and any other factors the directors consider pertinent.

ARTICLE X
Limited Liability; Indemnification

SECTION 1. Limited Liability of Directors. A director of the

Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. Neither the amendment nor repeal of Section 1 of this Article X shall eliminate or reduce the effect of Section 1 of this Article X in respect of any matter occurring, or any cause of action, suit or claim that, but for Section 1 of this Article X would accrue or arise, prior to such amendment or repeal.

SECTION 2. Indemnification and Insurance. (a) Right to

Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that such person, or a person of whom such person is the

legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, to the fullest extent permitted by law, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgment, fines, amounts paid or to be paid in settlement, and excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974, as in effect from time to time) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer, and shall inure to the benefit of such person's heirs, executors and administrators; provided, however, that, except as provided in paragraph (b) of this Section, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board. The right to indemnification conferred in this Section shall be a contract right and shall include the right to have the Corporation pay the expenses incurred in defending any such proceeding in advance of its final disposition; any advance payments to be paid by the Corporation within 20 calendar days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that, if and to the extent the DGCL requires, the payment of such expenses incurred by a director or officer in such person's capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The Corporation may, to the extent authorized from time to time by the Board, grant rights to indemnification, and rights to have the Corporation pay the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

(b) Right of Claimant to Bring Suit. If a claim under paragraph (a) of this Section is not paid in full by the Corporation within 30 calendar days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the DGCL for the Corporation to indemnify the

claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the claimant has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person (including, without limitation, any person other than an officer or director of the Corporation) may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-Laws, agreement, vote of stockholders or disinterested directors or otherwise. No repeal or modification of this Article shall in any way diminish or adversely affect the rights of any director or officer of the Corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

(d) Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

(e) Severability. If any provision or provisions of this Article X shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article X (including, without limitation, each portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Article X (including, without limitation, each such portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be duly executed this 12th day of December, 1997.

By: /s/ Roxanne S. Austin

Name: Roxanne S. Austin

Title: Vice President

CERTIFICATE OF MERGER

OF

RAYTHEON COMPANY

WITH AND INTO

HE HOLDINGS, INC.

Under Section 251

of

the Delaware General Corporation Law

THE UNDERSIGNED, HE Holdings, Inc. ("Defense") and Raytheon Company ("Raytheon"), in connection with the merger of Raytheon with and into Defense (the "Merger"), hereby certify as follows:

FIRST: The name and the state of incorporation of each of the constituent corporations are:

Name	State of Incorporation
----	-----
HE Holdings, Inc.	Delaware
Raytheon Company	Delaware

SECOND: An agreement and plan of merger relating to the Merger (the "Agreement of Merger") has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with Section 251 of the Delaware General Corporation Law.

THIRD: The name of the surviving corporation of the Merger is HE Holdings, Inc.

FOURTH: The Certificate of Incorporation of the surviving corporation shall be the Amended and Restated Certificate of Incorporation of HE Holdings, Inc. as filed with the Secretary of State of Delaware on December 12, 1997; provided, however, that Article I thereof shall be amended and restated as of the effectiveness of the Merger to read as follows:

"Article I
Name

The name of the corporation (which is hereafter referred to as the "Corporation") is Raytheon Company."

FIFTH: The merger shall be effective at and as of 5:00 p.m. (Eastern Time) on December 17, 1997.

SIXTH: The executed Agreement of Merger is on file at the principal place of business of the surviving corporation at 141 Spring Street, Lexington, Massachusetts 02173.

SEVENTH: A copy of the Agreement of Merger will be furnished by the surviving corporation, on request and without cost, to any stockholder of either constituent corporation.

IN WITNESS WHEREOF, the undersigned corporations have duly executed this Certificate this 17th day of December 1997.

RAYTHEON COMPANY

By: /s/ Thomas D. Hyde

Name: Thomas D. Hyde
Title: Vice President and General
Counsel

HE HOLDINGS, INC.

By: /s/ J.L. Williamson

Name: J.L. Williamson
Title: Assistant Secretary

AMENDED AND RESTATED

BY-LAWS

OF

HE HOLDINGS, INC.

(Amended and Restated as of December 7, 1997)

Incorporated under the Laws of the State of Delaware

ARTICLE I
Offices And Records

Section 1.1. Delaware Office. The principal office of the Corporation in the State of Delaware shall be located in the City of Wilmington, County of New Castle, and the name and address of its registered agent is The Corporation Trust Company, 1209 Orange Street in the City of Wilmington, County of New Castle.

Section 1.2. Other Offices. The Corporation may have such other offices, either within or outside the State of Delaware, as the Board of Directors of the Corporation (the "Board") may designate or as the business of the Corporation may from time to time require.

Section 1.3. Books and Records. The books and records of the Corporation may be kept outside the State of Delaware at such place or places as may from time to time be designated by the Board.

ARTICLE II
Stockholders

Section 2.1. Annual Meeting. The annual meeting of the stockholders of the Corporation shall be held on such date and at such time as may be fixed by resolution of the Board.

Section 2.2. Special Meeting. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of stockholders of the Corporation for any purpose or purposes may be called only by (i) the Board pursuant to a resolution stating the purpose or purposes thereof approved by a majority of the total number of directors which the Corporation would have if there were no vacancies (the "Whole Board") or (ii) by the Chairman of the Board. No business other than that stated in the notice shall be transacted at any special meeting.

Section 2.3. Place of Meeting. The Board or the Chairman of the Board, as the case may be, may designate the place of meeting for any annual meeting or for any special meeting of the stockholders. If no designation is so made, the place of meeting shall be the principal office of the Corporation.

Section 2.4. Notice of Meeting. Written or printed notice stating (i) the place, day and hour of the meeting, (ii) with respect to a meeting to elect or remove directors, the number of votes per share of Class A Common Stock that record holders of Class A Common Stock will have at such meeting (as such number is determined in accordance with Section 2(a)(i) of Article IV of the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation")), and (iii) the purpose or purposes for which the meeting is called, shall be delivered by the Corporation not less than 10 calendar days nor more than 60 calendar days before the date of the meeting, either personally or by mail, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at such person's address as it appears on the stock transfer books of the Corporation. Such further notice shall be given as may be required by law. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present in accordance with Section 6.4 of these By-

Laws. Any previously scheduled meeting of the stockholders may be postponed, and any special meeting of the stockholders may be canceled, by resolution of the Board upon public notice given prior to the date previously scheduled for such meeting of stockholders.

Section 2.5. Quorum and Adjournment; Voting. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the voting power of all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the shares of each such class or series shall constitute a quorum of such class or series for the transaction of such business and a quorum of each such class or series entitled to vote thereon shall be required to act. To the extent that a quorum is present with respect to consideration of and action on a particular matter or matters but a quorum is not present as to another matter or matters, consideration of and action on the matter or matters for which a quorum is present may occur, and, after such consideration and action, the meeting may be adjourned for purposes of the consideration of and action on the matter or matters for which a quorum is not present. The Chairman of the meeting may adjourn the meeting from time to time, whether or not there is such a quorum. No notice of the time and place of adjourned meetings need be given except as required by law. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 2.6. Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing (or in such manner prescribed by the General Corporation Law of the State of Delaware (the "DGCL")) by the stockholder, or by such person's duly authorized attorney in fact.

Section 2.7. Notice of Stockholder Business and Nominations.

(A) Annual Meetings of Stockholders.

(1) Nominations of persons for election to the Board and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting pursuant to Section 2.4 of these By-Laws, (b) by or at the direction of the Board, or (c) by any

stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this By-Law, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this By-Law.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this By-Law, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th calendar day nor earlier than the close of business on the 120th calendar day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 calendar days before or more than 60 calendar days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th calendar day prior to such annual meeting and not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the calendar day on which public announcement of the date of such meeting is first made by the Corporation. For purposes of determining whether a stockholder's notice shall have been delivered in a timely manner for the annual meeting of stockholders in 1998, the first anniversary of the previous year's meeting shall be deemed to be May 31, 1998. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any financial interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of

the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A) (2) of this By-Law to the contrary, in the event that the number of directors to be elected to the Board is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board at least 100 calendar days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this By-Law shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th calendar day following the day on which such public announcement is first made by the Corporation.

(B) Special Meetings of Stockholders.

Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting under Section 2.4 of these By-Laws. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board, or (b) provided that the Board has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this By-Law, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this By-Law. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting pursuant to such clause (b), if the stockholder's notice required by paragraph (A) (2) of this By-Law shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th calendar day prior to such special meeting and not later than the close of business on the later of the 90th calendar day prior to such special meeting or the 10th calendar day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(C) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this By-Law shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this By-Law. Except as otherwise provided by law, the Certificate of Incorporation or these By-Laws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this By-Law and, if any proposed nomination or business is not in compliance with this By-Law, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this By-Law, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this By-Law, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this By-Law. Nothing in this By-Law shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors under an applicable Preferred Stock Designation (as defined in the Certificate of Incorporation).

Section 2.8. Procedure for Election of Directors; Required Vote.

Election of directors at all meetings of the stockholders at which directors are to be elected shall be by ballot, and, subject to the rights of the holders of any series of Preferred Stock to elect directors under an applicable Preferred Stock Designation, a plurality of the votes cast thereat shall elect directors. Except as otherwise provided by law, the Certificate of Incorporation, Preferred Stock Designation, or these By-Laws, in all matters other than the election of directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

Section 2.9. Inspectors of Elections; Opening and Closing the Polls.

The Board by resolution shall appoint, or shall authorize an officer of the Corporation to appoint, one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at the meetings of stockholders and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of stockholders, the Chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging such person's duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of such person's ability. The inspector(s) shall have the duties prescribed by law. The Chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

Section 2.10. No Stockholder Action by Written Consent. Any action

required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

ARTICLE III
Board of Directors

Section 3.1. General Powers. The business and affairs of the

Corporation shall be managed under the direction of the Board. In addition to the powers and authorities by these By-Laws expressly conferred upon them, the Board may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws required to be exercised or done by the stockholders.

Section 3.2. Number and Tenure. Except as otherwise fixed by or

pursuant to the provisions of Article IV of the Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of the directors of the Corporation shall be as set forth in, and fixed from time to time exclusively in the manner set forth in, Article VI of the Certificate of Incorporation.

Section 3.3. Regular Meetings. A regular meeting of the Board shall be held without other notice than this By-Law immediately after, and at the same place as, the annual meeting of stockholders. The Board may, by resolution, provide the time and place for the holding of additional regular meetings without other notice than such resolution.

Section 3.4. Special Meetings. Special meetings of the Board shall be called at the request of the Chairman of the Board, the President or a majority of the Board then in office. The person or persons authorized to call special meetings of the Board may fix the place and time of the meetings.

Section 3.5. Notice. Notice of any special meeting of directors shall be given to each director at such person's business or residence in writing by hand delivery, first-class or overnight mail, courier service or facsimile transmission, or orally by telephone. If mailed by first-class mail, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at least 5 calendar days before such meeting. If by overnight mail or courier service, such notice shall be deemed adequately delivered when the notice is delivered to the overnight mail or courier service company at least 24 hours before such meeting. If by facsimile transmission, such notice shall be deemed adequately delivered when the notice is transmitted at least 12 hours before such meeting. If by telephone or by hand delivery, the notice shall be given at least 12 hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice of such meeting, except for amendments to these By-Laws, as provided under Section 8.1. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting either before or after such meeting.

Section 3.6. Action by Consent of Board of Directors. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 3.7. Conference Telephone Meetings. Members of the Board or any committee thereof may participate in a meeting of the Board or such committee by means of conference telephone or similar communications equipment by

means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 3.8. Quorum. Subject to Section 3.9, a whole number of directors equal to at least a majority of the Whole Board shall constitute a quorum for the transaction of business, but if at any meeting of the Board there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board. The directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 3.9. Vacancies. Except as otherwise provided for or fixed by or pursuant to the provisions of Article IV of the Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board resulting from death, resignation, disqualification, removal or other cause shall be filled in accordance with, and any director elected to such newly created directorships shall hold office in accordance with, Article VI of the Certificate of Incorporation. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

Section 3.10. Committees. (a) The Board, by resolution adopted by a majority of the Whole Board, may designate one or more committees which, to the extent permitted by law, may exercise such powers and have such responsibilities as shall be specified in the designating resolution. Each committee shall consist of two or more directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Each committee shall keep written minutes of its proceedings and shall report such proceedings to the Board when required.

(b) A majority of any committee may determine its action and fix the time and place of its meetings, unless the Board shall otherwise provide. Notice of such meetings shall be given to each member of the committee in the manner provided for in Section 3.5 of these By-Laws. The Board shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. Nothing herein shall be deemed to prevent the Board from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board.

Section 3.11. Removal. Any director may be removed from office only in accordance with Article VI of the Certificate of Incorporation.

Section 3.12. Records. The Board shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board and of the stockholders, appropriate stock books and registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Corporation.

ARTICLE IV Officers

Section 4.1. Elected Officers. The elected officers of the Corporation shall be a Chairman of the Board, a Chief Financial Officer, a Secretary, a Treasurer, and such other officers (including, without limitation, a President, Senior Vice Presidents and Executive Vice Presidents and Vice Presidents) as the Board from time to time may deem proper. The Chairman of the Board shall be chosen from among the directors. All officers elected by the Board shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV. Such officers shall also have such powers and duties as from time to time may be conferred by the Board or by any committee thereof. The Board or any committee thereof may from time to time elect, or the Chairman of the Board or President may appoint, such other officers (including one or more Vice Presidents, Controllers, Assistant Secretaries and Assistant Treasurers), as may be necessary or desirable for the conduct of the business of the Corporation. Such other officers and agents shall have such duties and shall hold their offices for such terms as shall be provided in these By-Laws or as may be prescribed by the Board or such committee or by the Chairman of the Board or President, as the case may be.

Section 4.2. Election and Term of Office. The elected officers of the Corporation shall be elected annually by the Board at the regular meeting of the Board held after the annual meeting of the stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until such person's successor shall have been duly elected and shall have qualified or until such person's death or until such person shall resign or be removed pursuant to Section 4.8.

Section 4.3. Chairman of the Board; Chief Executive Officer. The Chairman of the Board shall preside at all meetings of the stockholders and of the Board and shall be the Chief Executive Officer of the Corporation. The Chairman of the Board shall be responsible for the general management of the affairs of the Corporation and shall perform all duties incidental to such person's office which may be required by law and all such other duties as are properly required of such person by the Board. The Chairman of the Board shall make reports to the Board and the stockholders, and shall see that all orders and resolutions of the Board and of any committee thereof are carried into effect. The Chairman of the Board may also serve as President, if so elected by the Board. The directors also may elect a Vice-Chairman to act in the place of the Chairman upon his or her absence or inability to act.

Section 4.4. Chief Financial Officer. The Chief Financial Officer shall be the principal financial officer of the Corporation and shall have such powers and shall perform such duties as shall be assigned to such person by the Board.

Section 4.5. President. The President, if any, shall act in a general executive capacity and shall assist the Chairman of the Board in the administration and operation of the Corporation's business and general supervision of its policies and affairs. The President, if he or she is also a director, shall, in the absence of or because of the inability to act of the Chairman of the Board, perform all duties of the Chairman of the Board and preside at all meetings of stockholders and of the Board.

Section 4.6. Vice Presidents. Each Senior Vice President and Executive Vice President and any Vice President shall have such powers and shall perform such duties as shall be assigned to such person by the Board.

Section 4.7. Treasurer. The Treasurer shall exercise general supervision over the receipt, custody and disbursement of corporate funds. The Treasurer shall cause the funds of the Corporation to be deposited in such banks as

may be authorized by the Board, or in such banks as may be designated as depositories in the manner provided by resolution of the Board. The Treasurer shall have such further powers and duties and shall be subject to such directions as may be granted or imposed from time to time by the Board, the Chairman of the Board, the President, if any, or the Chief Financial Officer.

Section 4.8. Secretary. (a) The Secretary shall keep or cause to be kept in one or more books provided for that purpose, the minutes of all meetings of the Board, the committees of the Board and the stockholders; the Secretary shall see that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; shall be custodian of the records and the seal of the Corporation and affix and attest the seal to all stock certificates of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and affix and attest the seal to all other documents to be executed on behalf of the Corporation under its seal; and shall see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and in general, shall perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Board, the Chairman of the Board or the President.

(b) Assistant Secretaries shall have such of the authority and perform such of the duties of the Secretary as may be provided in these By-Laws or assigned to them by the Board or the Chairman of the Board or by the Secretary. During the Secretary's absence or inability, the Secretary's authority and duties shall be possessed by such Assistant Secretary or Assistant Secretaries as the Board, the Chairman of the Board, the President or a Vice Chairman of the Board may designate.

Section 4.9. Removal. Any officer elected, or agent appointed, by the Board may be removed by the affirmative vote of a majority of the Whole Board whenever, in their judgment, the best interests of the Corporation would be served thereby. Any officer or agent appointed by the Chairman of the Board or the President may be removed by such person whenever, in such person's judgment, the best interests of the Corporation would be served thereby. No elected officer shall have any contractual rights against the Corporation for compensation by virtue of such election beyond the date of the election of such person's successor, such person's death, such person's resignation or such person's removal, whichever event shall first occur, except as otherwise provided in an employment contract or under an employee deferred compensation plan.

Section 4.10. Vacancies. A newly created elected office and a vacancy in any elected office because of death, resignation, or removal may be filled by the Board for the unexpired portion of the term at any meeting of the Board. Any vacancy in an office appointed by the Chairman of the Board or the President because of death, resignation, or removal may be filled by the Chairman of the Board or the President.

ARTICLE V
Stock Certificates and Transfers

Section 5.1. Stock Certificates and Transfers. The interest of each stockholder of the Corporation shall be evidenced by certificates for shares of stock in such form as the appropriate officers of the Corporation may from time to time prescribe. The shares of the stock of the Corporation shall be transferred on the books of the Corporation by the holder thereof in person or by such person's attorney, upon surrender for cancellation of certificates for at least the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require. The certificates of stock shall be signed, countersigned and registered in such manner as the Board may by resolution prescribe, which resolution may permit all or any of the signatures on such certificates to be in facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 5.2. Lost, Stolen or Destroyed Certificates. No certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of such evidence of such loss, destruction or theft and on delivery to the Corporation of a bond of indemnity in such amount, upon such terms and secured by such surety, as the Board or any financial officer may in its or such person's discretion require.

ARTICLE VI
Miscellaneous Provisions

Section 6.1. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January and end on the thirty-first day of December of each year.

Section 6.2. Dividends. The Board may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and the Certificate of Incorporation.

Section 6.3. Seal. The corporate seal shall have inscribed thereon the words "Corporate Seal," the year of incorporation and around the margin thereof the words "Delaware."

Section 6.4. Waiver of Notice. Whenever any notice is required to be given to any stockholder or director of the Corporation under the provisions of the DGCL or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders or the Board or committee thereof need be specified in any waiver of notice of such meeting.

Section 6.5. Audits. The accounts, books and records of the Corporation shall be audited upon the conclusion of each fiscal year by an independent certified public accountant selected by the Board, and it shall be the duty of the Board to cause such audit to be done annually.

Section 6.6. Resignations. Any director or any officer, whether elected or appointed, may resign at any time by giving written notice of such resignation to the Chairman of the Board, the President, or the Secretary, and such resignation shall be deemed to be effective as of the close of business on the date said notice is received by the Chairman of the Board, the President, or the Secretary, or at such later time as is specified therein. No formal action shall be required of the Board or the stockholders to make any such resignation effective.

ARTICLE VII
Contracts, Proxies, Etc.

Section 7.1. Contracts. Except as otherwise required by law, the Certificate of Incorporation, a Preferred Stock Designation, or these By-Laws, any contracts or other instruments may be executed and delivered in the name and on the behalf of the Corporation by such officer or officers of the Corporation as the Board may from time to time direct. Such authority may be general or confined to specific instances as the Board may determine. The Chairman of the Board, the President or any Senior Vice President, Executive Vice President or Vice President may execute bonds, contracts, deeds, leases and other instruments to be made or executed for or on behalf of the Corporation. Subject to any restrictions imposed by the Board or the Chairman of the Board, the President or any Senior Vice President, Executive Vice President or Vice President of the Corporation may delegate contractual powers to others under such person's jurisdiction, it being understood, however, that any such delegation of power shall not relieve such officer of responsibility with respect to the exercise of such delegated power.

Section 7.2. Proxies. Unless otherwise provided by resolution adopted by the Board, the Chairman of the Board, the President, the Chief Financial Officer, or any Senior Vice President, Executive Vice President or Vice President may from time to time appoint an attorney or attorneys or agent or agents of the Corporation, in the name and on behalf of the Corporation, to cast the votes which the Corporation may be entitled to cast as the holder of stock or other securities in any other corporation, any of whose stock or other securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, or to consent in writing, in the name of the Corporation as such holder, to any action by such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal or otherwise, all such written proxies or other instruments as he may deem necessary or proper in the premises.

ARTICLE VIII
Amendments

Section 8.1. Amendments. The By-Laws may be altered or repealed and new By-Laws may be adopted (1) at any annual or special meeting of stockholders by the affirmative vote of the holders of shares of Common Stock in

accordance with Articles IV and VII of the Certificate of Incorporation; provided, however, that, in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, repeal or adoption of the new By-Law or By-Laws must be contained in the notice of such special meeting, or (2) by the affirmative vote of a majority of the Whole Board.

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this filing of Raytheon Company and Subsidiaries Consolidated on Form 8-K of our report dated January 20, 1997, except as to the information presented in note R for which the date is February 23, 1997 on our audits of the consolidated financial statements and financial statement schedule of Raytheon Company and Subsidiaries Consolidated.

/s/ Coopers & Lybrand L.L.P.

Boston, Massachusetts

December 17, 1997

Raytheon Company
Corporate Communications
141 Spring Street
Lexington, MA 02173

RAYTHEON

NEWS RELEASE

ROBERT S. MCWADE
C-2409 12/18/96
(617) 860-2846

RAYTHEON COMPLETES MERGER WITH HUGHES AIRCRAFT, ANNOUNCES CREATION OF RAYTHEON SYSTEMS COMPANY

LEXINGTON, MA (12/18/98) -- Raytheon Company announced today the completion of its merger with Hughes defense, creating one of the largest industrial corporations in the United States.

At the same time, Raytheon announced the formation of Raytheon Systems Company and appointed William H. Swanson as Chairman and Chief Executive Officer of that new organization. Raytheon Systems Company will be headquartered in the Washington, D.C. area and will include the Hughes defense operations and the operations that have been part of Raytheon Electronic Systems, Raytheon TI Systems, and Raytheon E-Systems. Raytheon Systems Company will be one of the world's largest defense contractors and will operate as part of Raytheon Company.

"Our strategy has been to remain a top tier company in a consolidating defense industry," said Dennis J. Picard, Chairman and Chief Executive Officer of Raytheon Company. "The historic merger with Hughes defense and our earlier acquisitions have enabled us to achieve that strategy. Today, we can proudly say that we are a global technology leader and a defense electronics powerhouse. We also continue to remain strong in our commercial businesses, with leadership positions in general aviation aircraft, commercial electronics and engineering and construction."

The value of the transaction is \$9.5 billion, with \$4.04 billion in debt and \$5.46 billion in equity. This debt/equity split is based on a 30-day collar period average market price of \$53.21 per share of Raytheon stock. Raytheon announced its agreement to merge with Hughes defense in January, 1997. The merger was approved by the United States Department of Justice in October and by stockholders of Raytheon, General Motors

(GM\$1 2/3 par value) and GM Class "H" stock in December. The merger was completed yesterday.

"We have been focusing on how best to combine the Raytheon and Hughes operations since we first announced the merger in January," said Picard. "We will now move quickly--as shown by today's announcement of Raytheon Systems Company--to take the steps necessary to ensure that we remain competitive. Our goal is to create an organization that we believe will set a new standard of excellence in the products and services we provide to our customers, creating exciting opportunities for our employees and strong returns for our shareholders."

"I am pleased to announce the appointment of William H. Swanson as Chairman and Chief Executive Officer of Raytheon Systems Company," said Picard. "Bill's outstanding record of achievement at Raytheon while serving in key positions such as General Manager of Raytheon Electronic Systems makes him ideally suited to the needs of Raytheon Systems Company. With extensive experience in a wide range of defense products, a strong background in converting defense technologies to commercial applications and a demonstrated ability to integrate complex organizations, I am confident that Bill will be a superb leader of Raytheon Systems Company." Swanson will report directly to Chairman and CEO Picard.

Raytheon also announced the appointment of Ken C. Dahlberg as President and Chief Operating Officer of Raytheon Systems Company, reporting to Swanson. Dahlberg was formerly a Corporate Vice President of Hughes Electronics Corporation and a Senior Vice President of Hughes Aircraft Company. At Hughes, Dahlberg was also President of the Sensors and Communications Systems organization. "Ken Dahlberg has had a career defined by excellence in a wide variety of capacities at Hughes," said Picard. "Together, he and Bill Swanson will make an outstanding management team fully capable of leading Raytheon Systems Company into the next century."

Raytheon also announced that, in keeping with his previous plans, A. Lowell Lawson, currently the Chairman and Chief Executive Officer of Raytheon E-Systems, will retire in January, 1998. Lawson will remain on Raytheon's board until the completion of his current term in May, 1998. Also, John C. Weaver, currently President and Chief Operating Officer of Hughes Aircraft Company, has been elected as an Executive Vice President of Raytheon Company. Weaver will take over responsibility for Engineering

and Business Development in April 1998 on retirement of Renso Caporali, currently Senior Vice President for Engineering and Business Development for Raytheon Company.

"Lowell Lawson's contributions both to Raytheon Company and to the security of the United States during his long career have been enormous," said Picard. "His experience will be missed. Renso Caporali has done a superb job in helping to grow our business development organization and in ensuring engineering excellence throughout the company. At the same time, however, I am pleased to be welcoming such a distinguished individual as John Weaver into the top ranks of Raytheon Company."

With the addition of Hughes defense, Raytheon Company will have revenues of more than \$20 billion on a 1997 pro forma basis. The new Raytheon Systems Company will account for approximately US\$14.5 billion on a 1997 pro forma basis.

Raytheon Systems Company
- -----

"Raytheon Systems Company is now, without question, a world leader in electronic systems, the most dynamic segment of the defense business," said William H. Swanson, Chairman and Chief Executive Officer of Raytheon Systems Company. "We will encourage creativity, innovation and engineering excellence among our employees and focus on providing unparalleled value to our customers."

"Raytheon Electronic Systems, Raytheon TI Systems, Raytheon E-Systems and Hughes defense will be stronger together than they would have been separately," continued Swanson. "The combination of these companies into Raytheon Systems Company puts us in a better position to win new programs in the future by lowering costs, allowing us to focus our independent research and development, and bringing together the finest people and technologies in the defense business."

Raytheon Systems Company will have five major business segments: Defense Systems; Sensors and Electronic Systems; Command, Control and Communications (C/3/) Systems; Intelligence, Information and Aircraft Integration Systems; and Training and Services. Each segment will be managed by an Executive Vice President of Raytheon Systems Company who will report to Swanson and Dahlberg. This five-segment structure is designed to bring together all the resources of the company in key product areas in order to provide customers with state-of-the-art, cost-effective systems. Details of the segments are as follows:

- . Defense Systems will focus on anti-tactical ballistic missile systems; air

defense; air-to-air, surface-to-air, and air-to-ground missiles; naval and maritime systems; ship self-defense systems; torpedoes; strike, interdiction and cruise missiles; and advanced munitions. David L. McPherson, formerly President of the Weapons Systems Segment of Hughes Aircraft, has been appointed an Executive Vice President of Raytheon Systems Company and General Manager of the Defense Systems segment.

- . Sensors and Electronic Systems will focus on ground, shipboard and airborne

fire control and surveillance systems; primary and secondary air traffic control radars; ground, space based, night vision, and reconnaissance sensors; and electronic warfare and GPS systems. David W. Welp, a Senior Vice President of Raytheon Company and formerly President of Raytheon TI Systems, has been appointed an Executive Vice President of Raytheon Systems Company and General Manager of the Sensors and Electronic Systems segment. Welp will be supported in his duties by Christine Davis, who has been appointed a Senior Vice President of Raytheon Systems Company and Deputy General Manager, Sensors and Electronic Systems. Davis was formerly Senior Vice President and Manager of the Electronic Systems Division at Raytheon TI Systems.

- . C/3/ Systems will focus on command, control and communications systems; air

traffic control systems; tactical radios; satellite communication ground terminals; wide area surveillance systems; advanced transportation systems; and simulators and simulation systems. C. Dale Reis, a Senior Vice President of Raytheon Company and formerly Deputy General Manager of Raytheon Electronic Systems, has been appointed an Executive Vice President of Raytheon Systems Company and General Manager of the C/3/ Systems segment.

- . Intelligence, Information and Aircraft Integration Systems will focus on

ground-based information processing systems; large scale information retrieval, processing and distribution systems; global broadcast systems; airborne surveillance and intelligence systems integration; aircraft modification; and head-of-state aircraft systems. Brian D. Cullen, a Vice President of Raytheon Company and formerly Senior Vice President, Airborne Systems Division at Raytheon E-Systems, has been appointed an Executive Vice President of Raytheon Systems Company and General Manager of Intelligence, Information and Aircraft Integration Systems. Cullen will be supported in his duties by Terry W. Heil, a Vice President of Raytheon Company, who has been

appointed a Senior Vice President of Raytheon Systems Company and Deputy General Manager, Intelligence, Information and Aircraft Integration Systems. Heil was formerly Senior Vice President, Intelligence and Communication Systems Division at Raytheon E-Systems.

. Training and Services will focus on training services and integrated

training programs; technical services; and logistics and lifetime support. Francis S. Marchilena, a Vice President of Raytheon Company and formerly Assistant General Manager of Raytheon Electronic Systems, has been appointed an Executive Vice President of Raytheon Systems Company and General Manager of the Training and Services segment. Marchilena will be supported in his duties by Philip T. Le Pore, who has been appointed a Senior Vice President of Raytheon Systems Company and Deputy General Manager, Training and Services. Le Pore was formerly President of Hughes Technical Services Company.

"With this first-class team in place, we will now finalize the specific actions necessary to make Raytheon Electronic Systems, Raytheon TI Systems, Raytheon E-Systems and Hughes defense into a unified organization that will lead the industry in quality and value," added Swanson "We expect to announce additional details about Raytheon Systems Company in January."

The Commercial Businesses of Raytheon Company

In addition to its defense activities, Raytheon competes in a variety of commercial businesses. Raytheon Aircraft Company (RAC) is a world leader in general aviation, offering the most extensive product line in the industry. Additionally, RAC provides special mission aircraft, aircraft maintenance services, target drones and aircraft training systems to the military services. RAC won the 1995 competition for the multi-billion dollar, next-generation Joint Primary Aircraft Training System (JPATS) trainer for the U.S. Air Force and U.S. Navy.

Raytheon Engineers and Constructors (RE&C) is one of the largest engineering, construction, and operations and maintenance organizations in the world. Its markets include: fossil-fuel and nuclear power; petroleum and gas; polymers and chemicals, pharmaceuticals and biotechnology; metals, mining and light industry; food and consumer products, and pulp and paper, among others.

In commercial electronics, Raytheon is a leader in marine electronics and microelectronics. Raytheon Marine supplies marine radars, depth sounders, radios, autopilots, fish finders, navigation aids, GPS receivers as well as complete solutions to integrated bridge control, communication systems, GPS and gyro compasses. In the area of microelectronics, Raytheon specializes in the use of gallium arsenide Monolithic Microwave Integrated Circuit (MMIC) technology and is deploying MMIC technology to global satellite communications, direct broadcast satellite television receivers, wireless local area networks and next-generation digital cellular telephones.

Raytheon Company, with headquarters in Lexington, Mass. is an international high technology company which operates in commercial and defense electronics, engineering and construction, aircraft, and appliances. The company celebrates its 75th anniversary this year.

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NOTE: This press release contains forward-looking statements that involve a number of risks and uncertainties. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are set forth under "Item 1--Business" of Raytheon's Annual Report on Form 10-K for the year ended December 31, 1996. These include the ability to integrate Hughes Defense with Raytheon, including Raytheon TI Systems ("RTIS"). The combination of Raytheon, RTIS and Hughes Defense will require, among other things, integration of RTIS and Hughes Defense organizations, business infrastructure and products with those of Raytheon in a way that enhances the performance of the combined businesses. The challenges posed by these transactions include the integration of numerous geographically separated manufacturing facilities and research and development centers. The success of this transition to an integrated entity will be significantly influenced by Raytheon's ability to retain key employees, to integrate differing management structures and to realize anticipated cost synergies, all of which will require significant management time and resources.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

FINANCIAL STATEMENTS

INDEX -----	PAGE -----
UNAUDITED FINANCIAL STATEMENTS AS OF SEPTEMBER 28, 1997 AND FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 28, 1997 AND SEPTEMBER 29, 1996	
Balance Sheets.....	C-2
Statements of Income.....	C-3
Statements of Cash Flows.....	C-4
Notes to Combined Financial Statements.....	C-5
COMBINED FINANCIAL STATEMENTS AS OF DECEMBER 31, 1996 AND 1995 AND FOR THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 1996 AND REPORT OF INDEPENDENT ACCOUNTANTS	
Report of Independent Accountants.....	C-6
Balance Sheets.....	C-7
Statements of Income.....	C-8
Statements of Stockholders' Equity.....	C-9
Statements of Cash Flows.....	C-10
Notes to Financial Statements.....	C-11

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

BALANCE SHEETS

(UNAUDITED)

SEPTEMBER 28, 1997 DECEMBER 31, 1996

(IN THOUSANDS)

ASSETS		
Cash and marketable securities.....	\$ 267,684	\$ 138,821
Accounts receivable.....	953,652	808,715
Federal and foreign income taxes, includ- ing deferred.....	227,554	246,120
Contracts in process, less progress pay- ments.....	3,148,259	2,592,006
Inventories.....	1,652,815	1,590,967
Prepaid expenses.....	304,005	227,266
	-----	-----
Total current assets.....	6,553,969	5,603,895
Property, plant and equipment, net.....	2,046,958	1,802,012
Other assets.....	6,655,225	3,720,169
	-----	-----
	\$15,256,152	\$11,126,076
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Notes payable and current portion of long- term debt.....	\$ 2,174,785	\$ 2,226,935
Accounts payable.....	1,265,300	1,125,881
Advance payments, less contracts in proc- ess.....	389,327	341,326
Accrued expenses.....	1,515,709	997,691
	-----	-----
Total current liabilities.....	5,345,121	4,691,833
Accrued retiree benefits.....	423,793	249,992
Federal and foreign income taxes, includ- ing deferred.....	85,765	85,765
Long-term debt.....	4,386,377	1,500,476
Stockholders' equity.....	5,015,096	4,598,010
	-----	-----
	\$15,256,152	\$11,126,076
	=====	=====

The accompanying notes are an integral part of the financial statements.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

STATEMENTS OF INCOME

(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 28, 1997	SEPTEMBER 29, 1996	SEPTEMBER 28, 1997	SEPTEMBER 29, 1996
(IN THOUSANDS EXCEPT PER SHARE DATA)				
NET SALES.....	\$3,445,310	\$3,032,360	\$9,669,204	\$8,946,745
Cost of sales.....	2,635,702	2,428,087	7,426,576	7,004,735
Administrative and selling expenses.....	269,501	254,358	811,871	781,655
Research and development expenses.	120,510	76,862	290,057	254,326
Special charge.....	--	34,000	--	34,000
Total operating expenses.....	3,025,713	2,793,307	8,528,504	8,074,716
OPERATING INCOME.....	419,597	239,053	1,140,700	872,029
Interest expense.....	119,810	70,827	262,593	185,684
Interest and dividend income.....	(9,291)	(60,314)	(24,341)	(92,884)
Other (income) expense, net.....	(13,189)	2,623	(12,050)	(42,613)
Non-operating expense, net.....	97,330	13,136	226,202	50,187
INCOME BEFORE TAXES.....	322,267	225,917	914,498	821,842
Federal and foreign income taxes.....	111,047	38,027	310,366	238,069
NET INCOME.....	\$ 211,220	\$ 187,890	\$ 604,132	\$ 583,773
Earnings per common shares.....	\$ 0.89	\$ 0.80	\$ 2.56	\$ 2.45
Average number of common shares outstanding during period.....	236,411	235,932	236,327	237,833
Dividends declared per common share.....	\$ 0.20	\$ 0.20	\$ 0.60	\$ 0.60

The accompanying notes are an integral part of the financial statements.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	NINE MONTHS ENDED	
	SEPT. 28, 1997	SEPT. 29, 1996
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	\$ 604,132	\$ 583,773
Adjustments to reconcile net income to net cash provided by operating activities.....		
Depreciation and amortization.....	325,326	271,321
Special charge.....	--	34,000
Sale of receivables.....	1,080,500	524,500
Gain on sale of operating unit.....	(13,000)	--
Other adjustments, net.....	(1,702,995)	(1,934,741)
Net cash provided by (used in) operating activities.....	293,963	(521,147)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment.....	(305,381)	(287,597)
Payment for purchase of acquired companies, net of cash received.....	(3,018,277)	(584,390)
Proceeds from sale of operating unit, net.....	522,200	66,551
Additions to intangible assets.....	(8,684)	(36,207)
All other, net.....	(86,059)	(5,481)
Net cash used in investing activities.....	(2,896,201)	(847,124)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in short-term debt.....	(52,150)	1,721,396
Change in long-term debt.....	2,885,901	(3,122)
Dividends.....	(141,808)	(142,317)
Purchase of treasury shares.....	(65,256)	(305,842)
Proceeds under common stock plans.....	48,722	45,047
All other, net.....	60,069	4,992
Net cash provided by financing activities.....	2,735,478	1,320,154
Effect of foreign exchange rates on cash.....	(3,986)	(663)
Net increase (decrease) in cash and cash equivalents.	129,254	(48,780)
Cash and cash equivalents at beginning of year.....	137,379	208,614
Cash and cash equivalents at end of third quarter....	\$ 266,633	\$ 159,834

The accompanying notes are an integral part of the financial statements.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS

(1) Details of certain balance sheet accounts are as follows:

	SEPT. 28, 1997	DEC. 31, 1996

	(IN THOUSANDS)	
CASH AND MARKETABLE SECURITIES		
Cash and cash equivalents.....	\$ 266,633	\$ 137,379
Marketable securities.....	1,051	1,442
	-----	-----
Total cash and marketable securities.....	\$ 267,684	\$ 138,821
	=====	=====
INVENTORIES		
Finished goods.....	\$ 371,977	\$ 616,660
Work in process.....	934,847	650,132
Material and purchased parts.....	503,968	482,152
Excess of current cost over LIFO values.....	(157,977)	(157,977)
	-----	-----
Total inventories.....	\$ 1,652,815	\$ 1,590,967
	=====	=====
PROPERTY, PLANT AND EQUIPMENT		
At cost.....	\$ 4,928,196	\$ 4,490,359
Accumulated depreciation and amortization.....	(2,881,238)	(2,688,347)
	-----	-----
Net property, plant and equipment.....	\$ 2,046,958	\$ 1,802,012
	=====	=====
STOCKHOLDERS' EQUITY		
Preferred stock, no outstanding shares.....	\$ --	\$ --
Common stock, outstanding shares.....	236,331	236,250
Additional paid-in capital.....	353,174	307,451
Equity adjustments.....	(40,670)	(11,966)
Retained earnings.....	4,466,261	4,066,275
	-----	-----
Total stockholders' equity.....	\$ 5,015,096	\$ 4,598,010
	=====	=====

- (2) In connection with the sale of receivables as noted in the Statement of Cash Flows, the following special purpose entities were established in accordance with Statement of Financial Accounting Standards No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities: Raytheon Aircraft Receivables Corporation, Raytheon Commercial Appliances Finance Corporation, Raytheon Appliances/Amana Receivables Corporation, Raytheon Commercial Appliances Receivables Corporation and Raytheon Engineers & Constructors Receivables Corporation.
- (3) The company will adopt Statement of Financial Accounting Standards No. 128, Earnings per Share, in the fourth quarter of 1997. The adoption is not expected to have a material effect on the company's financial position, results of operations, or earnings per share.
- (4) The company will adopt Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, in 1998, by making the appropriate disclosures.
- (5) The company will adopt Statement of Financial Standards No. 131, Disclosure about Segments of an Enterprise and Related Information, in 1998, by making the appropriate disclosures.
- (6) Certain amounts in the 1996 financial statements have been reclassified to conform with the 1997 presentation.
- (7) The information furnished has been prepared from the accounts without audit. In the opinion of management, the information reflects all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the financial statements for the interim periods.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
Raytheon Company
Lexington, Mass.

We have audited the accompanying balance sheets of Raytheon Company and Subsidiaries Consolidated as of December 31, 1996 and 1995, and the related statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1996. 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 in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Raytheon Company and Subsidiaries Consolidated as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Boston, Mass.
January 20, 1997, except as to the information presented in note R for which the date is February 23, 1997.

/s/ Coopers & Lybrand L.L.P.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

BALANCE SHEETS

DECEMBER 31, 1996 DECEMBER 31, 1995

(IN THOUSANDS)

ASSETS

Current assets

Cash and marketable securities (notes A and B).....	\$ 138,821	\$ 210,284
Accounts receivable, less allowance for doubtful accounts: 1996--\$20,260,000; 1995--\$22,043,000.....	808,715	926,800
Federal and foreign income taxes, including deferred (notes A and I).....	246,120	196,711
Contracts in process (notes A and C).....	2,592,006	2,212,689
Inventories (notes A and D).....	1,590,967	1,502,983
Prepaid expenses (note L).....	227,266	225,751
	-----	-----
Total current assets.....	5,603,895	5,275,218
Property, plant, and equipment, net (notes A and E).....	1,802,012	1,584,035
Other assets (notes A and F).....	3,720,169	2,981,691
	-----	-----
	\$11,126,076	\$ 9,840,944
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

Notes payable and current portion of long-term debt (notes G and H).....	\$ 2,226,935	\$ 1,216,039
Advance payments, less contracts in process:		
1996--\$803,056,000; 1995--\$586,792,000..	341,326	343,470
Accounts payable.....	1,125,881	1,041,848
Accrued salaries and wages.....	272,877	254,419
Other accrued expenses (note A).....	724,814	834,647
	-----	-----
Total current liabilities.....	4,691,833	3,690,423
Accrued retiree benefits (note L).....	249,992	270,025
Income taxes, including deferred (notes A and I).....	85,765	100,797
Long-term debt (note H).....	1,500,476	1,487,735
Commitments and contingencies (note J).....		
Stockholders' equity (note Q)		
Preferred stock, no par value		
Authorized: 3,000,000 shares.....		
Outstanding: 1996 and 1995--none.....		
Common stock, par value \$1.00 per shares		
Authorized: 400,000,000 shares.....		
Outstanding: 1996--236,250,000 shares; 1995--240,690,000 shares (after deducting shares in treasury: 1996--118,685,000; 1995--114,245,000) (note K).....	236,250	240,690
Additional paid-in capital.....	307,451	258,708
Equity adjustments (note A).....	(11,966)	5,071
Retained earnings.....	4,066,275	3,787,495
	-----	-----
Total stockholders' equity.....	4,598,010	4,291,964
	-----	-----
	\$11,126,076	\$ 9,840,944
	=====	=====

The accompanying notes are an integral part of the financial statements.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31:		
	1996	1995	1994
(IN THOUSANDS EXCEPT PER SHARE DATA)			
Net sales (note A).....	\$ 12,330,538	\$ 11,804,174	\$ 10,097,662
Cost of sales.....	9,753,970	9,159,447	7,769,882
Administrative and selling expenses..	1,021,127	1,085,765	912,313
Research and development expenses (note A).....	323,271	315,581	269,613
Restructuring and special charges (note A).....	34,000	125,000	249,751
Total operating expenses.....	11,132,368	10,685,793	9,201,559
Operating income.....	1,198,170	1,118,381	896,103
Interest expense.....	256,253	196,627	48,504
Interest and dividend income.....	(101,996)	(26,288)	(19,611)
Other income, net (note A).....	(39,549)	(243,641)	(32,729)
Non-operating expense (income), net..	114,708	(73,302)	(3,836)
Income before taxes.....	1,083,462	1,191,683	899,939
Federal and foreign income taxes (notes A and I).....	322,311	399,195	303,063
Net income (note A).....	\$ 761,151	\$ 792,488	\$ 596,876
Earnings per common share (notes A and Q)			
Outstanding shares.....	\$ 3.21	\$ 3.25	\$ 2.26
Fully diluted.....	\$ 3.16	\$ 3.20	\$ 2.24

The accompanying notes are an integral part of the financial statements.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

COMMON STOCK					
SHARES	PAR VALUE	ADDITIONAL PAID-IN CAPITAL	EQUITY ADJUSTMENTS	RETAINED EARNINGS	
(IN THOUSANDS)					
Balance at December 31, 1993 (note Q).....	270,428	\$270,428	\$193,275	\$ (2,100)	\$3,836,257
Net income.....					596,876
Dividends declared--\$.738 per share.....					(192,681)
Proceeds under common stock plans.....	1,864	1,864	41,476		
Treasury shares purchased.....	(25,338)	(25,338)	(20,638)		(758,933)
Treasury shares received on exercise of stock options.....	(310)	(310)	(4,645)		
Foreign exchange translation adjustments. FAS No. 87 pension adjustment.....				(3,613) (3,750)	
Balance at December 31, 1994.....	246,644	246,644	209,468	(9,463)	3,481,519
Net income.....					792,488
Dividends declared--\$.75 per share.....					(182,487)
Proceeds under common stock plans.....	2,388	2,388	64,502		
Treasury shares purchased.....	(8,144)	(8,144)	(7,844)		(304,025)
Treasury shares received on exercise of stock options.....	(198)	(198)	(7,418)		
Foreign exchange translation adjustments. FAS No. 115 unrealized valuation adjustment.... FAS No. 87 pension adjustment.....				10,374 2,973 1,187	
Balance at December 31, 1995.....	240,690	240,690	258,708	5,071	3,787,495
Net income.....					761,151
Dividends declared--\$.80 per share.....					(189,574)
Proceeds under common stock plans.....	1,864	1,864	63,837		
Treasury shares purchased.....	(6,104)	(6,104)	(6,942)		(292,797)
Treasury shares received on exercise of stock options.....	(200)	(200)	(8,152)		
Foreign exchange translation adjustments. FAS No. 115 unrealized valuation adjustment.... FAS No. 87 pension adjustment.....				(3,071) (15,045) 1,079	
Balance at December 31, 1996.....	236,250	\$236,250	\$307,451	(\$11,966)	\$4,066,275

The accompanying notes are an integral part of the financial statements.

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31:		
	1996	1995	1994
	(IN THOUSANDS)		
Cash flows from operating activities			
Net income.....	\$ 761,151	\$ 792,488	\$ 596,876
Adjustments to reconcile net income to net cash provided by operating activities, net of the effect of acquired companies.....			
Depreciation and amortization.....	368,923	371,399	304,166
Net gain on sale of operating division.....	--	(210,000)	--
Gain on sale of an investment.....	--	(27,846)	(31,056)
Sale of receivables.....	1,208,600	1,081,100	797,000
Increase in accounts receivable.....	(993,944)	(964,694)	(332,218)
(Increase) decrease in contracts in process.....	(580,830)	173,655	72,875
(Increase) decrease in inventories....	(38,154)	44,748	23,826
Increase in long term receivables....	(57,014)	(11,577)	(305,744)
(Decrease) increase in advance payments.....	(44,861)	(216,762)	90,351
Increase in accounts payable.....	48,510	37,003	71,820
Increase (decrease) in federal and foreign income taxes.....	47,341	83,322	(138,889)
(Decrease) increase in other current liabilities.....	(373,677)	80,876	32,135
Other adjustments, net.....	(54,750)	(59,122)	(23,283)
Net cash provided by operating activities.....	291,295	1,174,590	1,157,859
Cash flows from investing activities			
Additions to property, plant, and equipment.....	(406,005)	(328,617)	(267,376)
Disposals of property, plant, and equipment.....	15,765	61,861	69,844
Increase in other assets.....	(7,544)	(113,599)	(2,891)
Payment for purchase of acquired companies, net of cash received.....	(584,390)	(2,341,522)	(151,209)
Proceeds from sale of operating units...	66,551	449,200	--
Proceeds from sale of an investment....	--	10,160	85,113
Additions to intangible assets.....	(23,918)	(60,551)	(69,568)
All other, net.....	2,059	355	(6,875)
Net cash used in investing activities.....	(937,482)	(2,322,713)	(342,962)
Cash flows from financing activities			
Dividends.....	(189,574)	(182,487)	(192,681)
Increase in short-term debt.....	1,006,928	139,692	159,912
Increase (decrease) in long-term debt...	4,149	1,463,213	(929)
Purchase of treasury shares.....	(305,842)	(320,013)	(804,910)
Proceeds under common stock plans.....	57,348	59,274	38,386
All other, net.....	2,180	(4,612)	(4,122)
Net cash provided (used in) financing activities.....	575,189	1,155,067	(804,344)
Effect of foreign exchange rates on cash..	(237)	732	264
Net (decrease) increase in cash and cash equivalents.....	(71,235)	7,676	10,817
Cash and cash equivalents at beginning of year.....	208,614	200,938	190,121
Cash and cash equivalents at end of year..	\$ 137,379	\$ 208,614	\$ 200,938

The accompanying notes are an integral part of the financial statements.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS

NOTE A: ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the parent company and all domestic and foreign subsidiary companies. The books of the parent and all subsidiaries are maintained on a calendar year basis. All material intercompany transactions have been eliminated. Certain amounts in the 1995 and 1994 financial statements and notes have been reclassified to conform with the 1996 presentation. Certain accounts were reclassified in the statements of income to reconcile operating income with segment income.

Cash Equivalents and Marketable Securities

Cash and cash equivalents include only cash and short-term, highly liquid investments (those with original maturities when purchased of 90 days or less).

Cash equivalents and marketable securities 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 115) (see note P). Dividends are recorded as income when declared.

Contracts in Process

Sales under long-term contracts are recorded under the percentage of completion method, wherein costs and estimated gross margin are recorded as sales as the work is performed. Costs include direct engineering and manufacturing costs, applicable overheads, and special tooling and test equipment. Estimated gross margin provides for the recovery of allocable research, development (including bid proposal), marketing and administration costs, and for accrued income. Accrued income is based on the percentage of estimated total income that incurred costs to date bear to estimated total costs after giving effect to the most recent estimates of cost and funding at completion. When appropriate, increased funding is assumed based on expected adjustments of contract prices for increased scope and other changes ordered by the customer. Some contracts contain incentive provisions based upon performance in relation to established targets to which applicable recognition has been given in the contract estimates. 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 in the current period earnings applicable to performance in prior periods. When the current contract estimate indicates a loss, provision is made for the total anticipated loss. In accordance with these practices, contracts in process are stated at cost plus estimated profit but not in excess of realizable value.

Inventories

Aircraft inventories at Raytheon Aircraft, except finished goods, are stated at the lower of cost (principally last-in, first-out) or market. Work in process is stated at total cost incurred reduced by estimated costs of units delivered.

All other inventories are stated at cost (principally first-in, first-out or average basis) but not in excess of net realizable value.

Research and Development Expenses

Research and development expenditures for company-sponsored projects are expensed as incurred.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Betterments and major renewals are capitalized and included in property, plant, and equipment accounts while expenditures for maintenance and repairs and minor renewals are charged to expense. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

Provisions for depreciation are computed generally on the sum-of-the-years-digits method, except for certain operations, which use the straight-line or declining-balance method. Depreciation provisions are based on estimated useful lives: buildings--20 to 45 years; machinery and equipment, including production tooling--3 to 10 years; 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.

Excess of Cost Over Net Assets of Acquired Companies

The excess of cost over net assets acquired 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.

Investments

Investments, which are included in Other Assets, 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 their 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 market value and certain available for sale investments are accounted in accordance with the provisions of SFAS 115.

Commissions

The company pays commissions to sales representatives, distributors, and agents under various arrangements in return for services rendered in connection with obtaining orders. Such commissions are charged to income as related sales are recorded and, for income statement purposes, are applied as a reduction of sales. In some cases, payment of such commissions is made upon the company's receipt of advance payments under the related contracts or in accordance with schedules contained in the contracts governing commissions, and such amounts are applied as a reduction of advance payments received. Sales have been reduced by \$30,337,000, \$36,958,000 and \$32,552,000 in 1996, 1995, and 1994, respectively, for commission expense.

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. The recovery of foreign tax credits related to foreign contracts, Foreign Sale Corporation (FSC) tax benefits, and other tax credits are recorded on a flow-through basis. Foreign subsidiaries have recorded provisions for income taxes at applicable foreign tax rates in a similar manner.

Lease Accounting

Revenue from certain qualifying noncancelable aircraft lease contracts are accounted for as sales-type leases wherein the present values of all payments, net of executory costs, are recorded currently as revenues, 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 revenues are recorded as earned over the rental aircraft lives. Service revenues are recognized ratably over contractual periods or as services are performed.

Pension Cost

The company and its subsidiaries have several pension and retirement plans covering the majority of employees, including certain employees in foreign countries.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

Annual charges to income are made for costs of the plans, including current service costs, interest on projected benefit obligations, and net amortization and deferral (unrecognized net obligation (asset) at transition, unrecognized prior service costs, and actuarial net gains or losses), increased or reduced by the return on assets. Unfunded accumulated benefit obligations are accounted for as a long-term liability on the balance sheet. It is the company's policy to fund annually those pension costs which are calculated in accordance with Internal Revenue Service regulations and standards issued by the Cost Accounting Standards Board.

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 equity adjustments in stockholders' equity. The balances at December 31, 1996, 1995, and 1994 were \$3,840,000, \$6,911,000, and (\$3,463,000), respectively. Foreign exchange transaction gains and losses in 1996, 1995, and 1994 were not material.

Employee Stock Plans

Proceeds from the exercise of stock options under the employee stock plans are credited to common stock at par value, and the excess of the option price over par value is credited to additional paid-in capital. There are no charges or credits to income with respect to the options. The market value at the date of award of restricted stock awards is credited to common stock at par value, and the excess is credited to additional paid-in capital. The market 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 option shares, and exercise of nonqualified stock options are credited to additional paid-in capital.

The company adopted statement of Financial Accounting Standard No. 123, Accounting for Stock-Based Compensation, 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 is disclosed in the notes to the financial statements.

Earnings Per Common Share

Earnings per common share are based upon the weighted average number of common shares outstanding during each year.

Fully diluted earnings per common share include the additional shares resulting from the assumed exercise of all outstanding dilutive stock options reduced by the number of shares repurchasable from the assumed proceeds of such options.

Restructuring and Special Items

The company announced in the third quarter of 1996 that it would exit the manual-clean range market and dispose of the assets, including the facility of the Delaware, Ohio, operation. A \$34.0 million pre-tax charge (\$22.1 million after tax) was recorded for this closing. For 1996, earnings, earnings per share and fully diluted earnings per share were \$783.3 million, \$3.30 and \$3.25 respectively, excluding the special charge. The company recorded in the fourth quarter of 1995 a net pre-tax gain of \$210 million from the sale of D.C. Heath, its educational publishing unit. The company adopted statement of Financial Accounting Standard No. 121, Accounting for the Impairment of Long-Lived Assets to be Disposed of, in the fourth quarter of 1995 which resulted in a \$125 million pre-tax special charge (\$81.2 million after tax) related to specific assets, liabilities or commitments, and nonrecurring charges of \$77 million, related principally to inventory and contract valuations. The net gain resulted in a \$5.2 million after-tax increase to net income, or \$.02 per share. For 1995, earnings, earnings per share and fully diluted earnings per share were \$787.3 million, \$3.23 and \$3.18 respectively, excluding the one-time gain.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

The company recorded in the first quarter of 1994 a restructuring provision of \$249.8 million before tax. The restructuring was driven by the significant reductions in the defense budget and increasing commercial competition. Approximately 65 percent of the restructuring costs were attributable to Raytheon's defense business and the remainder to its commercial business.

Through year-end 1996, \$249.3 million of restructuring costs have been incurred, of which \$103.4 million was employee-related costs and \$145.9 million was related to asset disposals and idle facilities. For 1994, earnings, earnings per share and fully diluted earnings per share were \$759.2 million, \$2.87 and \$2.85 respectively, excluding the restructuring provision.

Interest Rate and Foreign Currency Interest Rate Swap Agreements, Rate Locks and Foreign Exchange Contracts

The company enters into interest rate and foreign currency interest rate swap agreements with commercial banks to reduce the impact of changes in interest rates and foreign exchange rates on long-term debt and on financing arrangements with customers and foreign subsidiaries. The company meets its working capital requirements mainly with variable rate short-term financing. Interest rate swaps are used to provide purchasers of the company's products with fixed financing terms over extended time periods. Cross-currency interest rates swaps have allowed the company's foreign subsidiaries to meet borrowing needs at lower interest rates compared to local borrowing. 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. Swaps and foreign exchange contracts are held to maturity and no exchange traded or over-the-counter instruments have been purchased. 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.

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. As a result of the 1985 Balanced Budget and Emergency Deficit Reduction Control Act, the federal deficit and changing world order conditions, Department of Defense (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 meet the needs of the United States and its allies, as well as servicing a broad government program base and wide range of commercial electronic businesses. These factors lead management to believe that there is high probability of continuation of Raytheon's current major tactical defense programs.

The company provides long-term financing principally to its aircraft customers. The company sells general and regional aviation long-term receivables to a bank syndicate and a fractional ownership in a defined pool of trade receivables to financial institutions. The banks have recourse against the company, at varying percentages, depending on the character of the receivables sold. The underlying aircraft serve as collateral for the receivables, and the future resale value of the aircraft is an important consideration in the transaction. Based on the company's experience to date with resale activities and pricing, management 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.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

NOTE B: CASH AND MARKETABLE SECURITIES

CASH AND MARKETABLE
SECURITIES CONSISTED OF THE
FOLLOWING AT DECEMBER 31:

	1996	1995
(IN THOUSANDS)		
Cash and cash equivalents.....	\$ 137,379	\$ 208,614
Marketable securities.....	1,442	1,670
	\$ 138,821	\$ 210,284

Under the company's cash management program, checks and amounts in transit are not considered reductions of cash or accounts payable until presented to the appropriate banks for payment. At December 31, 1996 and 1995, checks and amounts in transit amounted to \$177,600,000 and \$182,900,000, respectively.

NOTE C: CONTRACTS IN PROCESS

CONTRACTS IN PROCESS CONSISTED OF THE
FOLLOWING AT DECEMBER 31, 1996

	COST TYPE	FIXED PRICE TYPE	TOTAL
(IN THOUSANDS)			
U.S. government end-use contracts			
Billed.....	\$205,643	\$ 139,655	\$ 345,298
Unbilled.....	348,971	1,813,148	2,162,119
Less progress payments.....	--	1,068,638	1,068,638
Total.....	554,614	884,165	1,438,779
Other customers			
Billed.....	63,474	164,110	227,584
Unbilled.....	123,457	1,265,478	1,388,935
Less progress payments.....	--	463,292	463,292
Total.....	186,931	966,296	1,153,227
	\$741,545	\$1,850,461	\$2,592,006

CONTRACTS IN PROCESS CONSISTED OF
THE FOLLOWING AT DECEMBER 31, 1995

	COST TYPE	FIXED PRICE TYPE	TOTAL
(IN THOUSANDS)			
U.S. government end-use contracts			
Billed.....	\$251,462	\$ 182,320	\$ 433,782
Unbilled.....	303,148	2,239,814	2,542,962
Less progress payments.....	--	1,368,878	1,368,878
Total.....	554,610	1,053,256	1,607,866
Other customers			
Billed.....	29,915	95,470	125,385
Unbilled.....	154,665	692,069	846,734
Less progress payments.....	--	367,296	367,296
Total.....	184,580	420,243	604,823

\$739,190
=====

\$1,473,499
=====

\$2,212,689
=====

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

The U.S. government has a security title to unbilled amounts associated with contracts that provide for progress payments.

Unbilled amounts are 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. It is anticipated that substantially all of these unbilled amounts, net of progress payments, will be collected during 1997.

Billed and unbilled contracts in process include retentions arising from contractual provisions. At December 31, 1996, retentions amounted to \$65,285,000 and are anticipated to be collected as follows: 1997--\$41,144,000, 1998--\$6,352,000, and the balance thereafter.

NOTE D: INVENTORIES

INVENTORIES CONSISTED OF THE
FOLLOWING AT DECEMBER 31:

	1996	1995
(IN THOUSANDS)		
Finished goods.....	\$ 616,660	\$ 596,080
Work in process.....	702,180	728,792
Materials and purchased parts.....	482,152	456,402
Excess of current cost over LIFO values.....	(157,977)	(176,725)
	1,643,015	1,604,549
Less progress payments.....	52,048	101,566
	\$ 1,590,967	\$ 1,502,983

The inventory values from which the excess of current cost over LIFO values are deductible were \$423,564,000 and \$488,765,000 at December 31, 1996 and 1995, respectively.

NOTE E: PROPERTY, PLANT, AND EQUIPMENT

PROPERTY, PLANT, AND
EQUIPMENT CONSISTED
OF THE
FOLLOWING AT DECEMBER 31:

	1996	1995
(IN THOUSANDS)		
Land.....	\$ 66,008	\$ 53,090
Buildings and leasehold improvements.....	1,273,678	1,184,072
Machinery and equipment.....	3,077,606	2,852,721
Equipment leased to others.....	73,067	25,866
	4,490,359	4,115,749
Less accumulated depreciation and amortization.....	2,688,347	2,531,714
	\$ 1,802,012	\$ 1,584,035

Accumulated amortization of equipment leased to others was \$5,508,000 and \$3,981,000 at December 31, 1996 and 1995, respectively.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

Future minimum lease payments from noncancelable aircraft operating leases, which extend to 2006, amounted to \$35,882,000.

AT DECEMBER 31,
1996, THESE PAYMENTS
WERE DUE AS FOLLOWS:

(IN THOUSANDS)

1997.....	\$	5,717
1998.....		5,907
1999.....		5,537
2000.....		5,270
2001.....		5,270
Thereafter.....		8,181

NOTE F: OTHER ASSETS

OTHER ASSETS CONSISTED OF THE
FOLLOWING AT DECEMBER 31:

1996 1995

(IN THOUSANDS)

Long-term receivables		
Due from customers in installments to 2009....	\$	175,920
Sales-type leases, due in installments to		
2012.....		21,559
Other, principally due from 1997 through 2012.		31,519
Investments.....		251,171
Deferred charges and other noncurrent assets....		161,254
Excess of cost over net assets of acquired		
companies (net of accumulated amortization of		
\$183.6 million and \$103.5 million at December		
31, 1996 and 1995, respectively).....		3,066,972
Intangible pension asset.....		11,774

	\$	3,720,169
	\$	2,981,691
		=====

Long-term receivables and sales-type leases due from customers, of \$197.5 million at December 31, 1996, and \$150.5 million at December 31, 1995, included commuter airline receivables of \$116.1 million and \$47.1 million, respectively. Since it is the company's policy to have the aircraft serve as collateral for the commuter airline receivables, management does not expect to incur any material losses against the net book value of the long-term receivables. The company sold general and commuter aviation long-term receivables to a bank syndicate and sold a fractional ownership in a defined pool of engineering & construction and commercial appliance trade receivables to financial institutions. The interest rate on the general aviation receivables is LIBOR+.55% and on the commuter receivables LIBOR+.4% and +.35% and on the trade receivables commercial paper rate +.225% to +.29%. The interest rates are adjusted based on the company's debt rating.

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. The balance of receivables sold to banks or financial institutions and outstanding at December 31, 1996 and December 31, 1995, was \$2,493.7 million and \$1,912.4 million, respectively, of which 1996 net proceeds of \$581.3 million included \$288.3 million for commuter and general aviation aircraft.

The company will adopt Statement of Financial Accounting Standard No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities, in 1997. The adoption is not expected to have a material effect

on the company's financial position or results of operation.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

NOTE G: NOTES PAYABLE

	NOTES PAYABLE CONSISTED OF THE FOLLOWING AT DECEMBER 31:	
	----- 1996	1995 -----
	(IN THOUSANDS)	
Notes payable.....	\$ 63,050	\$ 56,086
Commercial paper.....	2,155,821	1,148,391
Weighted average interest rate on:		
Average notes payable borrowings.....	6.51%	6.30%
Average commercial paper.....	5.40%	5.94%
Notes payable borrowings at December 31.....	5.11%	5.70%
Commercial paper at December 31.....	5.53%	5.83%
Aggregate borrowings outstanding		
Maximum month-end balance.....	\$ 3,135,929	\$ 4,051,846
Average during the year.....	\$ 2,890,261	\$ 2,362,599

Credit lines or commitments with banks were maintained by subsidiary companies amounting to \$188.3 million in 1996 and \$196.7 million in 1995. Compensating balance arrangements are not material. In addition, lines of credit with certain commercial banks exist as a standby facility to support the issuance of commercial paper by the company. These lines of credit were \$3.5 billion at December 31, 1996 and \$3.2 billion at December 31, 1995. Through December 31, 1996, there have been no borrowings under these lines of credit. Total interest payments were \$257 million, \$160 million, and \$48 million for 1996, 1995, and 1994, respectively.

NOTE H: LONG-TERM DEBT

	LONG-TERM DEBT CONSISTED OF THE FOLLOWING AT DECEMBER 31:	
	----- 1996	1995 -----
	(IN THOUSANDS)	
30 year 7.375% debentures due 2025 and redeemable after July 15, 2005.....	\$ 361,834	\$ 361,373
10 year 6.5% long-term notes due 2005, not redeemable prior to maturity.....	730,499	728,216
Commercial paper backed by 5 year fixed for variable interest rate swap at 6.40%.....	375,000	375,000
Notes (including \$19,392,000 and \$17,639,000 at December 31, 1996 and 1995 respectively, of mortgage notes and industrial revenue bonds), interest in the range of 2.04% to 10.0% in installments, maturing at various dates from 1997 to 2006.....	41,207	34,708
Less installments due within one year.....	8,064	11,562
	----- \$ 1,500,476	----- \$ 1,487,735 =====

The aggregate amounts of installments due for the next five years are:

	(IN THOUSANDS)	
1997.....	\$	8,064
1998.....		5,406
1999.....		9,718
2000.....	378,017	
2001.....		2,937

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

Interest expense on long-term debt charged to income was \$103,187,000, \$52,122,000, and \$1,158,000 for 1996 through 1994, respectively.

Commercial paper in the amount of \$375,000,000 has been classified as long-term due to company borrowings of that amount which are supported by a 5 year Syndicated Bank Credit Agreement combined with a 5 year fixed for variable interest rate swap.

In 1995, the company issued \$375,000,000 of 30 year, 7.375 percent debentures due in 2025, redeemable after ten years, and \$750,000,000 of ten year 6.50 percent notes due in 2005. The proceeds from these issues were used for acquisition financing.

The principal amounts of debt were reduced by debt issue discounts and costs at December 31, 1996, as follows:

	30 YEAR DEBENTURES	10 YEAR NOTES
	-----	-----
	(IN THOUSANDS)	
Principal.....	\$375,000	\$750,000
Unamortized issue discounts.....	(8,879)	(7,877)
Unamortized interest rate hedging costs.....	(4,287)	(11,624)
	-----	-----
Net debt.....	\$361,834	\$730,499

The company has bank agreement covenants which require (1) That the ratio of total debt to total capitalization not exceed 55%, and (2) That the sum of profit before tax plus net interest expense be at least three times net interest expense over the prior four fiscal quarters. The company was in compliance with these covenants during 1996 and 1995.

NOTE I: FEDERAL AND FOREIGN INCOME TAXES

Income reported for federal and foreign tax purposes differs from pretax accounting income due to variations between requirements of Internal Revenue codes and the company's accounting practices. The provisions for federal and foreign income taxes consisted of the following for the years ended December 31:

	1996	1995	1994
	-----	-----	-----
	(IN THOUSANDS)		
Current income tax expense			
Federal.....	\$169,870	\$263,489	\$400,482
Foreign.....	33,784	(23,347)	25,429
Deferred income tax expense			
Federal.....	150,983	123,858	(119,663)
Foreign.....	(32,326)	35,195	(3,185)
	-----	-----	-----
	\$322,311	\$399,195	\$303,063
	=====	=====	=====

The provision for income taxes for 1996 through 1994 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.....	(4.6) (1)	(0.4)	--
FSC tax benefit.....	(2.5)	(2.0)	(1.0)
Goodwill amortization.....	1.7	1.3	0.3
Recovery of foreign tax credits.....	--	(0.5)	(1.1)
Other, net.....	0.1	0.1	0.5
	----	----	----
	29.7%	33.5%	33.7%
	=====	=====	=====

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- (1) Accrued retroactive research and development tax credits applicable to certain government contracts

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

In 1996, 1995, and 1994 domestic profit before taxes amounted to \$1,061,335,000, \$1,126,332,000, and \$827,258,000, respectively, and foreign profit before taxes amounted to \$22,127,000, \$65,351,000, and \$72,681,000, respectively.

Actual cash income tax payments by year were \$274,700,000, \$275,300,000, and \$425,800,000, respectively, for 1996, 1995, and 1994. In 1996 and 1995, net deferred tax assets were increased by \$108,235,000 and \$175,813,000, respectively, in connection with acquisitions.

Details of the balance sheet captions, "Federal and foreign income taxes, including deferred," at December 31, 1996, 1995 and 1994 are as follows:

	1996	1995	1994
	-----	-----	-----
	(IN THOUSANDS)		
Current deferred tax assets (liabilities):			
Inventory and other.....	\$ 10,215	\$ 78,377	\$ 50,078
Long-term contracts.....	198,861	115,992	97,054
Restructuring reserve.....	154	3,261	55,055
Inventory capitalization.....	16,611	27,689	29,546
Other.....	(43,779)	(17,803)	(7,203)
	-----	-----	-----
Net current deferred tax assets.....	182,062	207,516	224,530
Current period tax prepaid (liability).....	64,058	(10,805)	(58,915)
	-----	-----	-----
Federal and foreign income taxes, including deferred--current.....	\$ 246,120	\$ 196,711	\$ 165,615
	=====	=====	=====
Noncurrent deferred tax assets (liabilities):			
Depreciation.....	\$ (125,684)	\$ (115,819)	\$ (97,095)
Revenue on leases.....	(58,096)	(79,237)	(27,596)
Postretirement benefits.....	104,730	103,014	--
Other.....	(6,715)	(8,755)	(9,880)
	-----	-----	-----
Noncurrent deferred tax liabilities.....	(85,765)	(100,797)	(134,571)
	-----	-----	-----
Federal and foreign income taxes, including deferred--noncurrent.....	\$ (85,765)	\$ (100,797)	\$ (134,571)
	=====	=====	=====

NOTE J: COMMITMENTS AND CONTINGENCIES

At December 31, 1996, the company had commitments under long-term leases requiring approximate annual rentals on a net lease basis as follows:

	(IN THOUSANDS)
1997.....	\$ 85,041
1998.....	69,677
1999.....	56,052
2000.....	46,655
2001.....	39,827
Thereafter.....	182,162

Rental expense for 1996, 1995, and 1994 amounted to \$112,649,000, \$102,925,000, and \$79,887,000, 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. Management believes that such investigations,

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

individually and in the aggregate, will not have any material adverse effect upon the financial condition of the company.

The company self-insures for losses and expenses for aircraft product liability up to a maximum of \$50 million annually. Excess insurance is purchased from third parties to cover excess aggregate liability exposure from \$50 million to \$1 billion. This coverage also includes the excess of liability over \$10 million per occurrence. The aircraft product liability reserve at December 31, 1996 was \$27.5 million.

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 incurred in connection therewith have been expensed. 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 additional 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.

The company will adopt the American Institute of Certified Public Accountants Statement of Position 96-1, Environmental Remediation Liabilities, in 1997. The adoption of the standard will not have a material effect on the company's financial position or results of operations.

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 \$1,363 million, \$979 million and \$519 million of these contingent obligations, net of related outstanding advance payments, were outstanding at December 31, 1996, 1995, and 1994, respectively. These instruments expire on various dates through the year 2003.

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, in the opinion of management, any additional 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.

NOTE K: EMPLOYEE STOCK PLANS

The 1976 Stock Option Plan provides for the grant of both incentive and nonqualified options at an exercise price which is 100% of the fair market value on the date of grant. The 1991 Stock Option Plan provides for the grant of incentive options at an exercise price which is 100% of the fair market value, and non-qualified options at an exercise price which may be less than the fair market value on the date of grant. The 1995 Stock Option Plan provides for the grant of both incentive and nonqualified options at an exercise price which is not less than 100% of the fair market value on the date of grant.

The plans also provide that all options may be exercised in their entirety 12 months after the date of grant. Incentive options terminate 10 years from the date of grant, and those options granted after Dec. 31, 1986 become exercisable to a maximum of \$100,000 per year. Nonqualified options terminate 11 years from the date of grant or 10 years and a day if issued in connection with the 1995 plan. The 1991 plan also provides for the award of restricted stock and restricted units. 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 nor more than 10 years. The plans' expiration dates are March 22, 1998, March 26, 2001 and March 21, 2005.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

All 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. Upon issuance of restricted shares, unearned compensation is charged to share-owners' equity for the cost of restricted stock and recognized as compensation expense ratably over the vesting periods, as applicable. Awards of 19,500; 256,000; and 380,000 shares of restricted stock were made to employees at a weighted average value at the grant date of \$50.87, \$38.07, and \$32.29 in 1996, 1995 and 1994, respectively. The amount of compensation expense recorded was \$6.9 million, \$4.8 million and \$2.9 million for 1996, 1995 and 1994, respectively.

There were 49,562,000; 51,383,000; and 13,765,000 shares of common stock (including shares held in treasury) reserved for stock options and restricted stock awards at December 31, 1996, 1995, and 1994, respectively.

The following are the shares exercisable at the corresponding weighted average exercise price at December 31, 1996, 1995, and 1994, respectively: 8,820,000 at \$31.32; 7,319,000 at \$26.71; and 5,531,000 at \$22.04.

Information for the years 1993 through 1996 with respect to the plans are as follows:

STOCK OPTIONS -----	WEIGHTED AVERAGE	
	SHARES	OPTION PRICE

	(IN THOUSANDS)	
Outstanding at December 31, 1993.....	7,054	\$21.64
Granted.....	3,688	32.79
Exercised.....	(1,452)	20.00
Expired.....	(132)	28.22
	-----	-----
Outstanding at December 31, 1994.....	9,158	\$26.30
Granted.....	4,071	36.61
Exercised.....	(2,132)	22.92
Expired.....	(316)	34.04
	-----	-----
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
	=====	=====

The following table summarizes information about stock options outstanding at December 31, 1996:

STOCK OPTIONS OUTSTANDING

EXERCISE PRICE RANGE -----	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	SHARES OUTSTANDING AT 12/31/96 -----	WEIGHTED AVERAGE CONTRACTUAL REMAINING LIFE -----	WEIGHTED AVERAGE EXERCISE PRICE -----	SHARES EXERCISABLE AT 12/31/96 -----	WEIGHTED AVERAGE EXERCISE PRICE -----
\$15.51 to \$35.38.....	5,836,183	6.1 years	\$27.37	5,836,183	\$27.37
\$39.03 to \$52.25.....	3,050,127	8.4 years	\$39.31	2,983,627	\$39.06
\$52.56 to \$54.63.....	3,684,050	9.4 years	\$52.56	--	--
	-----			-----	
Total.....	12,570,360			8,819,810	
	=====			=====	

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

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 Financial Accounting Standards No.123, Accounting for Stock-Based Compensation. Accordingly, no compensation cost 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:

	1996	1995
	-----	-----
	(IN THOUSANDS)	
Net income-as reported.....	\$ 761,151	\$ 792,488
Net income-pro forma.....	\$ 739,165	\$ 779,175
Earnings per share-as reported.....	\$ 3.21	\$ 3.25
Earnings per share-pro forma.....	\$ 3.11	\$ 3.19
Fully diluted-as reported.....	\$ 3.16	\$ 3.20
Fully diluted-pro forma.....	\$ 3.06	\$ 3.14

The weighted-average fair value of each option granted in 1996 and 1995 is estimated as \$10.79 and \$8.30 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..... (the month-end yields on 4 year treasury strips equivalent zero coupon)	5% to 7.5% 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 L: PENSION AND OTHER EMPLOYEE BENEFITS

The company and its subsidiaries have several pension and retirement plans covering the majority of employees, including certain employees in foreign countries. The major plans covering salaried and management employees provide pension benefits that are based on the five highest consecutive years of the employee's compensation in the ten years before retirement. Plans covering hourly and union employees generally provide benefits of stated amounts for each year of service, but in some cases can also use a final average pay based calculation. The company's funding policy for the salaried plans is to contribute annually at a rate that is intended to remain at a level percentage of compensation for the covered employees. The company's funding policy on the hourly and union plans is to contribute annually at a rate that is intended to remain level 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 was \$93,283,000; \$31,156,000; and \$29,908,000; in 1996 through 1994, respectively. Foreign pension expense was \$9,937,000; \$8,287,000; and \$4,866,000 in 1996 through 1994, respectively.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

Net periodic pension cost for the company and its subsidiaries in 1996 through 1994 included the following components:

	YEARS ENDING DECEMBER 31		
	1996	1995 (1)	1994
	(IN THOUSANDS)		
Service cost--benefits earned during the period.....	\$126,589	\$ 98,207	\$ 95,537
Interest cost on projected benefit obligation.....	307,115	267,891	218,118
Actual (gain)/loss on assets.....	(669,917)	(955,942)	37,612
Net amortization and deferral.....	325,191	626,217	(323,866)
Curtailement adjustments.....	1,176	(7,815) (2)	--
Net periodic pension costs.....	90,154	28,558	27,401
Defined contribution pension plans.....	3,129	2,598	2,507
Total pension costs.....	\$ 93,283	\$ 31,156	\$ 29,908
Assumptions used in the accounting were:			
Discount rate.....	7.75%	7.50%	8.25%
Expected long-term rate of return on assets.....	9.25%	9.00%	9.00%
Rate of increase in compensation levels.....	4.50%	4.50%	5.00%

The following table sets forth the funded status of the plans at:

	DECEMBER 31, 1996		DECEMBER 31, 1995 (1)	
	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS
	(IN THOUSANDS)			
Actuarial present value of benefit obligations:				
Vested benefit obligation.....	\$ (3,603,273)	\$ (68,623)	\$ (3,399,386)	\$ (57,583)
Accumulated benefit obligation.....	\$ (3,752,844)	\$ (70,840)	\$ (3,538,658)	\$ (68,021)
Projected benefit obligation.....	\$ (4,183,811)	\$ (83,104)	\$ (3,998,382)	\$ (74,544)
Plan assets at fair value.....	4,960,892	--	4,451,725	--
Projected benefit obligation (in excess of) or less than plan assets.....	777,081	(83,104)	453,343	(74,544)
Unrecognized net (gain) or loss.....	(762,898)	15,199	(411,413)	11,907
Prior service cost not yet recognized in net periodic pension cost.....	212,641	12,544	212,270	13,723
Unrecognized net obligation (asset) at transition.....	(34,423)	911	(42,652)	1,138
Adjustment required to recognize additional minimum liability....	--	(18,047)	--	(21,330)
Prepaid pension cost (liability).....	\$ 192,401	\$ (72,497)	\$ 211,548	\$ (69,106)

Plan assets primarily include equity and fixed income securities and, in addition to normal funding contributions, include prepayments of \$60,719,000; and \$1,900,000 made in 1995 and 1994 respectively.

The company's salaried pension plan provides that in the event of a termination of the plan within three years after an involuntary change of control of the company, the assets of the plan will be applied to satisfy all

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

liabilities to participants and beneficiaries in accordance with section 4044 of the Employee Retirement Income Security Act of 1974. Any remaining assets will be applied on a pro rata basis to increase the benefits to the participants and beneficiaries.

In addition to providing pension benefits, the company and most of its subsidiaries provide 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. 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 are noncontributory and cover the retiree only.

In 1993, the company adopted Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions, which requires recognition of an accumulated postretirement benefit obligation for retiree costs existing at the time of implementation, as well as an incremental expense recognition for changes in the obligation attributable to each successive year. Prior to 1995, all company segments had elected to amortize past service costs over the allowable 20 year period. During 1995 the company acquired E-Systems, Inc. who had elected in 1992 to recognize all its past service cost immediately upon implementation.

The company is funding the liability for many salaried and hourly employees and plans to continue to do so. The net postretirement benefit cost for the company and its subsidiaries in 1996, 1995 and 1994 included the following components:

	YEARS ENDING DECEMBER 31:		
	1996	1995(1)	1994
	(IN THOUSANDS)		
Service cost--benefits earned during the period.....	\$ 9,297	\$ 8,265	\$ 5,546
Interest cost on accumulated postretirement benefit obligation.....	52,472	47,906	37,355
Actual (gain)/loss on assets....	(29,482)	(8,283)	600
Amortization of transition obligation.....	26,712	27,340	24,830
Other amortizations and deferrals (net).....	7,146	(11,299)	(6,316)
Curtailement and other adjustments.....	3,159	18,900(3)	--
Net postretirement benefit cost.	\$ 69,304	\$ 82,829	\$62,015
Assumptions used in the accounting were:			
Discount rate.....	7.75%	7.50%	8.25%
Expected long-term rate of return on assets.....	8.75%	8.50%	8.50%
Rate of increase in compensation levels.....	4.50%	4.50%	5.00%
Health care trend rate in the next year.....	7.00%	7.50%	8.00%
Gradually declining to a trend rate of.....	5.00%	5.00%	5.00%
In the years.....	2001 & beyond	2001 & beyond	2001 & beyond

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

The following amounts are recognized in the balance sheet at:

	YEARS ENDING DECEMBER 31:		
	1996	1995 (1)	1994
	(IN THOUSANDS)		
Accumulated postretirement benefit obligation			
Retirees.....	\$ (559,666)	\$ (516,767)	\$ (356,573)
Active employees eligible for benefits.....	(41,158)	(32,339)	(45,501)
Active employees not yet eligible for benefits.....	(131,260)	(138,888)	(73,674)
Total obligation.....	(732,084)	(687,994)	(475,748)
Plan assets at fair value.....	183,750	175,172	105,983
Total obligation (in excess of) plan assets.....	(548,334)	(512,822)	(369,765)
Unrecognized net (gain).....	(67,258)	(127,279)	(89,074)
Unrecognized prior service cost.....	(12,969)	(14,214)	--
Unrecognized net obligation at transition..	360,255	390,079	446,786
Accrued postretirement benefit cost.....	\$ (268,306)	\$ (264,236)	\$ (12,053)
The effect of a one percentage point increase in the assumed health care trend rate for each future year on:			
Aggregate of service and interest cost...	\$ 3,576	\$ 3,055	\$ 3,706
Accumulated postretirement benefit obligation.....	\$ 43,596	\$ 37,979	\$ 38,262

- (1) 1995 data, including \$17,117,000 of Net Periodic Pension Cost, \$7,853,000 of Accrued Pension Cost, \$15,041,000 of Net Periodic Postretirement Benefit Cost and \$235,383,000 of Accrued Postretirement Benefit Cost, were a result of having acquired E-Systems, Inc. in April 1995.
- (2) Various plan curtailments were recognized, as a result of workforce reductions which were planned as part of the restructuring program.
- (3) Benefit enhancements were made to various plans during the year in order to accelerate attrition through voluntary retirements.

The company has adopted Statement of Financial Accounting Standards No. 112 (FAS 112), Employers' Accounting for Postemployment Benefits, in 1994. FAS 112 requires that benefits to be paid for former or inactive employees after employment but prior to retirement must be accrued if certain criteria are met. The adoption of FAS 112 had no material financial impact on the company.

Under the terms of the Raytheon Savings and Investment Plan, a defined contribution plan, covered employees are allowed to contribute up to 17 percent of their pay limited to \$9,500. The company contributes amounts equal to 50 percent of the employee's contributions, up to a maximum of 3 percent of the employee's pay. Total expense for the plan was \$68,090,000; \$64,563,000; and \$49,436,000 for 1996 through 1994, respectively.

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 \$150,000, of substantially all United States salaried and a majority of hourly employees. The expense was \$14,670,000; \$11,748,000; and \$11,768,000 and the number of shares allocated to participant accounts was 296,000; 177,000 and 185,000 for 1996 through 1994, respectively.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

NOTE M: BUSINESS SEGMENT REPORTING

The company operates in four major business areas: Electronics, both commercial and defense; Engineering and Construction; Aircraft; and Major appliances. The principal contributors to Electronics sales and earnings are defense missile systems and other products. The Engineering and Construction segment does business in some 60 countries around the world. The Aircraft segment manufactures, markets and supports piston, jetprops and medium and light jet aircraft for commercial, regional airline and military markets around the world. The Major Appliance segment manufactures and sells household and commercial appliances to dealers and distributors in the United States and to foreign locations. Sales and segment income for 1995 and 1994 have been restated to conform with the 1996 presentation.

Certain accounts were reclassified to reconcile segment income with operating income, as reported in the statements of income. The reclassifications did not have a material effect on the income of the segments other than the aircraft segment. Aircraft segment income was reduced in all years due to the inclusion of interest cost associated with the financing of off-balance sheet receivables. This cost was previously reported as a part of corporate interest expense. The change did not affect the company's income before taxes or net income.

OPERATIONS BY BUSINESS SEGMENTS

	SALES TO UNAFFILIATED CUSTOMERS			SEGMENT INCOME		
	1996	1995	1994	1996	1995	1994
(IN MILLIONS)						
Electronics.....	\$ 5,424	\$ 5,389	\$ 4,057	\$ 766	\$ 740 (3)	\$ 630
Engineering and Construction.....	3,053	2,883	2,827	211 (6)	262	239
Aircraft.....	2,345	2,060	1,759	181	167 (4)	195
Major Appliances.....	1,509	1,472	1,455	74	74	82
Total Operating Segments.....	\$ 12,331	\$ 11,804	\$ 10,098	\$1,232	\$1,243	\$1,146
Restructuring and special charges.....				(34) (1)	(125) (2)	(250) (5)
Gain on sale of D.C. Heath.....				--	210	--
Net interest expense....				(154)	(170)	(28)
Other income.....				39	5	1
Gain on sale of an investment.....				--	29	31
Income before taxes.....				\$1,083	\$1,192	\$ 900

(1) The 1996 special charge of \$34 million relates to the Major Appliances segment.

(2) The special charge relates to the business segments as follows: Electronics, \$115, and Engineering and Construction, \$10.

(3) Includes a nonrecurring charge of \$47 million.

(4) Includes a nonrecurring charge of \$30 million.

(5) The restructuring provision relates to the business segments as follows: Electronics, \$193, Engineering and Construction, \$37, Aircraft \$13, and Major Appliances \$7.

(6) Excludes second quarter fee adjustment on a major foreign project which was covered by a pre-existing contingency reserve.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

	CAPITAL EXPENDITURES			DEPRECIATION AND AMORTIZATION		
	1996	1995	1994	1996	1995	1994
	(IN MILLIONS)					
Electronics.....	\$ 160	\$ 147	\$ 120	\$ 220	\$ 228	\$ 167
Engineering and Construction.....	27	26	22	37	32	31
Aircraft.....	140	80	74	50	51	52
Major Appliances.....	79	76	51	62	60	54
Total.....	\$ 406	\$ 329	\$ 267	\$ 369	\$ 371	\$ 304

	IDENTIFIABLE ASSETS AT DECEMBER 31,		
	1996	1995	1994
	(IN MILLIONS)		
Electronics.....	\$ 5,881	\$ 5,473	\$ 2,867
Engineering and Construction.....	2,059	1,544	1,359
Aircraft.....	2,372	1,832	2,171
Major Appliances.....	814	992	998
Total.....	\$ 11,126	\$ 9,841	\$ 7,395

OPERATIONS BY GEOGRAPHIC AREAS

	OUTSIDE UNITED STATES		CONSOLIDATED
	UNITED STATES (PRINCIPALLY EUROPE)		
	(IN MILLIONS)		
Sales to unaffiliated customers			
1996.....	\$11,570	\$761	\$12,331
1995.....	11,017	787	11,804
1994.....	9,309	789	10,098
Net income			
1996.....	740	21	761
1995.....	738	54	792
1994.....	547	50	597
Identifiable assets at			
December 31, 1996.....	10,473	653	11,126
December 31, 1995.....	9,171	670	9,841
December 31, 1994.....	6,929	466	7,395

Sales between business segments and between geographic areas are not material. In the data by geographic area, U.S. sales in millions of \$11,570, \$11,017, and \$9,309 include export sales, in millions, principally to Europe, the Middle East, and Far East, of \$2,137, \$1,907, and \$1,173 for 1996 through 1994, respectively.

Sales in millions to major customers, principally in Electronics, for 1996 through 1994, respectively, are: U.S. government (end user), \$4,638, \$4,079, and \$3,236; U.S. government (foreign military sales), \$502, \$597, and \$694.

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

NOTE N: ACQUISITIONS AND DIVESTITURES

The company has included in its consolidated results of operations the acquisitions under the purchase method of accounting of the following companies: the aircraft modification and defense electronics businesses of Chrysler Technologies (from June 1996); the engineering and construction assets of Rust International (from June 1996); and the marine communication assets of Standard Radio AB of Sweden (from June 1996). The cash paid for the acquisitions, net of cash acquired, was \$584.4 million. No pro forma results have been presented since they would not be material to the consolidated results.

The following unaudited pro forma financial information combines Raytheon and E-Systems results of operations as if the acquisition had taken place on January 1, 1995, and on January 1, 1994. The pro forma results are not necessarily indicative of what the results of operations actually would have been if the transaction had occurred on the applicable dates indicated and are not intended to be indicative of future results of operations.

	1995	1994*

	(IN MILLIONS EXCEPT EARNINGS PER SHARE)	
Net sales.....	\$ 12,397	\$ 12,046
Net income.....	794	584
Earnings per share.....	3.25	2.21

- -----
* includes after tax restructuring provision of \$162.3 million, or \$.61 per share.

Also, in April 1996, the company sold Xyplex, its data networking subsidiary, for \$177.5 million in cash and securities.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

NOTE O: QUARTERLY OPERATING RESULTS (UNAUDITED)

QUARTERLY FINANCIAL DATA

The third quarter of 1996 includes a special charge of \$22.1 million after tax or \$.09 per share to exit the manual-clean range market and close the Delaware, Ohio plant.

The fourth quarter of 1995 includes a one-time gain of \$5.2 million after tax or \$.02 per share related to the sale of D.C. Heath, net of special charges.

	FIRST	SECOND	THIRD	FOURTH

	(IN MILLIONS EXCEPT PER SHARE DATA)			
1996				
Net sales.....	\$2,787.6	\$3,126.8	\$3,032.4	\$3,383.7
Cost of sales.....	2,141.3	2,435.4	2,428.1	2,749.2
Net income.....	186.5	209.4	187.9	177.4
Earnings per common share.....	0.78	0.88	0.80	0.75
Cash dividends per common share				
Declared.....	0.20	0.20	0.20	0.20
Paid.....	0.1875	0.20	0.20	0.20
Common stock prices per the Composite				
Tape				
High.....	54.13	53.63	55.00	56.13
Low.....	45.00	48.75	43.38	45.75
1995				
Net sales.....	\$2,399.1	\$2,844.6	\$3,174.0	\$3,386.5
Cost of sales.....	1,832.3	2,130.5	2,442.7	2,754.0
Net income.....	173.9	195.5	200.7	222.4
Earnings per common share.....	0.71	0.80	0.82	0.92
Cash dividends per common share				
Declared.....	0.1875	0.1875	0.1875	0.1875
Paid.....	0.1875	0.1875	0.1875	0.1875
Common stock prices per the Composite				
Tape				
High.....	37.19	39.81	42.69	47.25
Low.....	31.44	34.75	38.75	41.50

Note:

Share data have been restated for the two-for-one stock split in October, 1995.

NOTE P: FINANCIAL INSTRUMENTS

For certain financial instruments, including cash, cash equivalents, marketable securities, and short-term debt, it is estimated that carrying value approximates fair value, due to their short maturities and varying interest rates of the debt.

The carrying value of notes receivable at December 31, 1996 and 1995 is estimated to approximate fair value based principally on the underlying interest rates and terms, maturities, collateral, and credit status of the receivables.

The carrying values of marketable securities and investments are based on quoted market prices or the present value of future cash flows and earnings which approximate fair value.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

The value of the guarantees and letters of credit reflect fair value.

The fair value of long-term debt at December 31, 1996 and 1995 was estimated based on current rates offered to the company for similar debt with the same maturities and approximates the carrying value.

At December 31, 1996 and 1995, the company had outstanding interest rate swap agreements, with notional amounts, 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:

	1996	1995
	-----	-----
	(IN THOUSANDS)	
Interest rate swaps.....	\$388,785	\$394,268
Foreign exchange contracts.....	\$270,017	\$335,068

The following table summarizes major currencies and contract amounts associated with foreign exchange contracts:

	1996		1995	
	-----	-----	-----	-----
	BUY	SELL	BUY	SELL

	(IN THOUSANDS)			
Pound Sterling.....	\$ 94,742	\$ 5,129	\$ 25,007	\$ 2,784
Japanese Yen.....	9,160	30,707	2,292	58,453
Netherlands Guilder.....	3,437	75,600	90,144	--
German Mark.....	1,153	--	16,410	390
Canadian Dollar.....	17,287	1,248	35,562	2,021
French Franc.....	10,400	--	71,663	--
Australian Dollar.....	16,175	--	20,015	--
All others.....	2,738	2,241	6,885	3,442
Total.....	\$155,092	\$114,925	\$267,978	\$67,090
	=====	=====	=====	=====

Foreign currencies are translated at current rates at the reporting date. "Buy" amounts represents 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.

Swap contracts mature at various dates through the year 2000 and essentially fix the interest rates on that portion of debt at rates from 4.7 percent to 9.5 percent at December 31, 1996, and 1995, respectively.

Foreign exchange forward contracts, used primarily to minimize fluctuations in the values of foreign currency payments and receipts, have maturities at various dates through April, 1999. Fair values for these contracts were determined by applying December 31, 1996, spot rates to the eight major currencies and comparing the U.S. dollar equivalents to the U.S. dollar contract amounts for the same currencies. The resulting difference was not material and approximates the contract amounts.

The company, in order to lock in favorable rates, entered into interest rate swaps and locks in connection with the 1995 issuance of \$750 million ten-year notes and \$375 million thirty-year debentures. Both the interest rate swaps and locks were unwound prior to the issue of the 1995 debt.

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS-- (CONTINUED)

NOTE Q: STOCK SPLIT

All share data have been restated to reflect the stock split effective on October 23, 1995.

NOTE R: SUBSEQUENT EVENTS

On January 6, 1997, the company announced that the Board of Directors approved a definitive agreement to purchase the assets of Texas Instruments' defense operations for \$2.950 billion in cash. Texas Instruments Defense Systems and Electronics Group, headquartered in Lewisville, Texas will have 1996 revenues of approximately \$1.8 billion. The group is a premier supplier of advanced defense systems, including precision-guided weapons, antiradiation and strike missiles, airborne radar, night vision systems and electronic warfare systems. The group has approximately 12,000 employees, based largely in Texas. The transaction is subject to Hart-Scott-Rodino antitrust review and is expected to close in the second quarter of 1997.

On January 16, 1997, the company announced that it has entered into definitive agreements with Hughes Electronics Corporation to bring about the merger of the Hughes Electronics defense operations (Hughes Aircraft) and Raytheon. The combined company will be called Raytheon. The transaction is valued at \$9.5 billion, comprised of approximately \$5.1 billion in common stock and \$4.4 billion in debt.

The company's debt will increase as a result of the planned transactions and the covenants applicable to the existing financing arrangements have been modified by the participating entities to accommodate the increase in debt.

Hughes Aircraft, the Hughes Electronics' defense business, will have 1996 revenues of approximately \$6.3 billion. It has approximately 40,000 employees, principally in the states of California, Arizona, Indiana, Texas and Virginia.

Hughes is a premier supplier of advanced defense electronics systems and services, principally in Naval systems, airborne and ground-based radars, ground, air and ship-launched missiles, tactical communications, and training simulators and services. Hughes also supplies Air Traffic Control systems to the U.S. Federal Aviation Administration and to foreign governments, and is active in the fields of global positioning systems and infrared/electro-optics.

The transaction is subject to approval by Raytheon's stockholders, certain regulatory approvals (including Hart-Scott-Rodino antitrust review), approval by the holders of GM and GM "H" common stocks, and the receipt by GM of rulings from the Internal Revenue Service relating to certain federal income tax consequences of the transaction.

TRANSACTION SUMMARY

Hughes Aircraft will be spun off to the holders of GM's \$1 2/3 and Class H common stocks in a transaction intended to be tax free. In connection with the spin-off and subsequent merger, two classes of common stock will be created: Class A common stock, which will be held by GM \$1 2/3 and Class H stockholders after the spin-off and will be entirely held by the public; and Class B common stock.

Immediately following the spin-off of Hughes Aircraft, Raytheon and Hughes Aircraft will merge. In the merger, Raytheon stockholders will receive all of the Class B common stock of the combined company. The Class B common stock will represent approximately 70 percent of the equity of the combined company, and the Class A common stock will represent the remaining, approximately 30 percent.

APPENDIX C

RAYTHEON COMPANY AND SUBSIDIARIES CONSOLIDATED

NOTES TO FINANCIAL STATEMENTS--(CONTINUED)

The merger terms provide that Hughes Aircraft's total debt will be adjusted to reflect variations in the market price of Raytheon stock, subject to specified limits, so that the two components of value will total \$9.5 billion so long as such market price is between \$44.42 and \$54.29 per share. The approximately \$5.1 billion in common stock issued to the Class A stockholders is based upon the midpoint of this range. The balance of the \$9.5 billion transaction value will be made up of approximately \$4.4 billion in Hughes Aircraft debt.

In the election of directors to the combined company board, Class A common stock will have an 80.1 percent voting interest, and Class B common stock will have a 19.9 percent voting interest. The board of directors will have staggered terms for directors. Except as to voting rights for directors, each class will vote separately as to all other matters, and the Class A and Class B stock will have identical rights. In a merger, acquisition or any other type of reorganization, Class A and Class B common stock must receive the same consideration.

On February 23, 1997, the company announced that it is evaluating strategic alternatives for the Appliance Group, which may result in the sale or merger of the group at some time in the future. The company retained an advisor to assist with this evaluation. The decision to undertake this strategic reassessment was made in the context of Raytheon's financial priorities, and the belief that the Appliance Group may have greater value to another company with more focus on the markets served by the group.

APPENDIX C

NEW RAYTHEON PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

The following pro forma combined condensed financial statements have been prepared by Raytheon's management from Raytheon's historical consolidated financial statements and from the historical financial statements of TI Defense and Hughes Defense. The pro forma combined condensed statement of earnings reflects adjustments as if the TI Acquisition and the Merger had occurred on January 1, 1996. The pro forma combined condensed balanced sheet reflects adjustments as if the Merger had occurred on September 28, 1997. The pro forma adjustments described in the accompanying notes are based upon preliminary estimates and certain assumptions that Raytheon management believes are reasonable in such circumstances.

The pro forma combined condensed financial statements should be read in conjunction with Raytheon's Consolidated Financial Statements (including the notes thereto) included as Appendix C to this document, and with the historical financial statements of Hughes Defense and TI Defense (including the related notes thereto), which are included in Appendices D & E, respectively, to this document.

The pro forma combined condensed financial statements are not necessarily indicative of what Raytheon's actual financial position or results of operations would have been if the TI Acquisition and the Merger had occurred on the applicable date indicated. Moreover, they are not intended to be indicative of future results of operations or financial position. The pro forma combined condensed financial statements do not reflect the cost and revenue synergies associated with such transactions, which Raytheon expects to realize commencing in the first year of operation.

NEW RATHEON

NEW RAYTHEON PRO FORMA COMBINED CONDENSED STATEMENT OF EARNINGS

FOR THE NINE MONTHS ENDED SEPTEMBER 28, 1997
(IN MILLIONS, EXCEPT PER SHARE)

	HISTORICAL RAYTHEON	HISTORICAL TI DEFENSE	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED	HISTORICAL HUGHES DEFENSE	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Net sales.....	\$9,669	\$824		\$10,493	\$5,157		\$15,650
Cost of sales.....	7,426	638	\$ (4) (2a) (6) (2b) 35 (2e) (10) (2c)	8,079	4,272	\$(18) (3c) (72) (3d) 140 (3g) (21) (3e)	12,380
Amortization of push- down goodwill.....					76	(76) (3c)	0
Administration and selling expenses.....	812	55		867	259		1,126
Research and development expenses.....	290	44		334	127		461
Operating income.....	1,141	87	(15)	1,213	423	47	1,683
Interest expense.....	263			263	72	(72) (3i)	263
Interest income.....	(24)			(24)			(24)
Acquisition interest expense.....			110 (2d)	110		225 (3f)	335
Other (income)/expense..	(12)	2		(10)	(10)		(20)
Income before tax.....	914	85	(125)	874	361	(106)	1,129
Federal and foreign income taxes.....	310	32	(44) (2f)	298	154	(20) (3h)	432
Net income.....	\$ 604	\$ 53	\$ (81)	\$ 576	\$ 207	\$(86)	\$ 697
Earnings per common share							
Outstanding shares.....	\$ 2.56			\$ 2.44			\$ 2.06
Fully diluted.....	\$ 2.51			\$ 2.39			\$ 2.03
Average common shares							
Outstanding.....	236			236		103	339
Fully diluted.....	241			241		103	344

See accompanying notes to pro forma combined condensed financial statements.

NEW RAYTHEON

NEW RAYTHEON PRO FORMA COMBINED CONDENSED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1996
(IN MILLIONS, EXCEPT PER SHARE)

	HISTORICAL RAYTHEON	HISTORICAL TI DEFENSE	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED	HISTORICAL HUGHES DEFENSE	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Net sales.....	\$12,331	\$1,800		\$14,131	\$6,383		\$20,514
Cost of sales.....	9,755	1,415	\$ (6) (2a) (12) (2b) 69 (2e) (52) (2c)	11,169	5,216	\$ (18) (3c) (95) (3d) 187 (3g) (29) (3e)	16,430
Amortization of push- down goodwill.....					101	(101) (3c)	0
Administration and selling expenses	1,021	129		1,150	301		1,451
Research and development expenses.....	323	78		401	192		593
Special charges.....	34	0		34	0		34
Operating income.....	1,198	178	1	1,377	573	56	2,006
Interest expense.....	256			256	92	(92) (3i)	256
Interest income.....	(102)			(102)			(102)
Acquisition interest expense.....			198 (2d)	198		300 (3f)	498
Other (income)/expense..	(40)	3		(37)	(9)		(46)
Income before tax.....	1,084	175	(197)	1,062	490	(152)	1,400
Federal and foreign income taxes.....	322	66	(69) (2f)	319	209	(29) (3h)	499
Net income.....	\$ 762	\$ 109	\$ (128)	\$ 743	\$ 281	\$ (123)	\$ 901
Earnings per common share.....							
Outstanding shares.....	\$ 3.21			\$ 3.14			\$ 2.65
Fully diluted.....	\$ 3.16			\$ 3.08			\$ 2.62
Average common shares							
Outstanding.....	237			237		103	340
Fully diluted.....	241			241		103	344

See accompanying notes to pro forma combined condensed financial statements.

NEW RAYTHEON

NEW RAYTHEON PRO FORMA COMBINED CONDENSED BALANCE SHEET

AS OF SEPTEMBER 28, 1997
(IN MILLIONS)

	HISTORICAL RAYTHEON	RECLASSIFICATIONS	PRO FORMA COMBINED	HISTORICAL HUGHES DEFENSE	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
ASSETS						
Current assets						
Cash and marketable securities.....	\$ 268		\$ 268	\$ 73	\$ (73) (3b)	\$ 268
Accounts receivable...	954	\$ (207) (2g)	747	687		1,434
Contracts in process..	3,148	395 (2g)	3,543	1,579	(190) (3b)	4,932
Inventories.....	1,653	(188) (2g)	1,465	445		1,910
Other.....	531		531	263		794
	-----	-----	-----	-----	-----	-----
Total current assets.....	6,554		6,554	3,047	(263)	9,338
Property, plant and equipment, net.....	2,047		2,047	1,095	8 (3b)	3,150
Cost in excess of net assets acquired.....	5,954		5,954	2,892	(2,892) (3b)	13,464
					7,510 (3b)	
Pension asset.....					1,075 (3b)	1,075
Other assets.....	701		701	128	203 (3b)	1,032
	-----		-----	-----	-----	-----
Total assets.....	\$15,256		\$15,256	\$7,162	\$5,641	\$28,059
	=====		=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Notes payable and current portion of long-term debt.....	\$ 2,175		\$ 2,175	\$ 119	\$2,310 (3a)	\$ 4,604
Advance payments.....	389		389	310		699
Accounts payable.....	1,265		1,265	327		1,592
Other.....	1,516		1,516	780	543 (3b)	2,839
	-----		-----	-----	-----	-----
Total current liabilities.....	5,345		5,345	1,536	2,853	9,734
Long-term debt and capitalized leases.....	4,386		4,386	32	2,130 (3a)	6,548
Other.....	510		510	328	859 (3b)	1,697
Stockholders' equity:						
Common stock at par...	236		236		103 (3a)	339
Additional paid-in-capital.....	313		313		4,962 (3a)	5,275
Retained earnings.....	4,466		4,466	5,266	(5,266) (3b)	4,466
	-----		-----	-----	-----	-----
Total stockholders' equity.....	5,015		5,015	5,266	(201)	10,080
	-----		-----	-----	-----	-----
Total liabilities and stockholders' equity.....	\$15,256		\$15,256	\$7,162	\$5,641	\$28,059
	=====		=====	=====	=====	=====

See accompanying notes to pro forma combined condensed financial statements.

NEW RAYTHEON

NOTES TO NEW RAYTHEON PRO FORMA
COMBINED CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying pro forma combined condensed statements of earnings present the historical results of operations of Raytheon, TI Defense and Hughes Defense for the year ended December 31, 1996 and for the nine months ended September 28, 1997, with pro forma adjustments as if the TI Acquisition and the Merger had taken place on January 1, 1996. The historical results of operations of Raytheon for the nine months ended September 28, 1997 includes the financial results for Raytheon TI Systems from July 11, 1997. The historical results of operations of TI Defense includes financial results for the six month period ending June 29, 1997. The TI Defense financial results for the period from June 30, 1997 to July 10, 1997 were not material. The pro forma combined condensed balance sheet presents the historical balance sheets of Raytheon and Hughes Defense as of September 28, 1997, with pro forma adjustments as if the Merger had been consummated as of September 28, 1997, in a transaction accounted for as a purchase for financial accounting purposes in accordance with generally accepted accounting principles.

Certain reclassifications have been made to the historical financial statements of Raytheon, TI Defense and Hughes Defense to conform to the pro forma combined condensed financial statement presentation on a consistent basis.

2. PRO FORMA ADJUSTMENTS--TI DEFENSE

The following adjustments give pro forma effect to the TI Acquisition (in millions):

- (a) Adjustment to eliminate the amortization of intangible assets of TI Defense which would not have been incurred if the TI Acquisition had occurred on January 1, 1996.
- (b) Adjustment to reflect the effect on 1996 and 1997 results relating to a net reduction of accumulated contract costs as an allowance for Raytheon's normal profit on its efforts to complete such contracts, and other contract valuation adjustments.
- (c) Elimination of \$32 of non-recurring employee related costs and \$20 of non-recurring corporate allocations from the parent of TI Defense as a result of the TI Acquisition for the year ended December 31, 1996 and \$10 of non-recurring corporate allocations for the six months ending June 29, 1997.
- (d) Adjustments which represent additional estimated interest expense resulting from the use of borrowings to finance the TI Acquisition and incremental interest on Raytheon's pre-TI Acquisition variable rate borrowings to reflect the change in credit rating as a result of the TI Acquisition.
- (e) The amortization of excess of costs over acquired net assets over an estimated life of 40 years. Such amortization expense is subject to possible adjustment resulting from the completion of the valuation analyses. Raytheon expects that any subsequent adjustment would not materially affect the combined pro forma results.
- (f) The estimated tax effect on the applicable pro forma adjustments.
- (g) Reclassifications made to conform the TI Defense historical financial statements to the unaudited pro forma combined condensed financial statement presentation.

NEW RAYTHEON

NOTES TO NEW RAYTHEON PRO FORMA
COMBINED CONDENSED FINANCIAL STATEMENTS

3. PRO FORMA ADJUSTMENTS--HUGHES DEFENSE

The following adjustments give pro forma effect to the Merger (in millions):

(a)	To record the exchange consideration at closing:	
	Purchase price (\$9,500 less acquired debt of \$120).....	\$9,380
		=====

(Assumed financing is based on the price per share of Raytheon Common Stock at the announcement date of the merger:

Equity--102,634 thousand shares at assumed market value of \$49.35 per share totals \$5,065. \$49.35 represents the mid-point of the market price collar mechanism. Neither the use of other market price assumptions within the range, nor the use of the highest recent closing price of Raytheon Common Stock of \$60.25 on October 2, would have a significant effect on pro forma results.

Debt--\$4,435 less \$120 of debt assumed plus acquisition costs of \$125 totals \$4,440 to be financed with a combination of variable rate short-term borrowings of \$2,310 and fixed rate medium- and long-term borrowings of \$2,130 at an average interest rate of 6.37%.

To adjust the assets and liabilities to their estimated

(b)	fair values:	
	Net assets of Hughes Defense at September 28, 1997.....	5,266
	Additional assets to be recorded in the Merger.....	45
	Additional liabilities to be recorded in the Merger.....	(94)
	Cash not included in the Merger.....	(73)
	Contracts in process valuation adjustments.....	(190)
	Accrual for future lease cost in excess of fair market value.....	(264)
	Provision for the estimated exit costs of integrating acquired operations.....	(495)
	To include pension assets and reflect fair market value less the projected benefit obligation.....	892
	To include the liability for post-retirement benefits other than pensions.....	(366)
	Deferred tax benefits.....	166
	Costs in excess of net assets of Hughes Defense.....	7,510
	Acquisition costs.....	(125)
	Elimination of Hughes Defense goodwill.....	(2,892)

		\$9,380
		=====

- (c) Adjustment to eliminate the amortization of intangible assets of Hughes Defense which would not have been incurred if the Merger had occurred on January 1, 1996.
- (d) Adjustment to reflect the effect on 1996 and 1997 results relating to a net reduction of accumulated contract costs as an allowance for Raytheon's normal profit on its efforts to complete such contracts.
- (e) Elimination of \$29 of non-recurring corporate allocation from the parent of Hughes Defense as a result of the Merger for the year ended December 31, 1996 and \$21 for the nine months ended September 28, 1997.
- (f) Adjustments which represent additional estimated interest expense resulting from the use of borrowings to finance the Merger and incremental interest on Raytheon's pre-Merger variable rate borrowings to reflect the change in credit rating as a result of the Merger.

NOTES TO NEW RAYTHEON PRO FORMA
COMBINED CONDENSED FINANCIAL STATEMENTS

- (g) The amortization of excess of costs over acquired net assets over an estimated life of 40 years. Such amortization expense is subject to possible adjustment resulting from the completion of the valuation analyses. Raytheon expects that any subsequent adjustment would not materially affect the combined pro forma results.
- (h) The estimated tax effect on the applicable pro forma adjustments.
- (i) Elimination of Hughes Defense interest expense.
- (j) The purchase price to be paid is subject to adjustment based on the actual net assets at the time of the closing and the amount of debt and equity to be issued is subject to adjustment based on the price of Raytheon Common Stock at the closing.

4. OTHER

On September 10, 1997 Raytheon consummated the sale of its home appliance heating and air conditioning and commercial cooking businesses to Goodman Manufacturing Co., L.P. for an aggregate amount of \$550 million in cash, subject to certain changes in the net working capital of such businesses between December 31, 1996 and the closing date of the transaction. The 1996 sales, operating income, net income and total assets of the businesses sold were not material to Raytheon's results of operations and as such the sale of these businesses was not included in the pro forma financial statements.

The Department of Justice and Raytheon entered into an agreement regarding the TI Acquisition on July 2, 1997, pursuant to which Raytheon agreed to divest the Gallium Arsenide foundry and Monolithic Microwave Integrated Circuit business of the R/F Microwave business unit of Texas Instruments after closing the transaction. The business, which accounted for less than \$40 million in 1996 revenues, was not material and as such the sale of this business has not been included in the pro forma financial statements.

On October 16, 1997 the Department of Justice filed with the U.S. District Court for the District of Columbia an agreement among the Department of Justice Raytheon, GM and HE Holdings regarding the Merger. The agreement, when entered as a final judgment pursuant to court order, will require Raytheon to divest portions of Hughes' Electro Optics business and portions of Raytheon TI Systems' Focal Plane Array business. These two businesses, which together accounted for less than \$55 million in 1996 revenues, were not material and as such the sale of these businesses has not been included in the pro forma financial statements.

NEW RAYTHEON