HUGHES
ELECTRONICS

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AOR 1997-25

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VIA FACSIMILE
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Lawrence Noble, Esq.
General Counsel
Federal Elections Commission
999 E Street, N.W.
Washington, D. C. 20463

Re: Advisory Opinion Request

Dear Mr. Noble:

This advisory opinion request is sent on behalf of Hughes Electronics Corporation ("HE"), a wholly owned subsidiary of General Motors Corporation ("GM"). HE operates in three principal business areas: telecommunications and space, automotive electronics and defense electronics. Through a series of transactions (the "Hughes Transactions"), (1) the defense electronics business will be spun-off to the GM stockholders and then merged with Raytheon Company ("Raytheon"), (2) the automotive electronics business, which is conducted by Delco Electronics Corporation ("Delco"), will be transferred from HE back to GM and then combined with GM's Delphi Automotive Systems ("Delphi") and (3) the telecommunications and space business will continue to be conducted by HE and tied to GM's Class H common stock.

While completion of the Hughes Transactions is still subject to stockholder approvals, it is anticipated that a closing will occur on or shortly after December 17, 1997. As described in more detail below, the Raytheon merger will be implemented as follows: (1) HE Holdings, Inc. ("Holdings"), a wholly owned subsidiary of HE which will own its defense electronics business, will be spun-off to the GM stockholders, (2) Raytheon will be merged into Holdings and the name of Holdings will be changed to Raytheon (the merged corporation is referred to herein as "Raytheon/Holdings") and (3) the former Raytheon stockholders will receive common stock of Raytheon/Holdings. After consummation of the Hughes Transactions, GM will not own any of the equity of Raytheon/Holdings. A Solicitation Statement/Prospectus was mailed by GM to its stockholders on November 18, 1997. A copy of those stockholder materials, together with the original of this letter, are being sent to you via overnight delivery service.

Several separate segregated funds registered with the Federal Election Commission ("FEC") will be affected. We have reviewed the numerous advisory opinions issued by the FEC for similar corporate mergers, restructurings and disaffiliating PACs, and we note that each situation is resolved based on very specific facts. Therefore, please advise as to the consequences of the Hughes Transactions for the separate segregated funds during and following this reorganization.

## THE HUGHES TRANSACTIONS

The Hughes Transactions are intended to accomplish three principal business objectives for the HE businesses:

- Enable the defense electronics business to participate in the U.S. defense industry consolidation and to achieve the critical mass necessary to continue to compete effectively in the defense industry through the consummation of the Raytheon merger.
- Better position Delco and Delphi to participate in the automotive electronics industry trend toward integrated automotive systems procurement by facilitating the combination of Delco and Delphi.
- Enhance the growth potential of the telecommunications and space business in the expanding telecommunications market through additional funding and more focused senior management.

GM's Class H common stockholders currently have a twenty-five percent (approx.) participation interest in HE's three businesses. The Hughes Transactions will position each of the three businesses to achieve the above-described goals. The defense electronics business has been consolidated into Holdings, and all of the Class A stock of Holdings is being spun-out to GM stockholders. GM's Class H stockholders will receive shares of the Class A stock of Holdings representing their interest in HE's defense electronics business and additional shares of the Class A stock of Holdings of equal value to the twenty-five percent (approx.) interest in automotive electronics which they will give up as part of the Hughes Transactions. The balance of the Class A stock of Holdings will be distributed to GM's $1 2/3 common stockholders. Accordingly, after consummation of the Hughes Transactions, (1) Delco will be wholly owned by GM, without any interest which tracks to GM's Class H common stock, such that it can be consolidated with Delphi; (2) Holdings will be a stand alone company, owned by GM's broad base of common stockholders, such that it can merge with Raytheon and (3) HE will conduct the telecommunications and space business and GM's Class H common stock will track the performance of HE.

After consummation of the Hughes Transactions, (1) the defense electronics businesses of Holdings and Raytheon will be combined to become the third largest U.S. government defense contractor with the critical mass of programs, skill and investment necessary to serve the market efficiently and effectively; (2) Delco and Delphi will be able to combine their automotive components business unimpeded by GM's separate class, common stock structure; and (3) HE will be in a position to concentrate on its telecommunications and space business, funded by approximately $3.9 billion in cash which it will retain when Holdings is spun-off.

## RAYTHEON/HOLDINGS STRUCTURE

The Hughes Transactions have been structured such that the spin-off of Holdings and its subsequent merger with Raytheon will be tax-free to GM and its stockholders. (See AO 1993-23, footnote 7 for comments on a similar tax-free spin-off.) Holdings will have two classes of common stock, Class A and Class B. All of the Class A stock will be distributed to the common stockholders of GM to accomplish the spin-off of Holdings. Raytheon will then merge into Holdings, and the Raytheon stockholders will receive Class B stock of Holdings in exchange for their Raytheon stock. Holdings will be renamed Raytheon at the time of the merger, and as noted above, the merged corporation is described herein as Raytheon/Holdings. The Class A stock will have 80.1% of the voting power with respect to the election or removal of directors to or from the Raytheon/Holdings Board of Directors, while the remaining 19.9% of such voting power will belong to the Class B stockholders. All other matters submitted to the stockholders will require approval of each class voting separately. In all other respects, the rights of each Class A share and each Class B share are the same. The Class A stock will represent 30% (approx.) of the economic interest in Raytheon/Holdings, while the remaining 70% (approx.) will be represented by the Class B stock.

The Raytheon/Holdings Board of Directors will consist of fifteen members, twelve of whom are former Raytheon directors, two of whom are directors of HE and one of whom is a director of GM. The twelve Raytheon directors were all serving on the Raytheon board prior to the merger and were elected by the Raytheon stockholders at its last annual stockholders meeting. GM and HE had and have no control or influence over the twelve continuing Raytheon directors and will have no ownership interest in Raytheon/Holdings. See 11 CFR 110.3(a)(3)(ii)(A). Accordingly, GM and HE will have no ability to control future selection of the Board of Directors of Raytheon/Holdings which is responsible for the governance of the company, and no authority to hire, demote or otherwise control the director's, officers or employees of Raytheon/Holdings. See 11 CFR 110.3(a)(3)(ii)(B), (C), (E) and (F).

Neither GM nor Raytheon/Holdings will own any stock in the other company. The only "common control" between GM and Raytheon/Holdings will be that the initial holders of the Class A stock of Raytheon/Holdings will be the common stockholders of GM. However, ownership of GM's common stock is widely dispersed, with over 700,000 stockholders, no one of which owns more than 10% of either of its classes of common stock. In addition, it is anticipated that there will be active trading in the Class A stock of Raytheon /Holdings as the GM stockholders who are interested in automotive and telecommunications investments sell to other investors who are interested in defense electronics investments. It is submitted that these two factors make any sort of asserted common control unrealistic.

## THE PACs

### HACF

Hughes Electronics Corporation Active Citizenship Fund ("HACF") is the separate segregated fund of HE and qualifies as a multi-candidate committee. HACF has disclosed on its Statement of Organization, FEC Form 1, that it is affiliated with (1) The Civic Involvement Program/General Motors, the separate segregated fund of GM; and (2) the M.E.S.C. Electronics Systems, Inc. Political Action Committee, the separate segregated fund of another GM wholly owned subsidiary, Magnavox Electronics Systems Co., Inc. Pursuant to 11 CFR 110.3(a) and 11 CFR 100.5(g)(2), all of the GM affiliated PACs coordinate contributions to candidates in computing a common single contribution limit.

HACF currently has payroll authorizations from 1452 employee participants. The telecommunications and space business, which will remain with HE, accounts for 291 or 20% of the current employee participants. The defense electronics business, which will merge with Raytheon, accounts for 1045 or 72% of the current employee participants. Delco accounts for 116 or 8% of the current employee participants. HACF receives $8,500 per month from payroll deductions and the approximate cash on hand as of October 31, 1997 was $99,000.

The future solicitable class of employees for HACF will be limited to the new executives and administrative personnel and other members of the solicitable class as defined by the FEC.

### Raytheon PAC

Raytheon has a separate segregated fund known as Raytheon Company PAC ("Raytheon PAC") which also qualifies as a multi-candidate committee. It has no other affiliated separate segregated funds.

The current Raytheon PAC will inherit an enlarged solicitable class drawn from approximately 38,000 new employees moving as part of Holdings from HE to Raytheon/Holdings.

Delphi/Delco PAC

The new Delphi/Delco PAC will inherit a solicitable class to be drawn from approximately 30,000 employees of HE moving to Delphi/Delco, as well as a solicitable class currently at Delphi.

QUESTIONS

1. Will HACF and Raytheon PAC remain non-affiliated entities following the merger?

2. If the answer to question 1 is yes, a question arises concerning the transfer of funds on hand before or after the merger. HACF would like to allocate existing funds on hand attributable to the employees in the telecommunication and space business and to the employees in the defense electronics business to entities which will be associated with their future employers, HE and Raytheon/Holdings. Since unaffiliated entities are subject to the contribution limits of 2 U.S.C. 441A(2)(c) and 11 CFR 110.2(D)(1), and the funds on hand attributable to Holdings' employees would exceed the limit so that a post merger transfer is impermissible, will it be permissible for HACF to split into two affiliated separate segregated funds prior to implementation of the Hughes Transactions?

One fund would be the existing separate segregated fund registered as HACF and it would continue to receive employee payroll deductions and contributions from employees in the businesses to remain with HE. The second fund would be a new separate segregated fund registered as connected to Holdings. It would receive a one time transfer of funds on hand attributable to the employee payroll deductions and contributions from employees who will become employees of Raytheon/Holdings.

3. If the answer to question 2 is yes, is it then permissible for the new Holdings connected PAC to be merged into the Raytheon PAC and become a Raytheon/Holdings affiliated entity immediately after the merger of Raytheon and Holdings? See Advisory Opinion 1996-23 and the division of the "Old ITT PAC".

4. If the answer to question 3 is yes, may a computation be done using the percentage ratio of 72%/20%/8% (72% representing the weekly payroll deductions attributable to defense electronics employees) applied to the existing HACF funds at the time of any PAC split to determine the one time transfers to the pre-merger Holdings PAC, and to the Delphi/Delco PAC?

5. Will all PACs retain their multi-candidate committee status during the interim stage and following the merger?

6. After the merger, must the Raytheon PAC aggregate its contributions from employees and to candidates with those previously received or made by HACF or any GM affiliated PACs in computing contribution limits under the Act and vice versa?

7. May the Raytheon PAC merely notify the former Holdings donors to HACF after they become employees of Raytheon/Holdings that their payroll deductions are now being transferred to the Raytheon PAC and not be required to seek authorizations in accord with AO 1994-23? Does the answer differ whether or not the one time transfer is permissible? (Also see 11 CFR 114.5(a)(1)-(5).)

8. May the Delphi/Delco PAC merely notify the prior HACF contributors that their payroll deductions are now being transferred to the new Delphi/Delco PAC (a new affiliated PAC within the GM family of PACs) and not be required to seek new authorizations in accord with AO 1994-23? (Also see 11 CFR 114,5(a)(1)-(5).))

We would be happy to provide any other information or documentation to assist you in responding to this advisory opinion request. Please do not hesitate to call me at the number listed above.

Very truly yours,

HUGHES ELECTRONICS CORPORATION

Robert M. Hall

Robert M. Hall

cc: Joann Costa
Cheryle Ushkow
Colleen C. McAndrews, Esq.
Daralyn Reed, Treasurer, HACF

*Solicitation of Written Consent of*
*General Motors Corporation*
*Common Stockholders*

GM

# The Hughes Transactions

HUGHES
ELECTRONICS

**We are asking our common stockholders to approve the following "Hughes Transactions" relating to the three principal businesses of our Hughes Electronics subsidiary.**

## *DEFENSE ELECTRONICS*

**We propose to spin off our defense electronics business, approximately 58.7% to our Class H Common Stockholders and 41.3% to our $1⅔ Common Stockholders (estimated based on recent stock prices). Immediately after the spin-off, this business will merge with Raytheon Company.**

## *AUTOMOTIVE ELECTRONICS*

**We propose to transfer our automotive electronics business from Hughes Electronics to General Motors. As a result, the approximately 25.6% tracking stock interest in this business currently held by our Class H Common Stockholders will in effect be allocated to our $1⅔ Common Stockholders.**

## *TELECOMMUNICATIONS AND SPACE*

**We propose to recapitalize our Class H Common Stock into a new tracking stock interest of approximately 25.6% in our telecommunications and space business. This business will also be provided with a substantial amount of new capital funding.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the Hughes Transactions or the new Class H Common Stock or the Class A Common Stock to be issued pursuant to this Solicitation Statement/Prospectus. The Securities and Exchange Commission has not passed upon the fairness or merits of the Hughes Transactions or upon the accuracy or adequacy of the information contained in this Solicitation Statement/Prospectus. Any representation to the contrary is a criminal offense.**

**The date of this Solicitation Statement/Prospectus is November 10, 1997.**

# CHAPTER 1
# INTRODUCTION

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## INTRODUCTION

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

*We have calculated several important values for illustrative purposes in this document based on the November 7, 1997 closing price of Raytheon Common Stock of $51.00 per share (the "Recent Raytheon Stock Price"). These calculated values include the percentage of Class A Common Stock that will be distributed to holders of each class of GM common stock, the indicated value of the Class A Common Stock to be distributed, the amount of debt that Hughes Defense will be permitted to have when it is spun off and the amount of new capital to be made available to Hughes Telecom. These calculations are illustrative only and will change based on changes in the market price of Raytheon Common Stock between now and the closing.*

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

## INTRODUCTION TO THE HUGHES TRANSACTIONS

### THE HUGHES TRANSACTIONS

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

#### (1) Hughes Defense

*We propose to spin off the defense electronics business of Hughes Electronics to our common stockholders. We call this business "Hughes Defense." Immediately after the spin-off, Hughes Defense will merge with Raytheon Company. Based on the Recent Raytheon Stock Price, these transactions have an indicated value of approximately $9.5 billion.*

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

GM common stockholders will receive all of the Class A Common Stock of Hughes Defense, representing approximately 30% of the common stock of New Raytheon after the merger. This stock has an indicated value of approximately $5.2 billion based on the Recent Raytheon Stock Price. Approximately 58.7% of the Class A Common Stock would be distributed to GM Class H Common Stockholders and approximately 41.3% would be distributed to GM $1⅔ Common Stockholders based on the Recent Raytheon Stock Price.

Hughes Defense will be permitted to have approximately $4.3 billion of debt when it is spun off. Substantially all of the proceeds of this debt will be made available as new capital for Hughes Telecom. The obligation to repay this debt, however, will remain with New Raytheon (in which GM's common stockholders will have an approximately 30% equity interest).

The indicated transaction value of approximately $9.5 billion consists of the sum of (1) the value of the Class A Common Stock to be distributed to GM's common stockholders and (2) the amount of debt that Hughes Defense is permitted to have at the time of the spin-off. We believe that this amount represents a substantial premium to the enterprise value of Hughes Defense under its current ownership structure.

#### (2) Delco Electronics

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

*Electronics to General Motors. The tracking stock interest in Delco's earnings that is currently held by GM Class H Common Stockholders will in effect be allocated to holders of GM $1⅔ Common Stock.*

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

To compensate GM Class H Common Stockholders for the transfer of Delco and other effects of the Hughes Transactions, we have allocated an amount of Class A Common Stock to them which is more than the approximately 25.6% that reflects their current tracking stock interest in Hughes Defense. The allocation of Class A Common Stock to the GM Class H Common Stockholders is approximately 58.7% based on the Recent Raytheon Stock Price.

### (3) Hughes Telecom

*We propose to make about $4.0 billion of new capital funding available to the telecommunications and space business of Hughes Electronics, which we call "Hughes Telecom," and to recapitalize the GM Class H Common Stock into a new tracking stock interest in that business.*

Hughes Telecom will receive about $4.0 billion in cash from new debt borrowed by Hughes Defense before it is spun off to our common stockholders. This capital funding will enhance Hughes Telecom's ability to take advantage of growth opportunities in the expanding global telecommunications market. Hughes Telecom expects that its immediate use of approximately $3.0 billion of the capital funding will be to repay indebtedness, including approximately $1.7 billion owed to General Motors in connection with Hughes Telecom's acquisition of PanAmSat Corporation in May 1997. We also believe that Hughes Telecom will benefit from having its senior management focused on a single principal area of business.

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

## RAYTHEON STOCK PRICE

Changes in the market price of Raytheon Common Stock will affect several calculations relevant to the transactions.

First, we have used the Recent Raytheon Stock Price ($51.00 per share on November 7, 1997) for illustrative calculations of the amount of the Class A Common Stock to be distributed to the holders of each class of GM common stock and the value of those distributions.

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

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

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

Based on the Recent Raytheon Stock Price, the Class A Common Stock distributed in the spin-off would be worth approximately $5.2 billion and Hughes Defense would be allowed to have approximately $4.3 billion of debt. Accordingly, the transaction would have a current indicated value to General Motors and its common stockholders of approximately $9.5 billion.

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

| Raytheon Common Stock Price | Value of Class A Common Stock | Hughes Defense Debt | Total Indicated Value |
|---|---|---|---|
| | ($ Billions, Except Stock Price) | | |
| $65 | $6.7 | $3.9 | $10.6 |
| 60 | 6.2 | 3.9 | 10.1 |
| 55 | 5.6 | 3.9 | 9.5 |
| 50 | 5.1 | 4.4 | 9.5 |
| 45 | 4.6 | 4.9 | 9.5 |
| 40 | 4.1 | 4.9 | 9.0 |

GM's common stockholders will directly receive the value of the Class A Common Stock, which will be distributed to them in the spin-off of Hughes Defense. In addition, our stockholders will benefit from the new debt borrowed by Hughes Defense before the spin off because the proceeds (up to $4.0 billion) will be made available to Hughes Telecom to fund growth opportunities in the telecommunications and space business. All of our common stockholders will have a continuing interest in that business. If Hughes Defense borrows more than $4.0 billion of new debt, the additional proceeds will be made available to General Motors, in which case an appropriate adjustment will be made in the amount of Class A Common Stock to be distributed to each class of GM common stockholders. We currently estimate that this will occur only if the Raytheon Common Stock price is $53.59 or less.

## NEW RAYTHEON COMMON STOCK

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

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

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

## THE DISTRIBUTION RATIO

We will distribute a total of 102,630,503 shares of Class A Common Stock to our common stockholders. Based on the Recent Raytheon Stock Price, we estimate that approximately 58.7% of these shares will be distributed to GM Class H Common Stockholders and approximately 41.3% will be distributed to GM $1⅔ Common Stockholders. We refer to the relationship between these amounts as the "Distribution Ratio."

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

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

The GM Board determined that the additional amount of Class A Common Stock to be issued to GM Class H Common Stockholders should have a value equal to $6.5 billion multiplied by the percentage amount of the GM Class H Common Stockholders' tracking stock interest in Hughes Electronics (*i.e.*, the "Class H Fraction") immediately before the closing, plus an additional amount equal to the product of multiplying the Class H Fraction times the amount of any proceeds of Hughes Defense debt made available to General Motors as described above. Based on the Recent Raytheon Stock Price, approximately $266 million of debt proceeds would be made available to General Motors. Accordingly, based on the approximately 25.6% tracking stock interest of GM Class H Common Stockholders as of September 30, 1997, the total additional Class A Common Stock should have a value of approximately $1.665 billion plus $68 million, or $1.733 billion in total.

The number of additional shares of Class A Common Stock needed in order to deliver the total additional value to the GM Class H Common Stockholders will be determined by valuing each share at the average closing market price of Raytheon Common Stock during a specified period before the closing. Based on the Recent Raytheon Stock Price and a total additional value of approximately $1.733 billion, this would result in the distribution of 33,988,730 additional shares of Class A Common Shares to the GM Class H Common Stockholders.

The foregoing calculations would result in a distribution of a total of approximately 58.7% of the Class A Common Stock to GM Class H Common Stockholders. The balance of 41.3% would be distributed to GM $1⅔ Common Stockholders.

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

| **Example of Ownership BEFORE the Hughes Transactions** | **Example of Ownership AFTER the Hughes Transactions** |
|---|---|
| One share of GM $1⅔ Common Stock | One share of GM $1⅔ Common Stock<br>*AND*<br>0.05987 shares of Class A Common Stock with an indicated market value of $3.05. |
| One share of GM Class H Common Stock | One share of New GM Class H Common Stock<br>*AND*<br>0.58836 shares of Class A Common Stock with an indicated market value of $30.01. |

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

## DELCO TRANSFER

Delco will be transferred from Hughes Electronics to General Motors so that it can be more fully integrated with Delphi. As a result of this transfer, Delco's financial performance will not be tracked by the New GM Class H Common Stock. In effect, the tracking stock interest in Delco's earnings that is currently held by GM Class H Common Stockholders will be allocated to holders of GM $1⅔ Common Stock.

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

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

## NEW GM CLASS H COMMON STOCK

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

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

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

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

**NO RECAPITALIZATION INTO GM $1⅔ COMMON STOCK**

The Hughes Transactions will not result in a recapitalization of GM Class H Common Stock into GM $1⅔ Common Stock at a 120% exchange ratio as currently provided for under certain circumstances in the GM Certificate of Incorporation. As part of the Hughes Transactions, the GM Certificate of Incorporation will be amended to eliminate any possible application of the recapitalization provision to the Hughes Transactions. Even absent this amendment, we believe that there is substantial uncertainty as to whether the recapitalization provision would apply. By voting in favor of the Hughes Transactions, you will in effect be waiving any application of the provision to the Hughes Transactions. For further discussion, see "Description of the Hughes Transactions—No Recapitalization at a 120% Exchange Ratio" in Chapter 3.

**TAX MATTERS**

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

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

**BOARD RECOMMENDATION**

The GM Board has carefully reviewed the Hughes Transactions with the active participation of its Capital Stock Committee, which consists entirely of independent directors. We have received opinions from two independent investment banking firms, Merrill Lynch and Salomon Brothers, as to the fairness, from a financial point of view, to each class of GM common stockholders of the consideration to be provided to General Motors and its subsidiaries and to each class of our common stockholders in the Hughes Transactions. We have also received an opinion from a third investment banking firm, Goldman Sachs, as to the fairness of the aggregate consideration in the Raytheon Merger to Hughes Defense, Hughes Electronics, General Motors, GM $1⅔ Common Stockholders and GM Class H Common Stockholders taken as a whole.

The full text of the investment bank opinions, which in each case set forth the assumptions made, matters considered and limitations on the review undertaken in connection with the opinions, are included in Appendix B to this document. **We urge you to read these opinions carefully.**

**Based on the foregoing, the GM Board has determined that the Hughes Transactions are in the best interests of General Motors and its common stockholders and are fair to the holders of both classes of GM common stock. The GM Board has unanimously approved the Hughes Transactions and recommends that GM common stockholders approve the Hughes Transactions by executing and returning the enclosed consent.**

## RISK FACTORS

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

## STOCKHOLDER LITIGATION

Nine lawsuits were filed in Delaware Chancery Court after we announced the Hughes Transactions in January 1997. All of these lawsuits have been consolidated and a consolidated amended complaint has recently been filed. That complaint alleges that the defendants have breached and are continuing to breach their fiduciary and alleged contractual duties to specified holders of GM Class H Common Stock in connection with the Hughes Transactions.

The lawsuits seek injunctions against the Hughes Transactions (or any other disposition of Hughes Defense in the absence of a recapitalization of the GM Class H Common Stock into GM $1⅔ Common Stock at a 120% exchange ratio) and compensatory damages.

## TIMING AND APPROVALS

We are working towards completing the Hughes Transactions as soon as possible. We currently expect to complete the Hughes Transactions and the Raytheon Merger before December 31, 1997. However, in the event that the transactions are not completed before that date, each of Raytheon and Hughes Defense has agreed that it will not assert prior to January 16, 1998 a right that it would otherwise have to terminate the merger agreement because of the failure to have completed the Raytheon Merger before December 31, 1997.

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

- a majority of the outstanding shares of GM $1⅔ Common Stock, voting as a separate class; and
- a majority of the outstanding shares of GM Class H Common Stock, voting as a separate class.

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

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

## RAYTHEON INFORMATION

Raytheon is seeking approval of the Raytheon Merger by its existing common stockholders and is sending a related solicitation statement (the "Raytheon Solicitation Statement") to its common stockholders. The Raytheon Solicitation Statement contains information about Raytheon, about the Raytheon Merger and about the business and prospects of New Raytheon that may be of interest to you in considering the Hughes Transactions.

In particular, a section of the Raytheon Solicitation Statement called "Background" contains information about the background of the Raytheon Merger from Raytheon's point of view, including information about the Raytheon board of directors' consideration of the Raytheon Merger and its decision to approve the Raytheon Merger and recommend it to the stockholders of Raytheon, as to which we have no direct knowledge. That section also contains summaries of (1) an opinion of Bear Stearns, financial advisor to Raytheon, to the effect that, as of the date of the opinion and based upon and subject to certain matters stated in the opinion, the Raytheon Merger is fair to Raytheon stockholders from a financial point of view and (2) an opinion of CSFB, financial advisor to Raytheon, to the effect that, as of the date of the opinion and based upon and subject to certain matters stated in the opinion, the Merger Consideration (as defined in the opinion) was fair to the holders of Raytheon Common Stock from a financial point of view. Copies of the opinions of Bear Stearns and CSFB are attached as appendices to the Raytheon Solicitation Statement.

As explained in "Where You Can Find More Information" in Chapter 7, we have incorporated the "Background" section of the Raytheon Solicitation Statement as well as the Raytheon Merger Agreement and the opinions of Bear Stearns and CSFB, which are attached as appendices to the Raytheon Solicitation Statement, into this document by reference. You should note, however, that these materials were prepared for Raytheon's board of directors in connection with the Raytheon Merger, and Raytheon's board of directors and its financial advisors did not consider your interests as a stockholder of General Motors.

## CONSENT MECHANICS

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

**You should not send your stock certificates with the consent card enclosed with this document. You will receive further correspondence after the transactions have been completed.**

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

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

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

## THE ISSUERS

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

As of the Record Date, directors and executive officers of General Motors (and their affiliates) together held less than 1% of the outstanding shares of GM $1⅔ Common Stock and less than 1% of the outstanding shares of GM Class H Common Stock. To our knowledge, all of such persons currently intend to vote in favor of the Hughes Transactions.

The Class A Common Stock to be distributed in the spin-off will be issued by a subsidiary of Hughes Electronics which is named HE Holdings, Inc. HE Holdings is the corporate name currently used by the corporation that was called "Hughes Aircraft Company" when it was acquired by General Motors in 1985. HE Holdings currently owns and operates (principally through subsidiaries) both the defense electronics business and the telecommunications and space business of Hughes Electronics. We refer to HE Holdings, Inc. as "Hughes Defense" because it will own and operate the defense electronics business (but not the telecommunications and space business) of Hughes Electronics at the time it is spun off to GM's common stockholders and merged with Raytheon.

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

## ADDITIONAL INFORMATION

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

Morrow & Co., Inc.

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

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

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

## SUMMARY FINANCIAL INFORMATION

## POSSIBLE EFFECTS OF THE HUGHES TRANSACTIONS ON YOUR GM COMMON STOCK

We are providing the following summary financial information to help you analyze the financial aspects of the Hughes Transactions. The numbers in the column entitled "Historical" are the actual per share numbers as of and for the periods ended September 30, 1997 and December 31, 1996, respectively.

The numbers in the columns entitled "Assuming Hughes Transactions Occur" show the pro forma effect on:

- book value per share, assuming the transactions were completed on September 30, 1997; and
- cash dividends per share and earnings per share, assuming the transactions were completed on January 1 of each respective period.

In addition, you should note these numbers include the effect of the May 1997 merger of the satellite services operations of Hughes Telecom and PanAmSat and the divestiture of Hughes Avicom.

All pro forma numbers are arithmetical combinations of GM's and Raytheon's separate historical results and reflect certain adjustments that directly relate to the Hughes Transactions, the Raytheon Merger, the Texas Instruments Defense Acquisition by Raytheon, the PanAmSat Merger and the Avicom Divestiture. You should not assume that General Motors and New Raytheon would have actually achieved these results if the transactions had occurred on the dates specified, or that either company will achieve similar results in the future.

| | | *Assuming Hughes Transactions Occur* | |
|---|---|---|---|
| **GM $1⅔ Common Stock** | *Historical* GM $1⅔ | GM $1⅔ | + New Raytheon |
| **Book value per share** | | | |
| as of 9/30/97 | $30.17 | $28.47 | $ 1.78 |
| as of 12/31/96 | $27.95 | — | — |
| **Cash dividends per share** | | | |
| for the nine month period ended 9/30/97 | $ 1.50 | $ 1.50 | $ 0.04 |
| for the year ended 12/31/96 | $ 1.60 | $ 1.60 | $ 0.05 |
| **Earnings per share** (from continuing operations for General Motors) | | | |
| for the nine month period ending 9/30/97 | $ 6.35 | $ 5.99 | $ 0.12 |
| for the year ending 12/31/96 | $ 6.07 | $ 5.91 | $ 0.16 |

| | | *Assuming Hughes Transactions Occur* | |
|---|---|---|---|
| **GM Class H Common Stock** | *Historical* GM Class H | GM Class H | + New Raytheon |
| **Book value per share** | | | |
| as of 9/30/97 | $15.09 | $14.10 | $17.46 |
| as of 12/31/96 | $13.97 | — | — |
| **Cash dividends per share** | | | |
| for the nine month period ended 9/30/97 | $ 0.75 | — | $ 0.35 |
| for the year ended 12/31/96 | $ 0.96 | — | $ 0.47 |
| **Earnings per share** | | | |
| for the nine month period ending 9/30/97 | $ 2.54 | $ 0.37 | $ 1.21 |
| for the year ending 12/31/96 | $ 2.88 | $ 0.33 | $ 1.56 |

The "Assuming Hughes Transactions Occur" columns in the table above show pro forma information for each of GM's two classes of common stock on a per share equivalent basis. We calculated the New Raytheon pro forma equivalent amounts for each class of GM common stock on the basis of (1) the number of shares of Class A Common Stock to be distributed to that class pursuant to the Distribution Ratio (estimated based on the Recent Raytheon Stock Price and the respective number of shares of GM common stock issued on

September 30, 1997) and (2) the Class A Common Stock pro forma information as set forth in the table of New Raytheon Common Stock Pro Forma Per Share Data below. We also calculated book value per share of each class of GM common stock based on the liquidation rights of each class under the GM Certificate of Incorporation as proposed to be amended. For such purpose, we have assumed that the per share liquidation unit of the New GM Class H Common Stock is 0.50, which is the same as for the GM Class H Common Stock. See "Chapter 6: Capital Stock."

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

General Motors has initiated competitiveness studies which are expected to be completed in the fourth quarter of 1997 or early 1998 and are expected to result in charges against income totaling approximately $2 billion to $3 billion after taxes or $2.85 to $4.27 per share of GM $1⅔ Common Stock. See "Recent Developments—General Motors Competitiveness Studies" below for additional information.

## GENERAL

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

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

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

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

## HUGHES ELECTRONICS

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

The Hughes Transactions involve all three primary business segments of Hughes Electronics, as well as the operations reported as Corporate and Other. The Hughes Reorganization includes a number of preliminary transactions necessary to separate the three primary business segments of Hughes Electronics, and the operations reported as Corporate and Other, into Hughes Defense, Delco and Hughes Telecom. See "Description of the Hughes Transactions—General—Hughes Reorganization" and "Separation and Transition

Arrangements" in Chapter 3. After giving effect to the Hughes Reorganization, (1) Hughes Defense generally will consist of businesses currently reported in the Aerospace and Defense Systems segment of Hughes Electronics, (2) Delco generally will consist of businesses currently reported in the Automotive Electronics segment of Hughes Electronics and (3) Hughes Telecom generally will consist of businesses currently reported in the Telecommunications and Space segment and Corporate and Other.

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

## PURCHASE ACCOUNTING ADJUSTMENTS

The acquisition of Hughes Aircraft by General Motors in 1985 was accounted for by General Motors as a purchase for financial accounting purposes. As a result, General Motors recorded goodwill and other intangible assets of approximately $4.2 billion. This amount is being amortized over periods of up to 40 years, resulting in an annual earnings charge that is currently approximately $122.0 million. We refer to these annual charges as purchase accounting adjustments. As currently provided in the GM Certificate of Incorporation, the earnings attributable to GM Class H Common Stock for purposes of determining the amount available for the payment of dividends on GM Class H Common Stock specifically exclude such adjustments. A significant portion of these adjustments, which are currently charged against the earnings available for the payment of dividends on GM $1⅔ Common Stock, will be eliminated as a result of the Hughes Transactions. The GM Certificate of Incorporation, as proposed to be amended in the GM Spin-Off Merger, will also provide that, in calculating the amount available for payment of dividends on New GM Class H Common Stock (which amount will also be used to calculate earnings per share of New GM Class H Common Stock), the remaining purchasing accounting adjustments applicable to the telecommunications and space business of Hughes Electronics will not be charged against the earnings of New Hughes Electronics.

The Hughes Electronics Summary Consolidated Financial Data (Including Purchase Accounting Adjustments) presented below include the application of such purchase accounting adjustments, which are further described in Notes 1 and 7 to Hughes Electronics' Consolidated Financial Statements in Exhibit 99 to the GM 1996 Form 10-K. More specifically, amortization and disposal of intangible assets associated with GM's purchase of Hughes Aircraft amounted to $122.3 million in 1996, $159.5 million in 1995 and $123.8 million in 1994, and $91.7 million for both of the nine-month periods ended September 30, 1997 and September 30, 1996. Such amounts were excluded from the earnings available for the payment of dividends on GM Class H Common Stock and were charged against the earnings available for the payment of dividends on GM $1⅔ Common Stock. Unamortized purchase accounting adjustments associated with GM's purchase of Hughes Aircraft were $2,723.5 million, $2,845.8 million and $3,005.3 million at December 31, 1996, 1995 and 1994, respectively, and $2,631.8 million and $2,754.1 million at September 30, 1997 and 1996, respectively. In order to assist you in understanding and analyzing Hughes Electronics' financial results, the Hughes Electronics Unaudited Summary Consolidated Financial Data (Excluding Purchase Accounting Adjustments) do not give effect to such purchase accounting adjustments.

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

## CERTAIN HISTORICAL AND PRO FORMA PER SHARE INFORMATION

### GM Common Stock Historical Per Share Data

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

| | As of and for the Nine Months Ended September 30, 1997 | | As of and for the Year Ended December 31, 1996 | |
|---|---|---|---|---|
| | GM $1⅔ | GM Class H | GM $1⅔ | GM Class H |
| Book value per share | $30.17 | $15.09 | $27.95 | $13.97 |
| Cash dividends per share | 1.50 | 0.75 | 1.60 | 0.96 |
| Earnings per share from continuing operations attributable to common stocks | 6.35 | 2.54 | 6.07 | 2.88 |

General Motors has initiated competitiveness studies which are expected to be completed in the fourth quarter of 1997 or early 1998 and are expected to result in charges against income totaling approximately $2 billion to $3 billion after taxes or $2.85 to $4.27 per share of GM $1⅔ Common Stock. See "Recent Developments—General Motors Competitiveness Studies" below for additional information.

### GM Common Stock Pro Forma Per Share Data

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

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

| | As of and for the Nine Months Ended September 30, 1997 | | As of and for the Year Ended December 31, 1996 | |
|---|---|---|---|---|
| | GM $1⅔ | New GM Class H | GM $1⅔ | New GM Class H |
| Book value per share | $28.47 | $14.10 | — | — |
| Cash dividends per share | 1.50 | — | $1.60 | — |
| Earnings per share from continuing operations attributable to common stocks | 5.99 | 0.37 | 5.91 | $0.33 |

### Raytheon Common Stock Historical Per Share Data

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

| | As of and for the Nine Months Ended September 28, 1997 | As of and for the Year Ended December 31, 1996 |
|---|---|---|
| Book value per share | $21.22 | $19.46 |
| Cash dividends per share | 0.60 | 0.80 |
| Earnings per share | 2.56 | 3.21 |

### New Raytheon Common Stock Pro Forma Per Share Data

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

This table gives effect to (1) the Hughes Transactions, (2) the merger of Raytheon with Hughes Defense and (3) Raytheon's July 1997 acquisition of the defense business of Texas Instruments, which we refer to as the "Texas Instruments Defense Acquisition." We calculated the pro forma book value per share at September 28, 1997 by dividing the pro forma book value of the net assets of New Raytheon by the number of shares of New Raytheon Common Stock expected to be outstanding upon consummation of the Hughes Defense Spin-Off and the Raytheon Merger. We did not calculate the pro forma book value per share at December 31, 1996.

| | As of and for the Nine Months Ended September 28, 1997 | | As of and for the Year Ended December 31, 1996 | |
|---|---|---|---|---|
| | Class A | Class B | Class A | Class B |
| Book value per share | $29.73 | $29.73 | — | — |
| Cash dividends per share | 0.60 | 0.60 | $0.80 | $0.80 |
| Earnings per share | 2.06 | 2.06 | 2.65 | 2.65 |

## GENERAL MOTORS SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

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

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

| | As of and for the Nine Months Ended September 30, | | As of and for the Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 1997 (a) | 1996 | 1996 | 1995 | 1994 | 1993 | 1992 (b) |
| | (In Millions, Except Per Share Amounts) | | | | | | |
| **Operating Results:** | | | | | | | |
| Total net sales and revenues | $129,277 | $123,100 | $164,069 | $160,272 | $148,499 | $132,991 | $127,378 |
| Costs and expenses | 121,602 | 117,575 | 158,120 | 151,923 | 141,401 | 130,562 | 130,440 |
| Plant closings expense (adjustments) and provisions for other restructurings | 80 | (409) | (727) | — | — | 950 | 1,237 |
| Total costs and expenses | 121,682 | 117,166 | 157,393 | 151,923 | 141,401 | 131,512 | 131,677 |
| Income (loss) from continuing operations before cumulative effect of accounting changes | 4,961 | 4,167 | 4,953 | 6,033 | 4,866 | 1,777 | (3,222) |
| Net income (loss) | $ 4,961 | $ 4,177 | $ 4,963 | $ 6,881 | $ 4,901 | $ 2,466 | $(23,498) |
| **Earnings (Loss) Per Share Attributable to Common Stocks:** | | | | | | | |
| GM $1⅔ Common Stock per share from continuing operations before cumulative effect of accounting changes | $ 6.35 | $ 5.15 | $ 6.07 | $ 7.14 | $ 5.74 | $ 1.68 | $ (5.33) |
| Net earnings (loss) per share attributable to GM $1⅔ Common Stock | $ 6.35 | $ 5.14 | $ 6.06 | $ 7.21 | $ 5.15 | $ 2.13 | $ (38.28) |
| Income per share from discontinued operations attributable to GM Class E Common Stock | $ — | $ 0.04 | $ 0.04 | $ 1.96 | $ 1.71 | $ 1.51 | $ 1.33 |
| Net earnings (loss) per share attributable to GM Class H Common Stock | $ 2.54 | $ 2.18 | $ 2.88 | $ 2.77 | $ 2.62 | $ 2.30 | $ (2.29) |
| **Balance Sheet Data:** | | | | | | | |
| Cash and marketable securities | $ 20,896 | $ 19,820 | $ 22,262 | $ 16,018 | $ 15,331 | $ 17,369 | $ 14,533 |
| Total assets | 233,135 | 215,889 | 222,142 | 213,663 | 191,145 | 182,388 | 184,287 |
| Notes and loans payable | 90,914 | 81,328 | 85,300 | 81,222 | 72,545 | 69,747 | 81,767 |
| Stockholders' equity | 23,578 | 21,800 | 23,418 | 23,346 | 12,824 | 5,598 | 6,226 |
| Cumulative amount available for payment of dividends | | | | | | | |
| GM $1⅔ Common Stock | $ 22,511 | $ 21,680 | $ 22,081 | $ 12,475 | $ 9,014 | $ 4,870 | $ 3,488 |
| GM Class E Common Stock | — | — | — | 10,672 | 3,752 | 3,244 | 2,546 |
| GM Class H Common Stock | 3,546 | 3,152 | 3,245 | 2,909 | 2,169 | 1,887 | 1,583 |
| Total | $ 26,057 | $ 24,832 | $ 25,326 | $ 26,056 | $ 14,935 | $ 10,001 | $ 7,617 |

| | As of and for the Nine Months Ended September 30, | | As of and for the Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 1997 (a) | 1996 | 1996 | 1995 | 1994 | 1993 | 1992 (b) |
| **Cash Dividends Per Share:** | | | | | | | |
| GM $1⅔ Common Stock | $ 1.50 | $ 1.20 | $ 1.60 | $ 1.10 | $ 0.80 | $ 0.80 | $ 1.40 |
| GM Class E Common Stock | — | $ 0.30 | $ 0.30 | $ 0.52 | $ 0.48 | $ 0.40 | $ 0.36 |
| GM Class H Common Stock | $ 0.75 | $ 0.72 | $ 0.96 | $ 0.92 | $ 0.80 | $ 0.72 | $ 0.72 |
| **GM Operations with Financing and Insurance Operations on an Equity Basis:** | | | | | | | |
| **Operating Results:** | | | | | | | |
| Total net sales and revenues | $114,323 | $109,461 | $145,427 | $143,754 | $134,888 | $119,803 | $113,489 |
| Costs and expenses | 110,464 | 106,566 | 142,938 | 138,294 | 129,383 | 118,449 | 117,289 |
| Plant closings expense (adjustments) and provisions for other restructurings | 80 | (409) | (727) | — | — | 950 | 1,237 |
| Total costs and expenses | 110,544 | 106,157 | 142,211 | 138,294 | 129,383 | 119,399 | 118,526 |
| Income (loss) from continuing operations before cumulative effect of accounting changes | 4,961 | 4,167 | 4,953 | 6,033 | 4,859 | 1,777 | (3,504) |
| Net income (loss) | $ 4,961 | $ 4,177 | $ 4,963 | $ 6,881 | $ 4,901 | $ 2,466 | $(23,498) |
| **Balance Sheet Data:** | | | | | | | |
| Cash and marketable securities | $ 14,599 | $ 14,543 | $ 16,962 | $ 10,241 | $ 10,232 | $ 9,891 | $ 7,386 |
| Total assets | 141,004 | 131,818 | 135,262 | 130,644 | 118,860 | 115,160 | 115,422 |
| Long-term debt and capitalized leases | 6,186 | 5,419 | 5,390 | 4,280 | 5,198 | 5,861 | 6,495 |
| Stockholders' equity | 23,578 | 21,800 | 23,418 | 23,346 | 12,824 | 5,598 | 6,226 |

(a) General Motors has initiated competitiveness studies which are expected to be completed in the fourth quarter of 1997 or early 1998 and are expected to result in charges against income totaling approximately $2 billion to $3 billion after taxes or $2.85 to $4.27 per share of GM $1⅔ Common Stock. See "Recent Developments—General Motors Competitiveness Studies" below for additional information.

(b) General Motors adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective January 1, 1992. The unfavorable cumulative effect of adopting SFAS No. 106 was $20.7 billion, or $33.38 per share, attributable to GM $1⅔ Common Stock and $150 million, or $2.08 per share, attributable to GM Class H Common Stock. Also, effective January 1, 1992, Hughes Electronics changed its revenue recognition policy for certain commercial businesses. The unfavorable effect of this change on 1992 earnings was $33 million, or $0.05 per share, attributable to GM $1⅔ Common Stock, and $7 million, or $0.10 per share, attributable to GM Class H Common Stock.

## HUGHES ELECTRONICS SUMMARY CONSOLIDATED FINANCIAL DATA

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

### Hughes Electronics Summary Consolidated Financial Data (Including Purchase Accounting Adjustments)

| | As of and for the Nine Months Ended September 30, | | As of and for the Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 1997 | 1996 (b) | 1996 (b) | 1995 (b) | 1994 | 1993 | 1992 (a) |
| | (In Millions, Except Per Share Amounts) | | | | | | |
| **Operating Results:** | | | | | | | |
| Net sales | $12,511.3 | $11,456.3 | $15,744.1 | $14,714.3 | $14,062.3 | $13,450.2 | $12,169.0 |
| Other income—net | 495.2 | 134.1 | 116.8 | 48.6 | 37.1 | 67.3 | 128.1 |
| Total Revenues | 13,006.5 | 11,590.4 | 15,860.9 | 14,762.9 | 14,099.4 | 13,517.5 | 12,297.1 |
| Cost and Expenses | 11,513.3 | 10,243.1 | 14,161.0 | 13,054.5 | 12,447.0 | 12,023.3 | 12,423.8 |
| Amortization of GM purchase accounting adjustments related to Hughes Aircraft | 91.7 | 91.7 | 122.3 | 123.4 | 123.8 | 123.8 | 123.8 |
| Total Costs and Expenses | 11,605.0 | 10,334.8 | 14,283.3 | 13,177.9 | 12,570.8 | 12,147.1 | 12,547.6 |
| Income (loss) before income taxes and minority interests | 1,401.5 | 1,255.6 | 1,577.6 | 1,585.0 | 1,528.6 | 1,370.4 | (250.5) |
| Income taxes (credit) | 498.1 | 508.4 | 605.7 | 645.6 | 572.8 | 572.6 | (77.2) |
| Minority interests in net losses of subsidiaries | 21.7 | 31.4 | 57.0 | 8.9 | — | — | — |
| Cumulative effect of accounting change | — | — | — | — | (30.4) | — | (872.1) |
| Net Income (loss) | 925.1 | 778.6 | 1,028.9 | 948.3 | 925.4 | 797.8 | (1,045.4) |
| Adjustment to exclude the effects of GM purchase accounting adjustments related to Hughes Aircraft | 91.7 | 91.7 | 122.3 | 159.5 | 123.8 | 123.8 | 123.8 |
| Earnings (loss) used for computation of available separate consolidated net income of Hughes | $ 1,016.8 | $ 870.3 | $ 1,151.2 | $ 1,107.8 | $ 1,049.2 | $ 921.6 | $ (921.6) |
| Earnings (loss) per share attributable to GM Class H Common Stock | $ 2.54 | $ 2.18 | $ 2.88 | $ 2.77 | $ 2.62 | $ 2.30 | $ (2.29) |
| **Balance Sheet Data:** | | | | | | | |
| Cash and cash equivalents | $ 1,443.1 | $ 1,081.7 | $ 1,161.3 | $ 1,139.5 | $ 1,501.8 | $ 1,008.7 | $ 702.7 |
| Current assets | 7,498.8 | 7,115.6 | 7,079.0 | 6,810.8 | 6,243.6 | 5,714.3 | 5,546.8 |
| Total assets | 21,213.1 | 16,213.6 | 16,480.1 | 15,974.4 | 14,850.5 | 14,117.1 | 14,209.2 |
| Current liabilities | 4,361.3 | 4,097.9 | 4,199.6 | 4,308.8 | 3,548.1 | 3,549.1 | 3,854.4 |
| Long-term debt and capitalized leases | 2,836.1 | 36.2 | 34.5 | 258.8 | 353.5 | 416.8 | 711.0 |
| Stockholders' equity | 9,810.0 | 9,025.9 | 9,179.9 | 8,525.7 | 7,975.8 | 7,328.1 | 6,815.0 |
| **Other Data:** | | | | | | | |
| Depreciation and amortization | $ 582.9 | $ 499.6 | $ 682.6 | $ 611.1 | $ 594.0 | $ 627.3 | $ 610.9 |
| Capital expenditures | 761.6 | 627.6 | 840.2 | 820.3 | 746.3 | 580.0 | 558.5 |

(a) Includes the effect of a pre-tax restructuring charge of $1,237.0 million.
(b) Certain amounts have been reclassified to conform with the September 30, 1997 presentation.

## Hughes Electronics Unaudited Summary Consolidated Financial Data (Excluding Purchase Accounting Adjustments)

| | As of and for the Nine Months Ended September 30, | | As of and for the Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 1997 | 1996 (b) | 1996 (b) | 1995 (b) | 1994 | 1993 | 1992 (a) |
| | (In Millions, Except Per Share Amounts) | | | | | | |
| **Operating Results:** | | | | | | | |
| Net sales | $12,511.3 | $11,456.3 | $15,744.1 | $14,714.3 | $14,062.3 | $13,450.2 | $12,169.0 |
| Other income—net | 495.2 | 134.1 | 116.8 | 84.7 | 37.1 | 67.3 | 128.1 |
| Total Revenue | 13,006.5 | 11,590.4 | 15,860.9 | 14,799.0 | 14,099.4 | 13,517.5 | 12,297.1 |
| Cost and Expenses | 11,513.3 | 10,243.1 | 14,161.0 | 13,054.5 | 12,447.0 | 12,023.3 | 12,423.8 |
| Income (loss) before income taxes and minority interests | 1,493.2 | 1,347.3 | 1,699.9 | 1,744.5 | 1,652.4 | 1,494.2 | (126.7) |
| Income taxes (credit) | 498.1 | 508.4 | 605.7 | 645.6 | 572.8 | 572.6 | (77.2) |
| Minority interests in net losses of subsidiaries | 21.7 | 31.4 | 57.0 | 8.9 | — | — | — |
| Cumulative effect of accounting change | — | — | — | — | (30.4) | — | (872.1) |
| Earnings (loss) used for computation of available separate consolidated net income | $ 1,016.8 | $ 870.3 | $ 1,151.2 | $ 1,107.8 | $ 1,049.2 | $ 921.6 | $ (921.6) |
| Earnings (loss) per share attributable to GM Class H Common Stock | $ 2.54 | $ 2.18 | $ 2.88 | $ 2.77 | $ 2.62 | $ 2.30 | $ (2.29) |
| **Balance Sheet Data:** | | | | | | | |
| Cash and cash equivalents | $ 1,443.1 | $ 1,081.7 | $ 1,161.3 | $ 1,139.5 | $ 1,501.8 | $ 1,008.7 | $ 702.7 |
| Current assets | 7,498.8 | 7,115.6 | 7,079.0 | 6,810.8 | 6,243.6 | 5,714.3 | 5,546.8 |
| Total assets | 18,581.3 | 13,459.5 | 13,756.6 | 13,128.6 | 11,845.2 | 10,988.0 | 10,956.3 |
| Current liabilities | 4,361.3 | 4,097.9 | 4,199.6 | 4,308.8 | 3,548.1 | 3,549.1 | 3,854.4 |
| Long-term debt and capitalized leases | 2,836.1 | 36.2 | 34.5 | 258.8 | 353.5 | 416.8 | 711.0 |
| Stockholders' equity | 7,178.2 | 6,271.8 | 6,456.4 | 5,679.9 | 4,970.5 | 4,199.0 | 3,562.1 |
| **Other Data:** | | | | | | | |
| Depreciation and amortization | $ 491.2 | $ 407.9 | $ 560.3 | $ 487.7 | $ 470.2 | $ 503.5 | $ 487.1 |
| Capital expenditures | 761.6 | 627.6 | 840.2 | 820.3 | 746.3 | 580.0 | 558.5 |

(a) Includes the effect of a pre-tax restructuring charge of $1,237.0 million.
(b) Certain amounts have been reclassified to conform with the September 30, 1997 presentation.

## HUGHES DEFENSE SUMMARY COMBINED FINANCIAL DATA

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

| | As of and for the Nine Months Ended September 30, | | As of and for the Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 1997 | 1996 | 1996 | 1995 | 1994 | 1993 | 1992 (a) |
| | (In Millions) | | | | | | |
| **Operating Results:** | | | | | | | |
| Net sales | $5,157.1 | $4,588.8 | $6,382.7 | $5,921.8 | $5,896.0 | $6,353.5 | $5,503.8 |
| Other income (expense), net | 10.3 | (2.0) | 9.1 | 43.0 | 22.5 | 24.7 | 45.2 |
| Total Revenues | 5,167.4 | 4,586.8 | 6,391.8 | 5,964.8 | 5,918.5 | 6,378.2 | 5,549.0 |
| Cost and Expenses | 4,707.7 | 4,152.5 | 5,770.3 | 5,309.5 | 5,314.5 | 5,605.1 | 5,836.8 |
| Amortization of GM purchase accounting adjustments related to Hughes Aircraft | 75.8 | 75.8 | 101.3 | 101.3 | 101.3 | 101.3 | 101.3 |
| Total Costs and Expenses | 4,783.5 | 4,228.3 | 5,871.6 | 5,410.8 | 5,415.8 | 5,706.4 | 5,938.1 |
| Income (loss) before income taxes | 383.9 | 358.5 | 520.2 | 554.0 | 502.7 | 671.8 | (389.1) |
| Income taxes (credit) | 176.6 | 164.9 | 239.3 | 235.4 | 226.2 | 293.9 | (182.9) |
| Cumulative effect of accounting changes | — | — | — | — | (7.1) | — | (268.5) |
| Net Income (loss) | $ 207.3 | $ 193.6 | $ 280.9 | $ 318.6 | $ 269.4 | $ 377.9 | $ (474.7) |
| **Balance Sheet Data:** | | | | | | | |
| Cash and cash equivalents | $ 72.9 | $ 33.4 | $ 59.7 | $ 15.7 | $ 58.7 | $ 1.6 | $ 9.1 |
| Current assets | 3,047.2 | 2,968.9 | 2,907.7 | 2,880.0 | 2,462.0 | 2,529.3 | 2,692.9 |
| Total assets | 7,162.1 | 7,079.9 | 7,028.4 | 7,025.9 | 6,249.1 | 6,548.6 | 7,012.9 |
| Current liabilities | 1,535.2 | 1,737.0 | 1,889.0 | 1,959.9 | 1,604.9 | 1,814.9 | 1,624.0 |
| Long-term debt and capitalized leases | 32.4 | 36.2 | 34.4 | 49.7 | 57.6 | 83.9 | 38.0 |
| Parent Company's net investment | 5,265.6 | 4,975.2 | 4,823.0 | 4,680.2 | 4,198.2 | 4,278.3 | 4,801.0 |
| **Other Data:** | | | | | | | |
| Depreciation and amortization | $ 192.2 | $ 177.5 | $ 246.6 | $ 240.5 | $ 265.5 | $ 295.9 | $ 303.5 |
| Capital expenditures | $ 95.5 | $ 113.3 | $ 178.3 | $ 99.4 | $ 174.1 | $ 119.8 | $ 88.1 |

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

## DELCO SUMMARY COMBINED HISTORICAL AND PRO FORMA FINANCIAL DATA

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

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

| | As of and for the Nine Months Ended September 30, | | | As of and for the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Pro Forma 1997(a) | 1997 | 1996 | Pro Forma 1996(a) | 1996 | 1995 | 1994 | 1993 | 1992 |
| | | | | (Dollars In Millions) | | | | | |
| **Operating Results:** | | | | | | | | | |
| Net sales | $4,110.2 | $4,110.2 | $4,240.1 | $5,560.1 | $5,560.1 | $5,757.2 | $5,560.7 | $4,808.1 | $4,143.5 |
| Other income, net | 14.9 | 142.5 | 139.2 | 32.4 | 202.4 | 195.6 | 150.6 | 114.7 | 158.7 |
| Total Revenues | 4,125.1 | 4,252.7 | 4,379.3 | 5,592.5 | 5,762.5 | 5,952.8 | 5,711.3 | 4,922.8 | 4,302.2 |
| Total Cost and Expenses | 3,724.3 | 3,724.3 | 3,689.7 | 4,901.9 | 4,901.9 | 4,869.0 | 4,751.6 | 4,219.3 | 3,695.1 |
| Income before income taxes | 400.8 | 528.4 | 689.6 | 690.6 | 860.6 | 1,083.8 | 959.7 | 703.5 | 607.1 |
| Income taxes | 152.3 | 200.8 | 256.0 | 261.4 | 325.8 | 411.3 | 364.7 | 280.5 | 209.8 |
| Cumulative effect of accounting changes | — | — | — | — | — | — | (35.2) | — | (478.4) |
| Net Income | $ 248.5 | $ 327.6 | $ 433.6 | $ 429.2 | $ 534.8 | $ 672.5 | $ 559.8 | $ 423.0 | $ (81.1) |
| **Balance Sheet Data:** | | | | | | | | | |
| Cash and cash equivalents | $ 40.0 | $ 245.3 | $ 740.0 | | $ 741.0 | $ 926.1 | $1,243.2 | $ 773.2 | $ 571.3 |
| Current assets | 995.8 | 4,267.0 | 3,834.9 | | 3,858.0 | 3,276.2 | 2,813.0 | 2,146.9 | 1,691.2 |
| Total assets | 2,397.2 | 5,591.4 | 5,466.9 | | 5,464.1 | 5,186.4 | 4,842.4 | 4,205.9 | 3,779.8 |
| Current liabilities | 667.8 | 667.8 | 809.1 | | 734.2 | 767.9 | 927.9 | 786.6 | 673.5 |
| Parent Company's net investment | 561.4 | 3,805.6 | 3,629.6 | | 3,662.1 | 3,402.1 | 2,949.4 | 2,566.7 | 2,288.3 |
| **Other Data:** | | | | | | | | | |
| Depreciation and amortization | | $ 166.5 | $ 151.7 | | $ 204.4 | $ 155.6 | $ 145.0 | $ 152.0 | $ 125.6 |
| Capital expenditures | | $ 101.5 | $ 163.3 | | $ 196.5 | $ 264.1 | $ 165.7 | $ 149.2 | $ 266.1 |

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

## HUGHES TELECOM SUMMARY COMBINED HISTORICAL AND PRO FORMA FINANCIAL DATA

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

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

| | As of and for the Nine Months Ended September 30, | | | As of and for the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Pro Forma 1997(a) | 1997 | 1996 | Pro Forma 1996(a) | 1996 | 1995 | 1994 | 1993 | 1992(b) |
| | (Dollars In Millions, Except Per Share Amounts) | | | | | | | | |
| **Operating Results:** | | | | | | | | | |
| Net sales | $ 3,553.3 | $3,433.7 | $2,787.5 | $4,189.8 | $4,008.7 | $3,152.8 | $2,697.0 | $2,195.0 | $2,214.8 |
| Other (expense) income, net | (11.3) | 470.7 | 95.0 | 100.2 | 75.9 | 8.2 | (9.2) | 162.1 | 38.6 |
| Total Revenues | 3,542.0 | 3,904.4 | 2,882.5 | 4,290.0 | 4,084.6 | 3,161.0 | 2,687.8 | 2,357.1 | 2,253.4 |
| Cost and Expenses | 3,289.7 | 3,277.2 | 2,672.8 | 4,001.5 | 3,841.5 | 3,042.4 | 2,513.7 | 2,067.9 | 2,194.6 |
| Amortization of GM purchase accounting adjustments related to Hughes Aircraft | 15.9 | 15.9 | 15.9 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 |
| Total Costs and Expenses | 3,305.6 | 3,293.1 | 2,688.7 | 4,022.5 | 3,862.5 | 3,063.4 | 2,534.7 | 2,088.9 | 2,215.6 |
| Income from continuing operations before income taxes and minority interests | 236.4 | 611.3 | 193.8 | 267.5 | 222.1 | 97.6 | 153.1 | 268.2 | 37.8 |
| Income taxes | 98.3 | 244.5 | 82.0 | 149.6 | 104.8 | 31.4 | 55.5 | 102.7 | 7.7 |
| Minority interests in (income) losses of subsidiaries | (4.2) | 16.8 | 29.4 | (8.0) | 52.6 | 4.6 | — | — | — |
| Income from continuing operations before cumulative effect of accounting change | 133.9 | 383.6 | 141.2 | 109.9 | 169.9 | 70.8 | 97.6 | 165.5 | 30.1 |
| Income (loss) from discontinued operations | — | 1.2 | (6.7) | — | (7.4) | (64.6) | (54.1) | (12.6) | (2.8) |
| Cumulative effect of accounting changes | — | — | — | — | — | — | (2.3) | — | (112.8) |
| Net Income (loss) | 133.9 | $ 384.8 | $ 134.5 | 109.9 | $ 162.5 | $ 6.2 | $ 41.2 | 152.9 | (85.5) |
| Adjustment to exclude the effects of GM purchase accounting adjustments related to Hughes Aircraft | 15.9 | | | 21.0 | | | | | |
| Earnings used for computation of available separate consolidated net income of Hughes Telecom | $ 149.8 | | | $ 130.9 | | | | | |
| Earnings per share attributable to New GM Class H Common Stock | $ 0.37 | | | $ 0.33 | | | | | |
| **Balance Sheet Data:** | | | | | | | | | |
| Cash and cash equivalents | $ 2,912.0 | $ 426.5 | $ 6.6 | | $ 6.7 | $ 7.6 | $ 5.8 | $ 10.2 | $ 6.4 |
| Current assets | 4,854.8 | 2,331.9 | 1,390.8 | | 1,497.1 | 1,175.5 | 1,154.5 | 1,126.6 | 1,343.6 |
| Total assets | 12,463.6 | 9,486.2 | 4,254.9 | | 4,416.4 | 3,952.6 | 3,609.3 | 3,195.5 | 3,085.9 |
| Current liabilities | 1,814.4 | 1,540.8 | 1,212.8 | | 1,219.6 | 863.6 | 881.0 | 790.2 | 823.1 |
| Long-term debt | 1,072.8 | 2,797.8 | — | | — | — | — | 1.3 | 125.1 |
| Minority interests | 643.2 | 643.2 | 45.1 | | 21.6 | 40.2 | — | — | — |
| Parent Company's net investment | 7,360.1 | 3,394.0 | 2,426.1 | | 2,491.6 | 2,608.9 | 2,301.0 | 1,973.3 | 1,752.3 |
| **Other Data:** | | | | | | | | | |
| Depreciation and amortization | | $ 211.2 | $ 157.6 | | $ 215.6 | $ 200.9 | $ 160.9 | $ 135.7 | $ 142.0 |
| Capital expenditures | | $ 551.5 | $ 347.8 | | $ 449.4 | $ 442.3 | $ 399.0 | $ 274.2 | $ 186.0 |

(a) Pro forma balance sheet data as of December 31, 1996 and pro forma other data have not been determined.
(b) Includes the effect of a pre-tax restructuring charge of $155.6 million.

## RAYTHEON SUMMARY COMBINED HISTORICAL AND PRO FORMA FINANCIAL DATA

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

We derived the consolidated historical financial data for each of the calendar years 1992 through 1996 from the consolidated financial statements of Raytheon audited by Coopers & Lybrand L.L.P., independent public accountants. We derived the Raytheon consolidated historical financial data as of and for the nine-month periods ended September 28, 1997 and September 29, 1996 from the unaudited financial statements of Raytheon for such periods included in the Raytheon Solicitation Statement, which are incorporated into this document by reference. In the opinion of Raytheon management, the unaudited consolidated historical financial statements reflect all adjustments (consisting of only normal recurring items) that are necessary for the fair presentation of financial position and results of operations for such periods.

The columns of pro forma operating results information for the year ended December 31, 1996 and for the nine months ended September 28, 1997 give effect to the Hughes Transactions, the Raytheon Merger and the Texas Instruments Defense Acquisition as if they had occurred at the beginning of the respective periods. The pro forma balance sheet data on September 28, 1997 give effect to the Hughes Transactions and the Raytheon Merger as if they had occurred as of that date. We did not calculate pro forma balance sheet data as of December 31, 1996.

| | As of and for the Nine Months Ended | | | As of and for the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Pro forma Sept. 28, 1997(d) | Sept. 28, 1997 | Sept. 29, 1996 | Pro forma 1996(d) | 1996 | 1995 | 1994 | 1993 | 1992 |
| | (In Millions, Except Per Share Amounts) | | | | | | | | |
| **Operating Results:** | | | | | | | | | |
| Net Sales | $15,650 | $9,669.2 | $8,946.7 | $20,514 | $12,330.5 | $11,804.2 | $10,097.7 | $9,334.1 | $9,121.7 |
| Costs and Expenses | 14,521 | 8,754.7 | 8,124.9(a) | 19,114(a) | 11,247.0(a) | 10,612.5(b) | 9,197.8(c) | 8,286.8 | 8,165.7 |
| Income before Taxes | 1,129 | 914.5 | 821.8(a) | 1,400(a) | 1,083.5(a) | 1,191.7(b) | 899.9(c) | 1,047.3 | 956.0 |
| Income Taxes | 432 | 310.4 | 238.0 | 499 | 322.3 | 399.2 | 303.0 | 354.3 | 320.9 |
| Net Income | $ 697 | $ 604.1 | $ 583.8(a) | $ 901(a) | $ 761.2(a) | $ 792.5(b) | $ 596.9(c) | $ 693.0 | $ 635.1 |
| Earnings per common share | $ 2.06 | $ 2.56 | $ 2.45(a) | $ 2.65(a) | $ 3.21(a) | $ 3.25(b) | $ 2.26(c) | $ 2.56 | $ 2.36 |
| Dividend declared per common share | | 0.60 | 0.60 | | 0.80 | 0.75 | 0.738 | 0.70 | 0.663 |
| **Balance Sheet Data:** | | | | | | | | | |
| Cash and marketable securities | $ 268 | $ 267.7 | $ 161.4 | | $ 138.8 | $ 210.3 | $ 202.2 | $ 190.2 | $ 88.8 |
| Current assets | 9,338 | 6,554.0 | 6,278.3 | | 5,603.9 | 5,275.2 | 4,985.5 | 4,609.2 | 3,775.8 |
| Total assets | 28,059 | 15,256.2 | 11,785.7 | | 11,126.1 | 9,840.9 | 7,395.4 | 7,257.7 | 6,015.1 |
| Current Liabilities | 9,734 | 5,345.1 | 5,494.4 | | 4,691.8 | 3,690.4 | 3,283.1 | 2,800.3 | 2,136.8 |
| Long-term debt | 6,548 | 4,386.4 | 1,493.2 | | 1,500.5 | 1,487.7 | 24.5 | 24.4 | 25.3 |
| Stockholders' Equity | 10,080 | 5,015.1 | 4,448.4 | | 4,598.0 | 4,292.0 | 3,928.2 | 4,297.9 | 3,843.2 |
| **Other Data:** | | | | | | | | | |
| Depreciation and amortization | | $ 325.3 | $ 271.3 | | $ 368.9 | $ 371.4 | $ 304.2 | $ 296.4 | $ 302.1 |
| Capital Expenditures | | $ 305.4 | $ 287.6 | | $ 406.0 | $ 328.6 | $ 267.4 | $ 256.1 | $ 307.7 |

(a) Includes special charge of $34.0 million pre-tax, $22.1 million after-tax, or $0.09 per share.
(b) Includes one-time gain of $8.0 million pre-tax, $5.2 million after-tax, or $0.02 per share.
(c) Includes restructuring charge of $249.8 million pre-tax, $162.3 million after-tax, or $0.61 per share.
(d) Pro forma balance sheet as of December 31, 1996 and pro forma other data have not been determined.

## RECENT DEVELOPMENTS

### NEW LEADERSHIP TEAM AT HUGHES ELECTRONICS

On October 20, 1997, General Motors and Hughes Electronics announced changes to the Hughes Electronics senior management team, effective immediately. The new appointments are as follows:

- *Michael T. Smith.* Mr. Michael T. Smith, age 54, was elected as Chairman and Chief Executive Officer of Hughes Electronics. Prior to this appointment, Mr. Smith had most recently served as Vice Chairman of Hughes Electronics. He replaced C. Michael Armstrong, who resigned on October 20, 1997 to become chairman and chief executive officer of AT&T Corp. Mr. Armstrong had served as Chairman and Chief Executive Officer of Hughes Electronics since 1992.
- *Charles H. Noski.* Mr. Charles H. Noski, age 45, was elected President of Hughes Electronics and a member of the Hughes Electronics Board. Mr. Noski had previously served as Vice Chairman and Chief Financial Officer of Hughes Electronics, but joined United Technologies Corporation as executive vice president and chief financial officer in August 1997.
- *Steven D. Dorfman.* Mr. Steven D. Dorfman, age 62, was elected Vice Chairman of Hughes Electronics and a member of the Hughes Electronics Board. He had previously served as Executive Vice President and Chairman of Hughes Telecommunications and Space Company.

As described below under "Business of Hughes Telecom—Directors and Executive Officers of New Hughes Electronics" in Chapter 4, we currently expect that the senior management and directors of Hughes Electronics, including those individuals discussed above, will continue as the senior management and directors of New Hughes Electronics after the completion of the Hughes Transactions.

### GENERAL MOTORS COMPETITIVENESS STUDIES

The global automotive industry, including the components and systems market, has become increasingly competitive and is presently undergoing significant restructuring and consolidation activities. All of the major industry participants are continuing to increase their focus on efficiency and cost improvements, while announced capacity increases for the North American market and excess capacity in the European market have led to continuing price pressures. As a result, General Motors is currently studying the competitiveness of each of its lines of business. The findings of these studies will result in changes to or the realignment of those activities that are not performing as effectively as necessary to meet GM's objectives of increasing market share, customer satisfaction and profitability. To date, Delphi has announced its intention to seek expressions of interest from potential buyers of its lighting, coil spring and seating businesses and Opel Belgium has informed its unions of its intention to significantly lower structural costs, which could include a reduction of the workforce by up to 1,900 employees. The studies are ongoing and the majority of them are expected to be completed in the fourth quarter of 1997 or early 1998. Currently, General Motors estimates that the studies will result in charges against income for plant closures and asset impairments totaling approximately $2 billion to $3 billion after taxes, or $2.85 to $4.27 per share of GM $1⅔ Common Stock, to be recorded in the quarter during which the respective studies are completed. General Motors will continue to study its efficiency and cost effectiveness and, as necessary, will initiate further competitiveness studies.

### RAYTHEON

#### *Sale of Portions of the Appliances Business*

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

*Texas Instruments Defense Acquisition*

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

*Debt Financings*

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

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

# CHAPTER 2
# RISK FACTORS

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APPENDIX A

# AGREEMENT AND PLAN OF MERGER

by and between

GENERAL MOTORS CORPORATION

and

GM MERGECO CORPORATION

DATED AS OF OCTOBER 17, 1997

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## AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER *("Agreement")* is made and entered into as of October 17, 1997 by and between General Motors Corporation, a Delaware corporation *("GM")*, and GM Mergeco Corporation, a Delaware corporation and a wholly owned subsidiary of GM *("Mergeco")*. GM and Mergeco are sometimes referred to herein individually as a *"Party"* and collectively as the *"Parties."* Certain capitalized terms used herein have the meanings ascribed to such terms in Section 1 hereof.

WHEREAS, Hughes is an indirect wholly owned subsidiary of GM;

WHEREAS, Hughes and Raytheon desire to combine Raytheon's business with the Defense Business pursuant to the Hughes Merger Agreement;

WHEREAS, as a condition to entering into the Hughes Merger Agreement, Raytheon has required that GM and Hughes agree that, at the time of consummation of the Hughes Merger, Hughes be an independent, publicly owned company, comprising the Defense Business;

WHEREAS, Mergeco has been formed for the purpose of effectuating the spin-off of Hughes from GM and certain related transactions;

WHEREAS, the Parties intend that, subject to the terms and conditions hereof, Mergeco will merge with and into GM in a tax-free (to GM and the holders of GM Common Stocks) transaction pursuant to which, among other things, (i) the GM Class H Stockholders will receive a distribution of shares of Hughes Class A Common Stock in respect of their shares of GM Class H Common Stock and GM Class H Common Stock will be recapitalized into New GM Class H Common Stock and (ii) the GM $1⅔ Common Stockholders will receive a distribution of shares of Hughes Class A Common Stock in respect of their shares of GM $1⅔ Common Stock; and

WHEREAS, the GM board of directors has determined that the transactions contemplated hereby are desirable and in the best interests of GM and the holders of the GM Common Stocks and, by resolutions duly adopted, has approved and adopted this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

Section 1. *Definitions*

*"1⅔ Defense Distribution"* means 102,630,503 minus the Class H Defense Distribution.

*"Agreement"* has the meaning set forth in the preface above.

*"Average Closing Price of Raytheon Common Stock"* means the average closing price of Raytheon common stock, regular way, on the New York Stock Exchange during the 30-day period ending five days prior to the effective time of the Hughes Merger.

*"Class H Defense Distribution"* means the sum of:

(i) the product of multiplying (A) 102,630,503 times (B) the Class H Fraction, plus

(ii) the result of dividing (Y) the Net Transaction Effect by (Z) the Average Closing Price of Raytheon Common Stock.

*"Class H Dividend Base"* means the denominator of the fraction used to calculate the Available Separate Consolidated Net Income of Hughes (as defined in the GM Certificate of Incorporation), as of immediately prior to the Effective Time.

"*Class H Fraction*" means a fraction, the numerator of which is equal to the total number of shares of GM Class H Common Stock outstanding immediately prior to the Effective Time and the denominator of which is equal to the Class H Dividend Base.

"*Closing*" has the meaning set forth in Section 2(b) below.

"*Closing Time*" has the meaning set forth in Section 2(b) below.

"*Code*" means the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated thereunder.

"*Defense Business*" has the meaning ascribed to such term in the Master Separation Agreement.

"*Delaware Certificate of Merger*" has the meaning set forth in Section 2(c) below.

"*Delaware General Corporation Law*" means the General Corporation Law of the State of Delaware, as amended.

"*Delco*" has the meaning ascribed to such term in the Master Separation Agreement.

"*EDS*" means Electronic Data Systems Corporation, a Delaware corporation and a former wholly owned subsidiary of GM.

"*Effective Time*" has the meaning set forth in Section 2(d)(i) below.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

"*GM*" has the meaning set forth in the preface above.

"*GM Certificate of Incorporation*" means the Amended and Restated Certificate of Incorporation of GM, as amended and in effect immediately prior to the Effective Time.

"*GM Class H Common Stock*" means the Class H Common Stock, $0.10 par value per share, of GM.

"*GM Class H Stockholder*" means any holder of record of GM Class H Common Stock.

"*GM Common Stocks*" means collectively the GM $1⅔ Common Stock and the GM Class H Common Stock.

"*GM Implementation Agreement*" means the Implementation Agreement dated as of January 16, 1997 by and between GM and Raytheon, as amended from time to time.

"*GM Transactions*" means collectively (i) the HEC Reorganization, (ii) the Hughes Recapitalization, (iii) the spin-off of Hughes from GM as contemplated hereby, (iv) the recapitalization of GM Class H Common Stock into New GM Class H Common Stock as contemplated hereby, (v) the consummation of the Spin-Off Merger pursuant hereto, (vi) the execution and delivery of each of the Separation Agreements and (vii) the consummation of the other transactions and events contemplated hereby.

"*GM $1⅔ Common Stock*" means, as of immediately prior to the Effective Time, the Common Stock, $1⅔ par value per share, of GM and, at and after the Effective Time, the Common Stock, $1⅔ par value per share, of the Surviving Corporation.

"*GM $1⅔ Common Stockholder*" means any holder of record of GM $1⅔ Common Stock.

"*Governmental Authority*" means any court, arbitral tribunal, administrative agency or commission or other governmental or regulatory body, agency, instrumentality or authority.

"*Hart-Scott-Rodino Act*" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"*HEC*" means Hughes Electronics Corporation, a Delaware corporation, a wholly owned subsidiary of GM and the sole stockholder of Hughes.

"*HEC Reorganization*" means the Telecom Spin-Off, the transfer of Delco by HEC to GM or another subsidiary of GM, the merger of Hughes Subsidiary with and into Hughes and all related transfers of assets and liabilities by and among Hughes, Telecom and Delco and their respective subsidiaries.

"*Hughes*" means HE Holdings, Inc., a Delaware corporation and an indirectly wholly owned subsidiary of GM.

"*Hughes Class A Common Stock*" means the Class A Common Stock, $0.01 par value per share, of Hughes, as set forth in Exhibit A to the Hughes Merger Agreement.

"*Hughes Class B Common Stock*" means the Class B Common Stock, $0.01 par value per share, of Hughes, as set forth in Exhibit A to the Hughes Merger Agreement.

"*Hughes Distribution Ratio*" means the relationship between (i) the number of shares of Hughes Class A Common Stock to be allocated and distributed to the holders of GM $1⅔ Common Stock and (ii) the number of shares of Hughes Class A Common Stock to be allocated and distributed to the holders of GM Class H Common Stock, in each case pursuant to the Spin-Off Merger, as set forth in Section 2(d) hereof.

"*Hughes Merger*" means the merger of Raytheon with and into Hughes, with Hughes as the surviving corporation.

"*Hughes Merger Agreement*" means the Agreement and Plan of Merger dated as of January 16, 1997 by and between Hughes and Raytheon, as amended from time to time.

"*Hughes Recapitalization*" means the adoption by Hughes of a certificate of incorporation authorizing the Hughes Class A Common Stock and Hughes Class B Common Stock and the recapitalization of the shares of Hughes Common Stock owned by GM into shares of Hughes Class A Common Stock.

"*Hughes Spin-Off Separation Agreement*" means the Hughes Spin-Off Separation Agreement attached as Exhibit J to the Master Separation Agreement, as amended from time to time in accordance with the terms thereof and Section 4.2(b) of the GM Implementation Agreement.

"*Hughes Subsidiary*" means Hughes Aircraft Company, a Delaware corporation and, immediately prior to the consummation of the transactions constituting the HEC Reorganization, a wholly owned subsidiary of Hughes.

"*Intercompany Payment*" has the meaning ascribed to such term in the Hughes Merger Agreement.

"*Intercompany Payment Amount*" has the meaning ascribed to such term in the Hughes Merger Agreement.

"*IRS*" means the Internal Revenue Service.

"*Master Separation Agreement*" means the Master Separation Agreement attached as Exhibit B to the GM Implementation Agreement, as amended from time to time in accordance with the terms thereof and Section 4.2(b) of the GM Implementation Agreement.

"*Mergeco*" has the meaning set forth in the preface above.

"*Mergeco Share*" means any share of the Common Stock, $0.01 par value, of Mergeco.

"*Merrill Lynch*" has the meaning set forth in Section 3(c) below.

"*Net Transaction Effect*" means $6.5 billion multiplied by the Class H Fraction; plus, if the Intercompany Payment Amount exceeds $4.0 billion, an amount equal to such excess multiplied by the Class H Fraction.

"*New GM Class H Common Stock*" means the Class H Common Stock, $0.10 par value per share, of GM, as described on Exhibit A attached hereto.

"*Parties*" has the meaning set forth in the preface above.

"*Party*" has the meaning set forth in the preface above.

"*Person*" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity (or any department, agency or political subdivision thereof).

"*Raytheon*" means Raytheon Company, a Delaware corporation.

"*Registration Statements*" means all registration statements under the Securities Act and the proxy or consent solicitation statement under the Exchange Act required to be filed by GM and Hughes in connection with the GM Transactions.

"*Requisite Stockholder Approval*" means the approval of the holders of (i) a majority of the voting power of all outstanding shares of the GM Common Stocks, voting together as a single class based on their respective per share voting power pursuant to the provisions set forth in the GM Certificate of Incorporation, (ii) a majority of the outstanding shares of GM $1⅔ Common Stock, voting as a separate class, and (iii) a majority of the outstanding shares of GM Class H Common Stock, voting as a separate class.

"*Ruling*" has the meaning set forth in Section 3(e) below.

"*Salomon Brothers*" has the meaning set forth in Section 3(c) below.

"*SEC*" means the Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

"*Separation Agreements*" means collectively the Master Separation Agreement and all of the other agreements contemplated thereby.

"*Spin-Off Merger*" has the meaning set forth in Section 2(a) below.

"*Subsidiary*" means, with respect to a Party, any corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Party or by any one or more of its subsidiaries, or by such Party and one or more of its subsidiaries.

"*Supplemental Ruling*" has the meaning set forth in Section 3(f) below.

"*Surviving Corporation*" has the meaning set forth in Section 2(a) below.

"*Tax-Free Status of the EDS Split-Off*" means the nonrecognition of taxable gain or loss for United States federal income tax purposes to GM and GM's current or former stockholders, including, without limitation, the former holders of GM's Class E Common Stock, par value $0.10 per share, in connection with the split-off of EDS from GM which split-off was consummated on June 7, 1996.

"*Telecom*" has the meaning ascribed to such term in the Master Separation Agreement.

"*Telecom Spin-Off*" means the spin-off of Telecom by Hughes to GM.

Section 2. *Basic Transaction.*

(a) *The Spin-Off Merger.* On the terms and subject to the conditions of this Agreement, Mergeco shall merge with and into GM (the "*Spin-Off Merger*") at and as of the Effective Time. GM shall be the corporation surviving the Spin-Off Merger (the "*Surviving Corporation*").

(b) *The Closing.* The closing of the transactions contemplated by this Agreement (the "*Closing*") shall take place at the offices of Kirkland & Ellis, 153 East 53rd Street, New York, New York, or at such other place as GM may determine, on such date and at such time as GM may determine (the "*Closing Time*"), which time shall be on or after the time at which all conditions to the obligations of GM to consummate the transactions contemplated hereby are satisfied or waived by GM and which time shall be immediately prior to the consummation of the Hughes Merger.

(c) *Actions at the Closing.* At the Closing, GM will cause to be filed with the Secretary of State of the State of Delaware, as provided in Section 251 of the Delaware General Corporation Law, a Certificate of Merger (the "*Delaware Certificate of Merger*").

(d) *Effects of Spin-Off Merger.*

(i) *General.* The Spin-Off Merger shall become effective at such time (the "*Effective Time*") as GM files the Delaware Certificate of Merger with the Secretary of State of the State of Delaware or as is otherwise specified in the Delaware Certificate of Merger. The Spin-Off Merger shall have the effects set forth in Section 259 of the Delaware General Corporation Law. The Surviving Corporation may, at any time after the Effective Time, take any action (including the execution and delivery of any document) in the name and on behalf of either GM or Mergeco in order to carry out and effectuate the transactions contemplated by this Agreement.

(ii) *Certificate of Incorporation.* At the Effective Time, Article Fourth of the GM Certificate of Incorporation will be amended to read in its entirety as set forth in Exhibit A attached hereto and the GM Certificate of Incorporation as in effect at and as of immediately prior to the Effective Time, with Article Fourth as so amended and with all Certificates of Designations then in effect, shall be the Certificate of Incorporation of the Surviving Corporation.

(iii) *Bylaws.* The Bylaws of GM as in effect at and as of immediately prior to the Effective Time will remain the Bylaws of the Surviving Corporation without any modification or amendment as a result of the Spin-Off Merger.

(iv) *Directors and Officers.* The directors and officers of GM in office at and as of immediately prior to the Effective Time will remain the directors and officers of the Surviving Corporation (retaining their respective positions and terms of office).

(v) *Distribution on and Recapitalization of GM Class H Common Stock.* At and as of the Effective Time, by virtue of the Spin-Off Merger and without any action on the part of GM, Mergeco, any holder of any capital stock of GM or any other Person, (A) each share of GM Class H Common Stock issued and outstanding as of immediately prior to the Effective Time (other than shares to be cancelled in accordance with Section 2(d)(viii)) shall be recapitalized and converted into one fully paid and nonassessable share of New GM Class H Common Stock and the right to receive a distribution of such number of fully paid and nonassessable shares of Hughes Class A Common Stock which is equal to the Class H Defense Distribution divided by the number of shares of GM Class H Common Stock (other than shares to be cancelled in accordance with 2(d)(viii)) outstanding as of immediately prior to the Effective Time (rounded to the nearest 0.00001 of a share) and (B) all such shares of GM Class H Common Stock shall be cancelled and shall cease to exist. No share of GM Class H Common Stock shall be exchanged for GM $1⅔ Common Stock at a 120% exchange ratio as currently provided under certain circumstances in the GM Certificate of Incorporation by virtue of the Spin-Off Merger. Accordingly, from and after the Effective Time, (x) for all purposes of determining the record holders of New GM Class H Common Stock and Hughes Class A Common Stock, the holders of GM Class H Common Stock as of immediately prior to the Effective Time shall be deemed to be holders of New GM Class H Common Stock and Hughes Class A Common Stock distributed to such holders pursuant to this subsection and (y) subject to any transfer of such stock, each such holder shall be entitled to receive all dividends payable on, and exercise voting rights and all other rights and privileges with respect to, New GM Class H Common Stock and Hughes Class A Common Stock distributed to such holders pursuant to this subsection. Each such holder shall be entitled, upon proper surrender (in accordance with the requirements specified in the letter of transmittal and other instructions provided to such holder following the Effective Time) of the certificate or certificates representing the shares of GM Class H Common Stock formerly held by such holder, to receive a certificate or certificates representing, or other evidence of ownership of, shares of New GM Class H Common Stock and shares of Hughes Class A Common Stock then held by such holder.

(vi) *Distribution on and Conversion of GM $1⅔ Common Stock.* At and as of the Effective Time, by virtue of the Spin-Off Merger and without any action on the part of GM, Mergeco, any holder of any capital stock of GM or any other Person, each share of GM $1⅔ Common Stock issued and outstanding as of immediately prior to the Effective Time (subject to Section 2(d)(viii)) shall be converted into (A) one fully paid and nonassessable share of GM $1⅔ Common Stock of the Surviving Corporation having the same designations, rights, powers and preferences, and the same qualifications, limitations and restrictions thereof, as the share of GM $1⅔ Common Stock being converted pursuant thereto and (B) the right to receive a distribution of such number of fully paid and nonassessable shares of Hughes Class A Common Stock which is equal to the $1⅔ Defense Distribution divided by the number of shares of GM $1⅔ Common Stock (other than shares described in Section 2(d)(viii)) outstanding as of immediately prior to the Effective Time (rounded to the nearest 0.00001 of a share). Accordingly, from and after the Effective Time, (x) for all purposes of determining the record holders of Hughes Class A Common Stock, the holders of GM $1⅔ Common Stock as of immediately prior to the Effective Time shall be deemed to be holders of Hughes Class A Common Stock distributed to such holders pursuant to this subsection and (y) subject to any transfer of such stock, each such holder shall be entitled to receive all dividends payable on, and exercise voting rights and all other rights and privileges with respect to, Hughes Class A Common Stock distributed to such holder pursuant to this subsection. Without any action on the part of any holder of GM $1⅔ Common Stock, following the Effective Time each such holder shall receive a certificate or certificates representing, or other evidence of ownership of, the shares of Hughes Class A Common Stock then held by such holder as a result of the foregoing.

(vii) *Other GM Capital Stock.* All classes and series of GM capital stock outstanding as of immediately prior to the Effective Time, other than GM Class H Common Stock and GM $1⅔ Common Stock, shall remain unaffected as a result of the Spin-Off Merger. At and as of the Effective Time, the capital stock of the Surviving Corporation, other than the New Class H Common Stock, shall be represented by the certificates representing the corresponding capital stock of GM outstanding as of immediately prior to the Effective Time.

(viii) *Treasury Shares.* At and as of the Effective Time, by virtue of the Spin-Off Merger, without any action on the part of GM, Mergeco or any other Person, each share of GM Class H Common Stock held by GM as treasury stock as of immediately prior to the Effective Time shall be cancelled and retired and shall cease to exist, and no stock or other consideration shall be delivered in exchange therefor. No share of GM $1⅔ Common Stock held by GM as treasury stock as of immediately prior to the Effective Time shall be converted into the right to receive a distribution of any shares of Hughes Class A Common Stock in connection herewith.

(ix) *Mergeco Shares.* Each Mergeco Share issued and outstanding as of immediately prior to the Effective Time shall be cancelled and retired and shall cease to exist and no stock or other consideration shall be delivered in exchange therefor.

(e) *Closing of Transfer Records.* After the Effective Time, transfers of shares of GM Class H Common Stock outstanding prior to the Effective Time shall not be made on the stock transfer books of the Surviving Corporation or otherwise.

(f) *Exchange Procedures.* Certificates representing, or other evidence of ownership of, the shares of New GM Class H Common Stock and Hughes Class A Common Stock to which holders of GM Common Stocks are entitled pursuant to Sections 2(d)(v) and (vi) shall be delivered as contemplated in Section 2.1(d) of the Hughes Spin-Off Separation Agreement.

(g) *GM Ownership of Hughes Class A Common Stock.* As of immediately after the Effective Time, GM shall not own any shares of Hughes Class A Common Stock.

Section 3. *Conditions to Obligation to Close.* The obligation of GM to consummate the Spin-Off Merger is subject to satisfaction of the following conditions:

(a) no temporary restraining order, preliminary or permanent injunction or other order or decree which prevents the consummation of any of the transactions contemplated by this Agreement shall have been issued and remain in effect, and no statute, rule or regulation shall have been enacted by any Governmental Authority which prevents the consummation of any of the transactions contemplated by this Agreement;

(b) the GM Transactions, including the adoption of this Agreement, shall have received the Requisite Stockholder Approval;

(c) GM shall have received from each of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("*Merrill Lynch*") and Salomon Brothers Inc ("*Salomon Brothers*") a written opinion, dated on or about the date of the proxy or consent solicitation statement included in the Registration Statements, addressed to GM's board of directors that, as of such date, on the basis of and subject to the assumptions, limitations and other matters set forth therein, taking into account all relevant aspects of the GM Transactions, the consideration to be provided to GM and its subsidiaries and to the holders of GM $1⅔ Common Stock and the holders of GM Class H Common Stock in the GM Transactions is fair, from a financial point of view, to the holders of GM $1⅔ Common Stock and to the holders of GM Class H Common Stock, together with a consent authorizing the inclusion of such opinion in the Registration Statements, and neither of such opinions shall have been withdrawn, revoked or modified;

(d) GM shall have received from Goldman, Sachs & Co. a written confirmation, dated on or about the date of the proxy or consent solicitation statement included in the Registration Statements, of its opinion, dated January 16, 1997, to the boards of directors of GM, HEC and Hughes that, as of such date, on the basis of and subject to the assumptions, limitations and other matters set forth therein, the Aggregate Consideration (as defined therein) is fair to the GM Group (as defined therein) as a whole, together with a consent authorizing the use of such opinion and confirmation in connection with the Registration Statements, and neither of such opinion or confirmation shall have been withdrawn, revoked or modified;

(e) GM shall have received a ruling from the IRS (the "*Ruling*"), in form and substance reasonably satisfactory to GM, to the effect that each of (i) the distribution of Hughes Class A Common Stock to GM Class H Stockholders and GM $1⅔ Stockholders as contemplated by this Agreement and (ii) the Telecom

Spin-Off will constitute a tax-free (to the applicable distributing corporation and its stockholders) distribution under Sections 355 and 368(a)(1)(D) of the Code, and GM shall not have been notified by the IRS that the Ruling has been withdrawn, invalidated or modified in any way, and GM shall not have determined in good faith, on the basis of advice of tax counsel, that the representations and assumptions underlying the Ruling are not true and correct in all material respects;

(f) GM shall have received a ruling from the IRS (the "*Supplemental Ruling*"), in form and substance reasonably satisfactory to GM, that the consummation of the transactions contemplated by this Agreement and the consummation of the Hughes Merger will not in any way jeopardize the Tax-Free Status of the EDS Split-Off, and GM shall not have been notified by the IRS that the Supplemental Ruling has been withdrawn, invalidated or modified in any way, and GM shall not have determined in good faith, on the basis of advice of tax counsel, that the representations and assumptions underlying the Supplemental Ruling are not true and correct in all material respects;

(g) GM shall have received an opinion from Kirkland & Ellis, in form and substance reasonably satisfactory to GM, to the effect that, on the basis of and subject to the assumptions, representations, limitations and other matters set forth therein, (i) the recapitalization of GM Class H Common Stock into New GM Class H Common Stock contemplated hereby will be tax-free to GM and the holders thereof and (ii) each of GM Class H Common Stock and New GM Class H Common Stock is stock of GM for U.S. federal income tax purposes;

(h) each of the HEC Reorganization and the Hughes Recapitalization shall have been fully consummated;

(i) each of the Separation Agreements shall have been fully executed and delivered, and each of the same shall be in full force and effect;

(j) GM's board of directors shall not have determined in good faith, in the exercise of its fiduciary obligations under applicable law, on the basis of oral or written advice of outside counsel, that consummation of the GM Transactions would not be both in the best interests of GM and its common stockholders and fair to the holders of GM $1⅔ Common Stock and to the holders of GM Class H Common Stock;

(k) all conditions to the Hughes Merger, other than the consummation of the Spin-Off Merger, shall have been satisfied or waived (provided that any such waiver by Hughes shall have been made only with GM's consent) and the parties to the Hughes Merger Agreement shall be prepared to cause the consummation of the Hughes Merger immediately following the Effective Time;

(l) all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Act and any applicable similar law of any foreign jurisdiction with respect to the GM Transactions shall have expired or otherwise been terminated and the Parties shall have made all other required notifications with respect to the GM Transactions and shall have received all other required authorizations, consents and approvals with respect to the GM Transactions of all governments and governmental agencies to which GM, its Subsidiaries or the GM Transactions are subject (including, without limitation, those of foreign governments and governmental agencies);

(m) the Registration Statements shall have become effective under the Securities Act and the Exchange Act and no stop order suspending the effectiveness of any of the Registration Statements shall have been issued and no proceeding for that purpose shall have been initiated by the SEC;

(n) the shares of New GM Class H Common Stock and Hughes Class A Common Stock shall have been approved for listing on the New York Stock Exchange, subject to official notice of issuance; and

(o) the Intercompany Payment shall have been paid in full.

GM may waive any condition specified in this Section 3 in its sole discretion.

Section 4. *Termination.*

(a) *Termination of Agreement.* GM may terminate this Agreement (with the prior authorization of its board of directors, if applicable, whether before or after receipt of the Requisite Stockholder Approval) as provided below:

(i) GM may terminate this Agreement by giving written notice to Mergeco at any time prior to the Effective Time in the event that GM's board of directors determines in good faith, in the exercise of its fiduciary obligations under applicable law, on the basis of oral or written advice of outside counsel, (A) that consummation of the GM Transactions as then set forth herein would not be both in the best interests of GM and its common stockholders and fair to the holders of GM $1⅔ Common Stock and the holders of GM Class H Common Stock and (B) that the foregoing determination could not reasonably be avoided by adjusting the Hughes Distribution Ratio so as to satisfy the conditions set forth in Section 1.1 of the GM Implementation Agreement as of the date of such adjustment;

(ii) GM may terminate this Agreement by giving written notice to Mergeco at any time prior to the Effective Time in the event that (A) any opinion or confirmation referred to in Section 3(c) is withdrawn or revoked or (B) any opinion or confirmation referred to in Section 3(d) is withdrawn or revoked.

(iii) GM may terminate this Agreement by giving written notice to Mergeco at any time prior to the Effective Time in the event that GM has been notified by the IRS that the Ruling has been withdrawn, invalidated or modified in an adverse manner or has been notified by the IRS or otherwise reasonably determines, on the basis of advice of outside tax counsel, that the consummation of any of (A) the distribution of Hughes Class A Common Stock to GM Class H Stockholders and GM $1⅔ Stockholders, (B) the Telecom Spin-Off and (C) the recapitalization of the GM Class H Common Stock into New GM Class H Common Stock will not be tax-free as contemplated by Section 3(e) or Section 3(g);

(iv) GM may terminate this Agreement by giving written notice to Mergeco at any time prior to the Effective Time in the event that GM has been notified by the IRS that the Supplemental Ruling has been withdrawn, invalidated or modified or has been notified by the IRS or otherwise reasonably determines, on the basis of advice of outside tax counsel, that the consummation of the transactions contemplated by this Agreement will jeopardize the Tax-Free Status of the EDS Split-Off;

(v) GM may terminate this Agreement by giving written notice to Mergeco in the event the GM Transactions, including the adoption of this Agreement, fail to receive the Requisite Stockholder Approval at the time contemplated by the Registration Statements; and

(vi) GM may terminate this Agreement by giving written notice to Mergeco at any time following the termination of the Hughes Merger Agreement or the GM Implementation Agreement in accordance with their terms.

(b) *Effect of Termination.* If GM terminates this Agreement pursuant to Section 4(a) above, all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in breach).

Section 5. *Amendment.* Subject to Section 4.2(b) of the GM Implementation Agreement, this Agreement may be amended at any time and from time to time if set forth in a writing executed by both Parties; provided, however, that any such amendment made after this Agreement has received the Requisite Stockholder Approval shall not (i) alter or change the amount or kind of shares, securities, cash and/or property to be distributed to, or the rights to be received in exchange for or on recapitalization and conversion of, the GM Class H Common Stock, (ii) alter or change the amount or kind of shares, securities, cash and/or property to be distributed to, or the rights to be received by, GM $1⅔ Common Stockholders, (iii) alter or change any term of the Certificate of Incorporation of the Surviving Corporation or (iv) alter or change any of the terms and conditions of this Agreement if such alteration or change would adversely affect the holders of any class or series of GM capital stock.

* * * * *

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on as of the date first above written.

GENERAL MOTORS CORPORATION

/s/ General Motors Corporation

GM MERGECO CORPORATION

/s/ GM Mergeco Corporation

## EXHIBIT A TO GM SPIN-OFF MERGER AGREEMENT

## ARTICLE FOURTH OF THE GM AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, AFTER GIVING EFFECT TO THE SPIN-OFF MERGER

The complete text of Article Fourth of the General Motors Certificate of Incorporation, as proposed to be amended, appears below. New text is set forth in bold type and underlined. Deleted text has been lined through. Footnotes are for informational purposes only.

### ARTICLE FOURTH

The total authorized capital stock of the Corporation is as follows: 2,706,000,000 shares, of which 6,000,000 shares shall be Preferred Stock, without par value ("Preferred Stock"), 100,000,000 shares shall be Preference Stock, $0.10 par value ("Preference Stock"), and 2,600,000,000 shares shall be Common Stock, of which 2,000,000,000 shares shall be Common Stock, $1⅔ par value ("Common Stock"), and 600,000,000 shares shall be Class H Common Stock, $0.10 par value ("Class H Common Stock").

**DIVISION I:**
**COMMON STOCK**
**AND CLASS H COMMON STOCK.**

The Common Stock and the Class H Common Stock shall be identical in all respects and shall have equal rights and privileges, except as otherwise provided in this Article FOURTH. The relative rights, privileges and restrictions of the shares of each class are as follows:

(a) *Dividend Rights.*

Subject to the express terms of any outstanding series of Preferred Stock or Preference Stock, dividends may be paid in cash or otherwise upon the Common Stock and the Class H Common Stock out of the assets of the Corporation in the relationship and upon the terms provided for below with respect to each such class:

(1) *Dividends on Common Stock.*

Dividends on Common Stock may be declared and paid only to the extent of the assets of the Corporation legally available **for the payment of dividends** <~~therefor~~> reduced by an amount equal to the sum of (A) **the amount determined by the GM Board to be available for the payment of dividends on the Class H Common Stock as of __________[1] (the "Hughes Transactions Date") plus** the paid in surplus attributable to **shares of** <~~the~~> Class H Common Stock **issued after the Hughes Transactions Date**; and (B) that portion of the earned surplus of the Corporation attributable to the Available Separate Consolidated Net Income of Hughes (as defined in subparagraph **(a)(4)) earned since the Hughes Transactions Date** <~~(a)(5)) earned since the date of the acquisition by the Corporation of Hughes Electronics Corporation, its subsidiaries and successors ("Hughes")~~>. Dividends declared and paid with respect to shares of Common Stock and any adjustments to **capital or** surplus resulting from either (i) the repurchase or issuance of any shares of Common Stock or (ii) any other reason deemed appropriate by the Board of Directors shall be subtracted from or added to the <~~amounts~~> **amount** available for the payment of dividends on Common Stock. Subject to the foregoing, the declaration and payment of dividends on the Common Stock, and the amount thereof, shall at all times be solely in the discretion of the Board of Directors of the Corporation.

(2) *Dividends on Class H Common Stock.*

Dividends on the Class H Common Stock may be declared and paid only to the extent of the assets of the Corporation legally available **for the payment of dividends** <~~therefor~~> reduced by an amount equal to the sum of (A) **the amount determined by the GM Board to be available for the payment of dividends on the Common Stock as of the Hughes Transactions Date plus** the paid in surplus attributable to **shares of** <~~the~~> Common Stock **issued after the Hughes Transactions Date**; and (B) the earned surplus of the Corporation **earned since the Hughes Transactions Date** exclusive of that portion of such earned surplus attributable to the Available Separate Consolidated Net Income of Hughes earned since the **Hughes Transactions Date** <~~date of the acquisition of Hughes by the Corporation~~ >. Dividends declared and paid with respect to shares of

1 Insert date of the Effective Time (as defined in the Agreement and Plan of Merger to which this Exhibit is attached).

Class H Common Stock and any adjustments to **capital or** surplus resulting from either (i) the repurchase or issuance of any shares of Class H Common Stock or (ii) any other reason deemed appropriate by the Board of Directors shall be subtracted from or added to the <~~amounts~~> **amount** available for the payment of dividends on Class H Common Stock. Subject to the foregoing, the declaration and payment of dividends on the Class H Common Stock, and the amount thereof, shall <~~be~~> at all times be solely in the discretion of the Board of Directors of the Corporation.

(3) *Discrimination Between Common Stock and Class H Common Stock.*

The Board of Directors, subject to the provisions of subparagraphs (a)(1) and (a)(2), may, in its sole discretion, declare dividends payable exclusively to the holders of Common Stock, exclusively to the holders of Class H Common Stock or to the holders of both such classes in equal or unequal amounts, notwithstanding the respective amounts <~~of surplus~~> available for dividends to each class, the respective voting and liquidation rights of each class, the amount of prior dividends declared on each class or any other factor.

(4)< ~~*Available Separate Consolidated Net Income of EDS.*~~

~~The "Available Separate Consolidated Net Income of EDS" for any period during which Electronic Data Systems Corporation (together with its subsidiaries and successors, "EDS") was a direct or indirect wholly-owned subsidiary of the Corporation shall mean the separate net income of EDS on a consolidated basis, determined in accordance with generally accepted accounting principles without giving effect to any adjustment which would result from accounting for the acquisition of EDS by the Corporation using the purchase method, calculated for each quarterly accounting period and multiplied by a fraction, the numerator of which shall be the weighted average number of shares of Class E Common Stock outstanding during such accounting period and the denominator of which shall initially be 121,888,889; provided, that such fraction shall in no event be greater than one. The denominator of the foregoing fraction shall be adjusted from time to time as deemed appropriate by the Board of Directors of the Corporation (i) to reflect subdivisions (by stock split or otherwise) and combinations (by reverse stock split or otherwise) of the Class E Common Stock and stock dividends payable in shares of Class E Common Stock to holders of Class E Common Stock, (ii) to reflect the fair market value of contributions of cash or property by the Corporation to EDS or of cash or property of the Corporation to, or for the benefit of, employees of EDS in connection with employee benefit plans or arrangements of the Corporation or any of its subsidiaries, (iii) to reflect the number of shares of capital stock of the Corporation contributed to, or for the benefit of, employees of EDS in connection with benefit plans or arrangements of the Corporation or any of its subsidiaries, (iv) to reflect payments by EDS to the Corporation of amounts applied to the repurchase by the Corporation of shares of Class E Common Stock, and (v) to reflect the number of shares of Class E Common Stock repurchased by EDS and no longer outstanding; provided, that in the case of adjustments pursuant to clause (iv) or clause (v) above, adjustments shall be made only to the extent that the Board of Directors of the Corporation, in its sole discretion, shall have approved such repurchase of shares by the Corporation or EDS and, in the case of clause (iv) above, shall declare such payments by EDS to be applied to such repurchase. Any changes in the numerator or denominator of the foregoing fraction occurring after the end of a quarterly accounting period shall not result in an adjustment to the Available Separate Consolidated Net Income of EDS for such quarterly accounting period or any prior period. For all purposes, determination of the Available Separate Consolidated Net Income of EDS shall be in the sole discretion of the Board of Directors of the Corporation and shall be final and binding on all stockholders of the Corporation.~~

~~(5)~~> *Available Separate Consolidated Net Income of Hughes.*

The "Available Separate Consolidated Net Income of Hughes" shall mean the separate net income of Hughes **Electronics Corporation, its subsidiaries and successors after the Hughes Transactions Date ("Hughes")** on a consolidated basis, determined in accordance with generally accepted accounting principles, without giving effect to any adjustment which would result from accounting for the acquisition of Hughes **Aircraft Company** by the Corporation using the purchase method, calculated for each quarterly accounting period and multiplied by a fraction, the numerator of which shall be the weighted average number of shares of Class H Common Stock outstanding during such accounting period and the denominator of which shall initially be ~~<200,000,000>~~ __________ [2]; provided, that such fraction shall in no event be greater than one. The denominator of the foregoing fraction shall be adjusted from time to time as deemed appropriate by the Board of Directors of the Corporation (i) to reflect subdivisions (by stock split or otherwise) and combinations (by reverse stock split or otherwise) of the Class H Common Stock and stock dividends payable in shares of Class H Common Stock to holders of Class H Common Stock, (ii) to reflect the fair market value of contributions of cash or property by the Corporation to Hughes or of cash or property of the Corporation to, or for the benefit of, employees of Hughes in connection with employee benefit plans or arrangements of the Corporation or any of its subsidiaries, (iii) to reflect the number of shares of capital stock of the Corporation contributed to, or for the benefit of, employees of Hughes in connection with benefit plans or arrangements of the Corporation or any of its subsidiaries, (iv) to reflect payments by Hughes to the Corporation of amounts applied to the repurchase by the Corporation of shares of Class H Common Stock, and (v) to reflect the number of shares of Class H Common Stock repurchased by Hughes and no longer outstanding; provided, that in the case of adjustments pursuant to clause (iv) or clause (v) above, adjustments shall be made only to the extent that the Board of Directors of the Corporation, in its sole discretion, shall have approved such repurchase of shares by the Corporation or Hughes and, in the case of clause (iv) above, shall declare such payments by Hughes to be applied to such repurchase. Any changes in the numerator or denominator of the foregoing fraction occurring after the end of a quarterly accounting period shall not result in an adjustment to the Available Separate Consolidated Net Income of Hughes for such quarterly accounting period or any prior period. For all purposes, determination of the Available Separate Consolidated Net Income of Hughes shall be in the sole discretion of the Board of Directors of the Corporation and shall be final and binding on all stockholders of the Corporation.

(b) *Voting Rights.*

The holders of Common Stock and Class H Common Stock shall vote together as a single class on all matters; provided, however, that (i) the holders of Common Stock voting separately as a class shall be entitled to approve by the vote of a majority of the shares of Common Stock then outstanding any amendment, alteration or repeal of any of the provisions of this Certificate of Incorporation which adversely affects the rights, powers or privileges of the Common Stock; (ii) the holders of Class H Common Stock voting separately as a class shall be entitled to approve by the vote of a majority of the shares of Class H Common Stock then outstanding any amendment, alteration or repeal of any of the provisions of this Certificate of Incorporation which adversely affects the rights, powers or privileges of the Class H Common Stock; and (iii) any increase in the number of authorized shares of Class H Common Stock shall be subject to approval by both (A) the holders of a majority of the shares of Common Stock and Class H Common Stock then outstanding, voting together as a single class based upon their respective voting rights, and (B) the holders of a majority of the shares of Class H Common Stock then outstanding, voting separately as a class. Subject to adjustment pursuant to paragraph (e) hereof, each holder of Common Stock shall be entitled to one vote, in person or by proxy, for each share of Common Stock standing in his name on the stock transfer books of the Corporation; and each holder of Class H Common Stock shall be entitled to ~~<one-half (0.5)>~~ **the Class H Portion (as defined below)** of a vote, in person or by proxy, for each share of Class H Common Stock standing in his name on the stock transfer books of the Corporation. **For purposes of this paragraph (b) and paragraph (d) of Division I of this Article FOURTH, "Class H Portion" shall mean the greater of (x) 0.50 and (y) an amount, rounded to the nearest one-tenth, equal to (i) the average of the Closing Prices (as defined in subparagraph (c)(5)) of a share of Class H Common Stock during the period of twenty (20) consecutive trading days beginning on __________ [3] divided by (ii) the average of the Closing Prices of a share of Common Stock during such period.**

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2 Insert the number equal to the denominator of the Class H Dividend Base (as defined in the Agreement and Plan of Merger to which this Exhibit is attached) as of the Hughes Transactions Date.

3 Insert the date of the 11th trading day on the New York Stock Exchange after the Hughes Transactions Date.

(c) *Exchangeability*.

(1) After December 31, <~~1995~~> **2002**, the Board of Directors of the Corporation, in its sole discretion and by a majority vote of the directors then in office, may at any time effect a recapitalization of the Corporation by declaring that all of the outstanding shares of Class H Common Stock shall be exchanged for fully paid and nonassessable shares of Common Stock in accordance with the Exchange Rate (as defined in subparagraph (c)(4))<~~; provided, that the Board of Directors may effect such recapitalization only if, during each of the five full fiscal years preceding such recapitalization, the Board of Directors has declared and paid cash dividends on the Class H Common Stock equal to or greater than the Class H Payout Ratio for such year (as defined in subparagraph (c)(2)) multiplied by the Available Separate Consolidated Net Income of Hughes for the prior fiscal year.~~>.

<~~(2) For purposes of this paragraph (c) of Division I of this Article FOURTH, the term "Class H Payout Ratio" shall mean, for any fiscal year, the lesser of (A) 0.25 or (B) the quotient of (x) the total cash dividends paid on the Common Stock in respect of such fiscal year, divided by (y) (i) the consolidated net income of the Corporation and its subsidiaries for such fiscal year minus (ii) the Available Separate Consolidated Net Income of EDS for any portion of such fiscal year during which EDS was a direct or indirect wholly owned subsidiary of the Corporation, minus (iii) the Available Separate Consolidated Net Income of Hughes for such fiscal year; provided, that nothing in this paragraph (c) shall be deemed to limit or restrict the authority of the Board of Directors of the Corporation to declare and pay dividends on Class H Common Stock and Common Stock at such times and in such amounts as the Board of Directors in its sole discretion (subject to paragraph (a)) may determine.~~

~~(3)~~>(2) In the event of the sale, transfer, assignment or other disposition by the Corporation of <~~substantially all of the business of Hughes Aircraft Company, its subsidiaries and successors or of substantially all of the other business of Hughes~~> **Substantially All of the Business of Hughes (as defined in subparagraph (c)(3))** to a person, entity or group of which the Corporation is not a majority owner (whether by merger, consolidation, sale of assets or stock, liquidation, dissolution, winding up or otherwise), effective upon the consummation of such sale, transfer, assignment or other disposition and automatically without any action on the part of the Corporation or its Board of Directors or on the part of the holders of shares of Class H Common Stock, the Corporation shall be recapitalized and all outstanding shares of Class H Common Stock shall be exchanged for fully paid and nonassessable shares of Common Stock at the Exchange Rate<~~(as defined in subparagraph (c)(4)).~~>.

**(3) For purposes of subparagraph (c)(2) of this subparagraph (c) of Division I of this Article FOURTH, the term "Substantially All of the Business of Hughes" shall mean 80% or more of the business of Hughes, based on the fair market value of the assets, both tangible and intangible, of Hughes as of the time that the proposed transaction is approved by the Board of Directors of the Corporation.**

(4) For purposes of this paragraph (c) of Division I of this Article FOURTH, the term "Exchange Rate" applicable to the Class H Common Stock shall mean the number of shares of Common Stock for which each share of Class H Common Stock shall be exchangeable pursuant to subparagraphs (c)(1) and <~~(c)(3)~~>(c)(2), as the case may be, of this paragraph (c) determined as follows: Each share of Class H Common Stock shall be exchangeable for such number of shares of Common Stock (calculated to the nearest five decimal places) as is determined by dividing (A) the product resulting from multiplying (i) the Average Market Price Per Share (as defined in subparagraph (c)(5)) of such Class H Common Stock by (ii) 1.2, by (B) the Average Market Price Per Share of Common Stock.

(5) For purposes of <~~computing the Exchange Rate applicable to the Class H Common Stock pursuant to~~> this paragraph (c) of Division I of this Article FOURTH, the "Average Market Price Per Share" of Common Stock or Class H Common Stock, as the case may be, shall mean the average of the <~~daily closing prices per~~> **Closing Prices of a** share <~~for~~> **of** such Common Stock or Class H Common Stock for the fifteen (15) consecutive trading days ending one (1) trading day prior to either (A) in the case of an exchange pursuant to subparagraph (c)(1), the date the Exchange Notice (as defined in subparagraph (c)(8)) is mailed or (B) in the

case of an exchange pursuant to subparagraph <~~(e)(3)~~>**(c)(2)**, the date of the public announcement by the Corporation or one of its subsidiaries of the first to occur of the following: that the Corporation or one of its subsidiaries (1) has entered into an agreement in principle with respect to such transaction or (2) has entered into a definitive agreement with respect thereto. <~~The closing price for each day shall be~~> **For purposes of this paragraph (c) of Division I of this Article FOURTH, the "Closing Price" of a share of Common Stock or Class H Common Stock for each day shall mean** the closing sales price **therefor** as reported in The Wall Street Journal or, if not reported therein, as reported in another newspaper of national circulation chosen by the Board of Directors of the Corporation or, in case no such sale takes place on such day, the average of the closing bid and asked prices regular way on the New York Stock Exchange, or if the Common Stock or Class H Common Stock is not then listed or admitted to trading on the New York Stock Exchange, on the largest principal national securities exchange on which such stock is then listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, then the last reported sale prices for such shares in the over-the-counter market, as reported on the National Association of Securities Dealers Automated Quotation System, or, if such sale prices shall not be reported thereon, the average of the closing bid and asked prices so reported, or, if such bid and asked prices shall not be reported thereon, as the same shall be reported by the National Quotation Bureau Incorporated, or, in all other cases, an appraised market value furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors or the Finance Committee of the Corporation for that purpose.

(6) No fraction of a share of Common Stock shall be issued in connection with the exchange of shares of Class H Common Stock into Common Stock, but in lieu thereof, each holder of Class H Common Stock who would otherwise be entitled to a fractional interest of a share of Common Stock shall, upon surrender of such holder's certificate or certificates **(if any)** representing shares of Class H Common Stock, **be entitled to** receive a cash payment (without interest) (the "Fractional Payment") equal to the product resulting from multiplying (A) the fraction of a share of Common Stock to which such holder would otherwise have been entitled by (B) the Average Market Price Per Share of the Common Stock <~~on the Exchange Date (as defined in subparagraph (e)(8))~~>.

(7) No adjustments in respect of dividends shall be made upon the exchange of any shares of Class H Common Stock; provided, however, that if the Exchange Date **(as defined in subparagraph (c)(8))** with respect to Class H Common Stock shall be subsequent to the record date for the payment of a dividend or other distribution thereon or with respect thereto but prior to the payment or distribution thereof, the registered holders of such shares at the close of business on such record date shall be entitled to receive the dividend or other distribution payable on such shares on the date set for payment of such dividend or other distribution notwithstanding the exchange of such shares or the Corporation's default in payment of the dividend or distribution due on such date.

(8) At such time or times as the Corporation exercises <~~it~~> **its** right to cause all of the shares of Class H Common Stock to be exchanged for Common Stock in accordance with subparagraph (c)(1) of this paragraph (c) of Division I of this Article FOURTH and at such time as the Corporation causes the exchange of such Class H Common Stock for Common Stock as a result of a sale, transfer, assignment or other disposition of the type referred to in subparagraph <~~(e)(3)~~>**(c)(2)** of this paragraph (c), the Corporation shall give notice of such exchange to the holders of Class H Common Stock whose shares are to be exchanged, by mailing by first-class mail a notice of such exchange (the "Exchange Notice"), in the case of an exchange in accordance with subparagraph (c)(1) not less than thirty (30) nor more than sixty (60) days prior to the date fixed for such exchange (the "Exchange Date"), and in the case of an exchange in accordance with subparagraph <~~(e)(3)~~>**(c)(2)** as soon as practicable before or after the Exchange Date, in either case to their last addresses as they shall appear upon the Corporation's books. Each such Exchange Notice shall specify the Exchange Date and the Exchange Rate applicable to such exchange, and shall state that issuance of certificates representing**, or other evidence of ownership of,** Common Stock to be received upon exchange of shares of Class H Common Stock shall be**, if such shares of Class H Common Stock are held in certificated form,** upon surrender of certificates representing such shares of Class H Common Stock.

(9) Before any holder of shares of Class H Common Stock **who holds such shares in certificated form** shall be entitled to receive certificates representing <~~such~~>**, or other evidence of ownership of,** shares of Common Stock<~~, he~~> **for which such shares of Class H Common Stock were exchanged, such holder** shall surrender at such office as the Corporation shall specify certificates for such shares of Class H Common Stock duly endorsed to the Corporation or in blank or accompanied by proper instruments of transfer to the Corporation or in blank, unless the Corporation shall waive such requirement. The Corporation will, as soon as practicable after such surrender of **any such** certificates representing <~~such~~> shares of Class H Common Stock, issue and deliver at the office of the transfer agent representing the Common Stock to the person for whose account such shares of Class H Common Stock were so surrendered, or to his nominee or nominees, certificates representing**, or other evidence of ownership of,** the number of whole shares of Common Stock to which <~~he~~> **such holder** shall be entitled as aforesaid, together with the Fractional Payment, if any.

(10) From and after the Exchange Date, all rights of a holder of shares of Class H Common Stock which were exchanged for shares of Common Stock shall cease except for the right<~~, upon surrender of the certificates representing such shares of Class H Common Stock,~~> to receive certificates representing**, or other evidence of ownership of,** shares of Common Stock together with a Fractional Payment, if any, as contemplated by subparagraphs (c)(6) and (c)(9) of this paragraph (c) and rights to dividends as provided in subparagraph (c)(7)<~~. No~~>**; provided, however, that no** holder of a certificate which immediately prior to the Exchange Date represented shares of Class H Common Stock shall be entitled to receive any <~~dividend or other distribution with respect to shares of Common Stock~~> **of the foregoing** until surrender of such <~~holder's certificate for a certificate or certificates representing shares of Common Stock~~> **certificate**. Upon such surrender, there shall be paid to the holder the amount of any dividends or other distributions (without interest) which theretofore became payable with respect to a record date after the Exchange Date, but which were not paid by reason of the foregoing, with respect to the number of whole shares of Common Stock represented by the certificate or certificates issued upon such surrender. From and after the Exchange Date applicable to the Class H Common Stock, the Corporation shall, however, be entitled to treat the certificates for Class H Common Stock which have not yet been surrendered for exchange as evidencing the ownership of the number of whole shares of Common Stock for which the shares of Class H Common Stock represented by such certificates shall have been exchanged, notwithstanding the failure to surrender such certificates.

(11) If any <~~certificate for~~> shares of Common Stock <~~is~~> **are** to be issued in a name other than that in which the <~~certificate representing~~> shares of Class H Common Stock <~~surrendered in exchange~~> **exchanged** therefor <~~is~~> **are** registered, it shall be a condition of such issuance that the person requesting such issuance shall pay any transfer or other taxes required by reason of the issuance of <~~certificates for~~> such shares of Common Stock in a name other than that of the record holder of the <~~certificate surrendered~~> **shares of Class H Common Stock exchanged therefor**, or shall establish to the satisfaction of the Corporation or its agent that such tax has been paid or is not applicable. Notwithstanding anything to the contrary in this paragraph (c), the Corporation shall not be liable to a holder of shares of Class H Common Stock for any shares of Common Stock or dividends or distributions thereon delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(12) At such time as any Exchange Notice is delivered with respect to any shares of Class H Common Stock, or at the time of the Exchange Date, if earlier, the Corporation shall have reserved and kept available, solely for the purpose of issuance upon exchange of the outstanding shares of Class H Common Stock, such number of shares of Common Stock as shall be issuable upon the exchange of the number of shares of Class H Common Stock specified or to be specified in the Exchange Notice, provided, that nothing contained herein shall be construed to preclude the Corporation from satisfying its obligations in respect of the exchange of the outstanding shares of Class H Common Stock by delivery of purchased shares of Common Stock which are held in the treasury of the Corporation.

(d) *Liquidation Rights.*

In the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after there shall have been paid or set apart for the holders of Preferred Stock and Preference Stock the full preferential amounts to which they are entitled, the holders of Common Stock and Class H Common Stock shall be entitled to receive the assets of the Corporation remaining for distribution to its stockholders, on a per share basis in proportion to the respective per share liquidation units of such classes. Subject to adjustment pursuant to paragraph (e) hereof, each share of Common Stock and Class H Common Stock shall ~~<initially>~~ be entitled to liquidation units of one (1.0) and ~~<one-half (0.5)>~~ **the Class H Portion**, respectively.

(e) *Subdivision or Combination.*

(1) If after ~~<December 20, 1985>~~ **the Hughes Transactions Date**, the Corporation shall in any manner subdivide (by stock split or otherwise) or combine (by reverse stock split or otherwise) the outstanding shares of the Common Stock or Class H Common Stock, or pay a stock dividend in shares of any class to holders of that class, the per share voting rights specified in paragraph (b) and the per share liquidation units specified in paragraph (d) of Class H Common Stock relative to Common Stock shall be appropriately adjusted so as to avoid any dilution in the aggregate voting or liquidation rights of any class. Distribution by the Corporation of shares of any class of its common stock as a dividend on any other class of its common stock shall not require an adjustment pursuant to this paragraph (e)(1).

(2) If after ~~<December 20, 1985>~~ **the Hughes Transactions Date**, the Corporation shall distribute shares of Class H Common Stock ~~<(such class being hereinafter referred to as the "Distributed Class")>~~ as a dividend (the "Dividend") on Common Stock~~<(such class being hereinafter referred to as the "Recipient Class")>~~, then the per share liquidation rights of the classes of common stock set forth in paragraph (d) above, as they may have been previously adjusted, shall be adjusted so that:

(A) each holder of shares of ~~<any class other than the Recipient Class >~~**Class H Common Stock** shall be entitled to, with respect to such holder's interest in ~~<each such class>~~ **such Class H Common Stock**, the same percentage of the aggregate liquidation units of all shares of the Corporation's common stock immediately after the Dividend as such holder was entitled to~~<,>~~ with respect to such holder's interest in such ~~<class>~~ **Class H Common Stock** immediately prior to the Dividend; and

(B) each holder of shares of ~~<the Recipient Class>~~ **Common Stock** shall be entitled to, with respect to such holder's interest in ~~<the Recipient Class>~~ **Common Stock** and all shares of ~~<the Distributed Class >~~**Class H Common Stock** issued with respect to such holder's shares of ~~<the Recipient Class>~~ **Common Stock**, the same percentage of the aggregate liquidation units of all shares of the Corporation's common stock immediately after the Dividend as such holder was entitled to with respect to such holder's interest in ~~<the Recipient Class>~~ **Common Stock** immediately prior to the Dividend; provided, that any adjustment pursuant to this subparagraph (e)(2)(B) shall be made to the liquidation units of ~~<the Recipient Class>~~ **Common Stock**.

In no event will any adjustments be made pursuant to this subparagraph (e)(2) if the adjustment called for herein would reduce the liquidation units of any class of common stock to less than zero.

(3) The determination of any adjustment required under this paragraph (e) shall be made by the Corporation's Board of Directors; any such determination shall be binding and conclusive upon all holders of shares of all classes of the Corporation's common stock. Following any such determination, the Secretary of the Corporation shall maintain a record of any such adjustment.

**DIVISION II:**
**PREFERRED STOCK.**

A statement of the relative rights of the holders of Preferred Stock and a statement of the limits of variation between each series of Preferred Stock as to rate of dividends and price of redemption and a statement of the voting powers and the designations, powers, privileges and rights, and the qualifications, limits or restrictions thereof of the various series thereof, except so far as the Board of Directors is expressly authorized to fix the same by resolution or resolutions for the various series of the Preferred Stock, are as follows:

Preferred Stock of the Corporation may be issued in various series as may be determined from time to time by the Board of Directors, each such series to be distinctly designated. All shares of any one series of Preferred Stock shall be alike in every particular, and all series shall rank equally and be identical in all respects except as to the dividend rate and the amount payable upon the exercise of the right to redeem.

The dividend on the Preferred Stock of each series shall be such rate as may be fixed by the Board of Directors in the resolution or resolutions providing for the issuance of the Preferred Stock of such series, and as shall be stated on the face or back of the certificates of stock therefor.

The amount payable on the exercise of the right to redeem Preferred Stock of each series shall be an amount as may be fixed by the Board of Directors in the resolution or resolutions providing for the issuance of the Preferred Stock of such series, and as shall be stated on the face or back of the certificates of stock therefor.

All other provisions herein set forth in respect of the Preferred Stock of the Corporation shall apply to all the Preferred Stock of the Corporation, irrespective of any variations between the Preferred Stock of the different series.

The holders of the Preferred Stock shall be entitled to receive cumulative dividends, when and as declared by the Board of Directors, at the rates fixed for the respective series in the Certificate of Incorporation or in the resolution or resolutions of the Board of Directors providing for the issuance of the respective series, and no more, payable quarterly on the dates to be fixed by the By-Laws. The periods between such dates commencing on such dates are herein designated as "dividend periods." Dividends on all shares of any one series shall commence to accrue and be cumulative from the first day of the current dividend period within which shares of such series are first issued, but in the event of the issue of additional shares of such series subsequent to the date of the first issue of said shares of such series, all dividends paid on the shares of such series prior to the issue of such additional shares and all dividends declared payable to holders of record of shares of such series of a date prior to such issue shall be deemed to have been paid in respect of the additional shares so issued. Such dividends on the Preferred Stock shall be in preference and priority to any payment on any other class of stock of the Corporation.

The dividends on the Preferred Stock shall be cumulative and shall be payable before any dividend on the Common Stock or Class H Common Stock or any series of the Preference Stock shall be paid or set apart so that if in any year dividends at the rates determined for the respective series of the Preferred Stock shall not be paid thereon, the deficiency shall be payable before any dividend shall be paid upon or set apart for the Common Stock or Class H Common Stock or any series of the Preference Stock. Dividends shall not be declared and paid on the shares of Preferred Stock of any one series for any dividend period unless dividends have been or are contemporaneously paid or declared and set apart for payment thereof on the shares of Preferred Stock of all series, for all the dividend periods terminating on the same or an earlier date.

Whenever all cumulative dividends on the Preferred Stock outstanding shall have been paid and a sum sufficient for the payment of the next ensuing quarterly dividend on the Preferred Stock outstanding shall have been set aside from the surplus or net profits, the Board of Directors may declare dividends on the Common Stock or Class H Common Stock or any series of the Preference Stock, payable then or thereafter, out of any remaining surplus or net profits, and no holders of any shares of any series of Preferred Stock, as such, shall be entitled to share therein.

At the option of the Board of Directors, the Preferred Stock shall be subject to redemption at the amounts fixed for the respective series in the Certificate of Incorporation or in the resolution or resolutions of the Board of Directors providing for the issuance of the respective series, together, in the case of each class or series, with accrued dividends on the shares to be redeemed, on any dividend paying date in such manner as the Board of Directors may determine.

The holders of the Preferred Stock shall not have any voting power whatsoever, except upon the question of selling, conveying, transferring or otherwise disposing of the property and assets of the Corporation as an entirety and except as otherwise required by law.

**DIVISION III:**
**PREFERENCE STOCK.**

The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article FOURTH, to provide for the issuance of Preference Stock from time to time in one or more series of any number of shares, with a distinctive serial designation for each series, provided that the aggregate number of shares issued and not cancelled of any and all such series shall not exceed the total number of shares of Preference Stock authorized by this Article FOURTH, all as shall hereafter be stated and expressed in the resolution or resolutions providing for the issue of such Preference Stock from time to time adopted by the Board of Directors. Subject to said limitations, and provided that each series of Preference Stock shall rank junior to the Preferred Stock with respect to the payment of dividends and distributions in liquidation, each series of Preference Stock (a) may have such voting powers, full or limited, or may be without voting powers; (b) may be subject to redemption at such time or times and at such prices; (c) may be entitled to receive dividends (which may be cumulative or noncumulative) at such rate or rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or series of stock; (d) may have such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; (e) may be made convertible into, or exchangeable for, shares of any other class or classes of or any other series of the same or any other class or classes of stock of the Corporation or any other issuer, at such price or prices or at such rates of exchange, and with such adjustments; (f) may be entitled to the benefit of a sinking fund to be applied to the purchase or redemption of shares of such series in such amount or amounts; (g) may be entitled to the benefit of conditions and restrictions upon the creation of indebtedness of the Corporation or any subsidiary, upon the issue of any additional stock (including additional shares of such series or of any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Corporation or any subsidiary of any outstanding stock of the Corporation; and (h) may have such other relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof; all as shall be stated in said resolution or resolutions providing for the issue of such series of Preference Stock.

Shares of any series of Preference Stock which have been redeemed (whether through the operation of a sinking fund or otherwise) or which, if convertible or exchangeable, have been converted into or exchanged for shares of stock of any other class or classes shall have the status of authorized and unissued shares of Preference Stock of the same series and may be reissued as a part of the series of which they were originally a part or may be reclassified and reissued as part of a new series of Preference Stock to be created by resolution or resolutions of the Board of Directors or as part of any other series of Preference Stock, all subject to the conditions or restrictions on issuance set forth in the resolution or resolutions adopted by the Board of Directors providing for the issue of any series of Preference Stock.

**DIVISION IV:**
**MISCELLANEOUS.**

From time to time, the Preferred Stock, the Preference Stock, the Common Stock and the Class H Common Stock may be increased or decreased according to law, and may be issued in such amounts and proportions as shall be determined by the Board of Directors, and as may be permitted by law.

In the event of any liquidation or dissolution or winding up, whether voluntary or otherwise, of the Corporation, the holders of the Preferred Stock shall be entitled to be paid the redemption price of each series in full, as aforesaid, out of the assets whether capital or surplus, and, in every case, the unpaid dividends accrued on such shares, whether or not earned or declared, before any distribution of the assets to be distributed shall be made to the holders of Common Stock or Class H Common Stock or any series of the Preference Stock; but the holders of such shares shall be entitled to no further participation in such distribution. If the assets distributable on such liquidation, dissolution or winding up shall be insufficient to permit the payment to the holders of the Preferred Stock of the full amount of the redemption price of each series in full as aforesaid and accrued dividends as aforesaid, the said assets shall be distributed pro rata among the holders of the respective series of the Preferred Stock. After all payments are made as aforesaid, any required payments shall be made with respect to the Preference Stock, if any, outstanding, and the remaining assets and funds shall be divided among and paid to the holders of Common Stock and Class H Common Stock pro rata in proportion to the respective per share liquidation units of such classes. The merger or consolidation of the Corporation into or with any other corporation shall not be or be deemed to be a distribution of assets or a dissolution, liquidation or winding up for the purposes of this paragraph.

Any Preferred Stock, Preference Stock, Common Stock or Class H Common Stock, authorized hereunder or under any amendment hereof, in the discretion of the Board of Directors, may be issued, except as herein otherwise provided, in payment for property or services, or as bonuses to employees of the Corporation or employees of subsidiary companies, or for other assets or securities including cash, necessary or desirable, in the judgment of the Board of Directors, to be purchased or acquired from time to time for the Corporation, or for any other lawful purpose of the Corporation.

If it seems desirable so to do, the Board of Directors may from time to time issue scrip for fractional shares of stock. Such scrip shall not confer upon the holder any right to dividends or any voting or other rights of a stockholder of the Corporation, but the Corporation shall from time to time, within such time as the Board of Directors may determine or without limit of time if the Board of Directors so determines, issue one or more whole shares of stock upon the surrender of scrip for fractional shares aggregating the number of whole shares issuable in respect of the scrip so surrendered, provided that the scrip so surrendered shall be properly endorsed for transfer if in registered form.

# APPENDIX B

## FAIRNESS OPINIONS

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Corporate and Institutional
Client Group

World Financial Center
North Tower
New York, New York 10281-1328
212 449 1000

**Merrill Lynch**

November 10, 1997

Board of Directors
General Motors Corporation
General Motors Building
3044 West Grand Boulevard
Detroit, Michigan 48202-3091

Members of the Board:

General Motors Corporation ("GM") proposes to engage in a series of transactions involving its wholly owned subsidiary Hughes Electronics Corporation ("Hughes Electronics"). GM proposes that (1) certain assets and liabilities will be transferred among HE Holdings Inc., a wholly owned subsidiary of Hughes Electronics ("Hughes Defense"), Delco Electronics Corporation, a wholly owned subsidiary of Hughes Electronics ("Delco"), and the subsidiaries of Hughes Defense engaged in the telecommunications and space business (collectively, "Hughes Telecom") and their respective subsidiaries; (2) Hughes Defense will incur up to $4.9 billion of debt, with the exact amount to be determined pursuant to the Raytheon Merger Agreement (as defined below), with Hughes Telecom receiving as equity at least $3.9 billion (less the amount of other outstanding Hughes Defense indebtedness) from the proceeds of the new debt (the "Hughes Telecom Funding"); (3) Hughes Electronics will be merged with and into GM, as a result of which Hughes Defense and Delco will become direct wholly owned subsidiaries of GM; (4) Hughes Aircraft Company, the subsidiary of Hughes Defense that is the principal operator of the defense electronics business of Hughes Defense, will be merged with and into Hughes Defense; and (5) Hughes Defense will distribute 100% of the stock of Hughes Telecom to GM (the "Hughes Telecom Spin-Off") (collectively, the "Hughes Reorganization"). The Hughes Reorganization will be effected largely pursuant to a master separation agreement to be entered into among GM, Hughes Telecom, Delco and Hughes Defense (the "Master Separation Agreement").

Immediately following the consummation of the Hughes Reorganization, GM proposes to spin off Hughes Defense (the "Hughes Defense Spin-Off" and, together with the Hughes Reorganization, the "Hughes Transactions"). The Hughes Defense Spin-Off will be accomplished through a merger (the "GM Spin-Off Merger") of GM Mergeco Corporation, a newly formed wholly owned subsidiary of GM ("Merger Sub"), with and into GM pursuant to an agreement and plan of merger to be entered into between GM and Merger Sub (the "GM Spin-Off Merger Agreement"). Pursuant to the GM Spin-Off Merger, (1) each share of GM's Class H Common Stock, par value $0.10 per share (the "GM Class H Common Stock"), will be recapitalized and converted into one share of a new class of GM common stock also to be called Class H Common Stock, par value $0.10 per share (the "New GM Class H Common Stock"), and the right to receive a pro rata interest in the Class H Defense Distribution (as defined below) of Class A Common Stock, par value $0.01 per share, of Hughes Defense (the "Class A Common Stock") and (2) each share of GM's Common Stock, par value $1⅔ per share (the "GM $1⅔ Common Stock"), will remain outstanding and will, among other things, represent the right to receive a pro rata interest in the $1⅔ Defense Distribution (as defined below) of Class A Common Stock. You have advised us that the number of shares of Class A Common Stock to be distributed to the holders of New GM Class H Common Stock (the "Class H Defense Distribution") in the Hughes Defense

Spin-Off will equal the sum of (i) the product of (A) 102,630,503 (the total number of shares of Class A Common Stock to be distributed in the Hughes Defense Spin-Off) and (B) the Class H Fraction (as defined below), plus (ii) the amount obtained by dividing (C) the Net Transaction Effect (as defined below) by (D) the Average Closing Price of Raytheon Common Stock (as defined below). The remainder of the 102,630,503 shares of Class A Common Stock to be distributed in the Hughes Defense Spin-Off will be distributed to the holders of the GM $1⅔ Common Stock (the "$1⅔ Defense Distribution"). The "Class H Fraction" is the fraction equivalent to the tracking stock interest of the GM Class H Common Stock in the earnings of Hughes Defense (as contemplated by the Restated Certificate of Incorporation of GM, as amended (the "GM Certificate of Incorporation")) as of the time immediately prior to the Hughes Defense Spin-Off. The "Net Transaction Effect", as determined by the Board of Directors of GM, is (i) an amount equal to the product of (x) $6.5 billion and (y) the Class H Fraction plus (ii) an amount equal to the product of (x) the amount by which the Hughes Defense indebtedness outstanding immediately prior to the Hughes Defense Spin-Off exceeds $4.0 billion and (y) the Class H Fraction. The "Average Closing Price of Raytheon Common Stock" will be the average closing market price of common stock, par value $1.00 per share, of Raytheon ("Raytheon Common Stock") during the 30-day period ending on the fifth day prior to the consummation of the Raytheon Merger (as defined below).

Immediately after consummation of the Hughes Defense Spin-Off, and in accordance with the terms of the Agreement and Plan of Merger dated as of January 16, 1997 (the "Raytheon Merger Agreement") between Hughes Defense and Raytheon Company ("Raytheon"), Raytheon will be merged with and into Hughes Defense (the "Raytheon Merger" and, together with the Hughes Transactions, the "Transactions"). Pursuant to the Raytheon Merger, each outstanding share of Raytheon Common Stock will be converted into the right to receive one share of Class B common stock, par value $0.01 per share, of Hughes Defense (the "Class B Common Stock"). Immediately following consummation of the Raytheon Merger, the Class A Common Stock will represent approximately 30.3% of the outstanding common stock (and 80.1% of the voting power in the election and removal of directors) of Hughes Defense, and the Class B Common Stock will represent approximately 69.7% of the outstanding common stock (and 19.9% of the voting power in the election and removal of directors) of Hughes Defense. You have advised us that GM has received a private letter ruling (the "IRS Ruling") from the Internal Revenue Service to the effect, and we have assumed, that the Hughes Defense Spin-Off and the Hughes Telecom Spin-Off will each be treated as a tax-free distribution under Section 355 of the Internal Revenue Code of 1986, as amended.

The management of GM has advised us that, subsequent to the consummation of the Hughes Transactions, GM's management expects to combine the operations of Delco and Delphi Automotive Systems, the automotive components sector of GM ("Delphi") (the "Delco/Delphi Combination").

As a result of the Hughes Transactions, (1) the existing holders of GM Class H Common Stock will relinquish their approximately 25% tracking stock interest in Hughes Defense and Delco, will receive the Class H Defense Distribution and will maintain approximately a 25% tracking stock interest in Hughes Telecom through their ownership of New GM Class H Common Stock and (2) the existing holders of GM $1⅔ Common Stock will relinquish their approximately 75% tracking stock interest in Hughes Defense, will receive the $1⅔ Defense Distribution, will maintain approximately a 75% tracking stock interest in Hughes Telecom through their continued ownership of GM $1⅔ Common Stock and, also through their ownership of GM $1⅔ Common Stock, will have 100% of the tracking stock interest in the Delco/Delphi Combination.

You have asked us whether, in our opinion, taking into account all relevant aspects of the Transactions, the consideration to be provided to GM and its subsidiaries and to the holders of GM $1⅔ Common Stock and the holders of GM Class H Common Stock in the Hughes Transactions is fair from a financial point of view to the holders of the GM $1⅔ Common Stock and the holders of the GM Class H Common Stock.

In arriving at the opinion set forth below, we have, among other things:

(1) reviewed GM's Annual Reports, Forms 10-K and related financial information for the three fiscal years ended December 31, 1996, GM's Forms 10-Q and the related unaudited financial information for the quarterly periods ended March 31, 1997 and June 30, 1997 and unaudited financial information for the quarterly period ended September 30, 1997;

(2) reviewed Raytheon's Annual Reports, Forms 10-K and related financial information for the three fiscal years ended December 31, 1996, Raytheon's Forms 10-Q and the related unaudited financial information for the quarterly periods ended March 31, 1997 and June 30, 1997 and unaudited financial information for the quarterly period ended September 30, 1997;

(3) reviewed Hughes Electronics' Annual Reports and related financial information for the three fiscal years ended December 31, 1996;

(4) reviewed certain information, including historical financial data and financial projections, relating to the business, earnings, cash flow, assets, liabilities and prospects of Hughes Electronics, Hughes Defense, Delco, Hughes Telecom and Raytheon furnished to us by GM, Hughes Electronics and Raytheon, as the case may be;

(5) conducted discussions with members of senior management of GM, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon concerning their respective businesses and prospects and their views regarding the strategic rationale for, and the financial effects on GM, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon of the Hughes Transactions, the Delco/Delphi Combination and the Raytheon Merger;

(6) reviewed certain information, including financial projections relating to the amount and timing of the revenue and cost savings synergies and related expenses expected to result from the Raytheon Merger (the "Raytheon Merger Expected Synergies"), furnished to us by GM, Hughes Electronics, Hughes Defense and Raytheon;

(7) conducted discussions with members of senior management of GM, Hughes Electronics, Hughes Defense and Raytheon concerning the Raytheon Merger Expected Synergies;

(8) reviewed certain information, including financial projections relating to the amount and timing of the revenue and cost savings synergies and related expenses expected to result from the Delco/Delphi Combination (the "Delco/Delphi Expected Synergies"), furnished to us by GM, Delco and Delphi;

(9) conducted discussions with members of senior management of GM, Delco and Delphi concerning the Delco/Delphi Expected Synergies;

(10) conducted discussions with members of senior management of GM, Hughes Electronics and Hughes Telecom concerning recent and pending regulatory changes in the telecommunications industry, the competitive environment of the telecommunications and space industry and the need for Hughes Telecom to maintain the financial flexibility to enable Hughes Telecom to respond to competitive challenges and to avail itself of potential opportunities in such environment;

(11) compared the results of operations of Hughes Defense, Delco and Raytheon with those of certain companies that we deemed to be reasonably similar to Hughes Defense, Delco and Raytheon, respectively;

(12) considered the pro forma effects, including accounting, profit sharing and other pro forma effects, on each of GM, Hughes Defense and Hughes Telecom of the Hughes Transactions and the Raytheon Merger;

(13) reviewed the Raytheon Merger Agreement and exhibits thereto;

(14) reviewed the Implementation Agreement, dated as of January 16, 1997, between GM and Raytheon and exhibits thereto (the "Implementation Agreement");

(15) reviewed the form of the Master Separation Agreement and exhibits thereto attached to the Implementation Agreement as Exhibit B;

(16) reviewed the form of the GM Spin-Off Merger Agreement attached to the Implementation Agreement as Exhibit A;

(17) reviewed the GM Certificate of Incorporation and the GM By-Laws, as amended;

(18) reviewed the Solicitation Statement/Prospectus dated November 10, 1997 (the "GM Solicitation Statement/Prospectus") to be furnished to the holders of the GM Class H Common Stock and the GM $1⅔ Common Stock, including the text of Article Fourth of the GM Certificate of Incorporation, as proposed to be amended in connection with the GM Spin-Off Merger, and the new GM Board policy statement regarding GM's dual-class common stock capital structure set forth therein;

(19) reviewed the IRS Ruling and the request to the Internal Revenue Service for such ruling; and

(20) reviewed such other financial studies and analyses and performed such other investigations and took into account such other matters as we deemed necessary, including our assessment of general economic, market and monetary conditions.

In preparing our opinion, we have relied on the accuracy and completeness of all information supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available, and we have not assumed any responsibility for independently verifying such information or undertaken an independent evaluation or appraisal of the assets or liabilities of GM, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon, or been furnished with any such evaluation or appraisal. In addition, we have not assumed any obligation to conduct, nor have we conducted, any physical inspection of the properties or facilities of GM, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom or Raytheon. With respect to the financial projections and the analyses of the Raytheon Merger Expected Synergies and the Delco/Delphi Expected Synergies furnished to or discussed with us by GM, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon, as the case may be, we have assumed that they have been reasonably prepared and reflect the best currently available estimates and judgments of the managements of GM, Hughes Electronics, Hughes Defense, Delco, Delphi, Hughes Telecom or Raytheon as to the expected future financial performance of Hughes Electronics, Hughes Defense, Delco, Hughes Telecom or Raytheon, and as to the Raytheon Merger Expected Synergies and the Delco/Delphi Expected Synergies, as the case may be. We have assumed that each of the Hughes Transactions and the Raytheon Merger will be consummated in accordance with its terms. We have also assumed that the Hughes Transactions will have the accounting treatment set forth in the GM Solicitation Statement/Prospectus.

Our opinion is necessarily based upon market, economic, financial and other conditions as they exist and can be evaluated as of the date hereof.

In connection with the preparation of this opinion, we have not been authorized by GM or the Board of Directors to solicit, nor have we solicited, third-party indications of interest with respect to a business combination or other extraordinary transaction involving Hughes Electronics or any of its subsidiaries or assets.

We have received fees for our services as financial advisor to GM in connection with the Hughes Transactions and will receive additional fees for our services that are contingent upon the approval by the Board of Directors of, and the consummation of, certain of the Hughes Transactions. In addition, GM has agreed to indemnify us for certain liabilities arising out of our engagement. We have also, in the past, provided financial advisory and financing services to GM and its affiliates and Raytheon and may continue to do so and have received, and may receive, fees for the rendering of such services. In addition, in the ordinary course of our business, we may actively trade shares of the GM $1⅔ Common Stock, the GM Class H Common Stock, the Raytheon Common Stock and other securities of GM and Raytheon for our own account and for the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities.

This opinion is for the use and benefit of the Board of Directors. We express no opinion as to the prices at which either the New GM Class H Common Stock or the GM $1⅔ Common Stock will trade subsequent to the consummation of the Hughes Transactions.

On the basis of and subject to the foregoing, we are of the opinion that, taking into account all relevant aspects of the Transactions, the consideration to be provided to GM and its subsidiaries and to the holders of GM $1⅔ Common Stock and the holders of GM Class H Common Stock in the Hughes Transactions is fair from a financial point of view to the holders of the GM $1⅔ Common Stock and the holders of the GM Class H Common Stock.

Very truly yours,

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

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**Salomon Brothers Inc**
Seven World Trade Center
New York, New York 10048

212-783-7000

**Salomon Brothers**

November 10, 1997

Board of Directors
General Motors Corporation
General Motors Building
3044 West Grand Boulevard
Detroit, Michigan 48202-3091

Members of the Board:

We understand that General Motors Corporation ("General Motors") and its wholly owned subsidiary Hughes Electronics Corporation ("Hughes Electronics") propose to engage in a series of related transactions consisting of the following: (i) certain assets and liabilities of Hughes Electronics and its subsidiaries will be transferred among HE Holdings Inc., a wholly owned subsidiary of Hughes Electronics comprising the defense electronics business of Hughes Electronics ("Hughes Defense"), Delco Electronics Corporation, a wholly owned subsidiary of Hughes Electronics ("Delco"), and the telecommunications and space business of Hughes Electronics ("Hughes Telecom"); (ii) Hughes Defense will incur indebtedness in an amount (up to $4.9 billion) determined pursuant to the Agreement and Plan of Merger dated as of January 16, 1997 between Raytheon Company ("Raytheon") and Hughes Defense (the "Raytheon Merger Agreement"); (iii) at least $3.9 billion of the proceeds of the indebtedness to be incurred by Hughes Defense will be used to pay other borrowings of Hughes Electronics with the remainder received by Hughes Telecom as equity in the form of a cash infusion; (iv) the common stock of Delco and Hughes Telecom will be distributed to General Motors; (v) the Class A Common Stock of Hughes Defense will be distributed (the "Hughes Defense Spin-Off") to the holders of Common Stock, $1⅔ par value per share, of General Motors ("GM $1⅔ Common Stock"), and the holders of Class H Common Stock, $0.10 par value per share, of General Motors ("GM Class H Common Stock"), in accordance with the Distribution Ratio (as defined below), with holders of GM $1⅔ Common Stock and GM Class H Common Stock receiving an aggregate of 102,630,503 shares of Class A Common Stock, par value $.01 per share, of Hughes Defense; (vi) immediately following the Hughes Defense Spin-Off, Hughes Defense will merge with Raytheon (the "Raytheon Merger;" the merged company being referred to as "New Raytheon"), with the Class A Common Stock of Hughes Defense remaining outstanding as Class A Common Stock of New Raytheon, representing 30.3% of the outstanding common stock (and 80.1% of the voting power in the election and removal of directors) of New Raytheon, and each outstanding share of Raytheon Common Stock being converted into one share of Class B Common Stock of New Raytheon; and (vii) each outstanding share of GM Class H Common Stock will be recapitalized and converted automatically into one share of a new class of GM Common Stock ("New GM Class H Common Stock"), which will be a tracking stock relating to Hughes Telecom, as a result of which holders of GM Class H Common Stock will relinquish their tracking stock interest in Delco and holders of GM $1⅔ Common Stock will increase their interest in Delco. The transactions described in clauses (i) through (iv) of the immediately preceding sentence are referred to collectively as the "Hughes Reorganization," all of the transactions described in the immediately preceding sentence are referred to collectively as the "Transactions," and the Transactions other than the Raytheon Merger are referred to as the "Hughes Transactions." The Hughes Reorganization will be effected largely pursuant to a master separation agreement and related agreements to be entered into among General Motors, Hughes Telecom, Delco and Hughes Defense (collectively, the "Master

**Salomon Brothers Inc & Worldwide Affiliates**

Atlanta • Bangkok • Beijing • Boston • Chicago • Frankfurt • Hong Kong • London • Los Angeles • Madrid • Melbourne • Mexico • Milan Moscow • New Delhi • New York • Osaka • Paris • San Francisco • Seoul • Singapore • Sidney • Taipei • Tokyo • Toronto • Zug • Zurich

Separation Agreement"). The consummation of the Hughes Transactions is subject to the satisfaction or waiver of the conditions to the Raytheon Merger.

You have advised us that the number of shares of Class A Common Stock to be distributed to the holders of GM Class H Common Stock (the "Class H Defense Distribution") in the Hughes Defense Spin-Off will equal the sum of (i) the product of (A) 102,630,503 (the total number of shares of Class A Common Stock to be distributed in the Hughes Defense Spin-Off) and (B) the Class H Fraction (as defined below), plus (ii) the amount obtained by dividing (C) the Net Transaction Effect (as defined below) by (D) the Average Closing Price of Raytheon Common Stock (as defined below). The remainder of the 102,630,503 shares of Class A Common Stock to be distributed in the Hughes Defense Spin-Off will be issued to the holders of the GM $1⅔ Common Stock (the "$1⅔ Defense Distribution"). The ratio of the Class H Defense Distribution to the $1⅔ Defense Distribution is referred to as the "Distribution Ratio." The "Class H Fraction" is the fractional equivalent to the tracking stock interest of the GM Class H Common Stock in the earnings of Hughes Defense (as contemplated by the Restated Certificate of Incorporation of General Motors, as amended) as of the time immediately prior to the Hughes Defense Spin-Off. The "Net Transaction Effect," as determined by the Board of Directors of General Motors (which is intended to compensate the holders of the GM Class H Common Stock fairly for the net effect of all other aspects of the Hughes Transactions on their investment in General Motors (principally the relinquishment of their tracking stock interest in the earnings of Delco)), is an amount equal to the product of (i) $6.5 billion plus the amount by which the Hughes Defense indebtedness outstanding immediately prior to the Hughes Defense Spin-Off exceeds $4.0 billion and (ii) the Class H Fraction. The "Average Closing Price of Raytheon Common Stock" will be the average closing market price of Raytheon Common Stock during the 30-day period ending on the fifth day prior to the consummation of the Raytheon Merger.

The terms of the Hughes Transactions are more fully described in the General Motors Solicitation Statement/Prospectus (the "Solicitation Statement"). You have advised us that General Motors has received a private letter ruling from the Internal Revenue Service (the "Private Letter Ruling") to the effect, and we have assumed, that for U.S. federal income tax purposes the Hughes Defense Spin-Off and certain other aspects of the Hughes Transactions will be treated as tax-free distributions under Section 355 of the Internal Revenue Code of 1986, as amended. We have also assumed that the Hughes Transactions will have the U.S. federal income tax consequences and the accounting treatment set forth in the Solicitation Statement.

The management of General Motors has advised us that, subsequent to the consummation of the Hughes Transactions, General Motors' management expects to combine the operations of Delco and Delphi Automotive Systems ("Delphi"), the automotive components sector of General Motors (the "Delco/Delphi Combination").

You have requested our opinion as investment bankers as to the fairness, from a financial point of view, taking into account all relevant aspects of the Transactions, to the holders of the GM $1⅔ Common Stock and to the holders of the GM Class H Stock, of the consideration to be provided to General Motors and its subsidiaries and to such common stockholders of General Motors in the Hughes Transactions.

As you are aware, Salomon Brothers Inc has acted as financial advisor to General Motors in connection with the Hughes Transactions and will receive a fee for its services, a substantial portion of which is contingent upon consummation of the Hughes Transactions. We have also previously rendered certain other investment banking and financial advisory services to General Motors and its subsidiaries, including Hughes Electronics, and to Raytheon, including advice with respect to various acquisitions and capital market transactions, for which we received substantial compensation. In addition, in the ordinary course of our business, we actively trade the debt and equity securities of both General Motors (including its subsidiaries) and Raytheon for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

In connection with rendering our opinion, we have reviewed and analyzed, among other things, the following: (i) a copy of the Solicitation Statement; (ii) the Raytheon Merger Agreement; (iii) the merger agreement pursuant to which the Hughes Defense Spin-Off will be effected; (iv) a draft version of the Master Separation Agreement; (v) certain publicly available information concerning General Motors and Hughes Electronics; (vi) certain publicly available information concerning Raytheon; (vii) certain other internal information, primarily financial in nature, including forecasts concerning the business and operations of General Motors, Hughes Defense, Delco, Delphi, and Hughes Telecom furnished to us by General Motors, Hughes Defense, Delco, Delphi and Hughes Telecom for purposes of our analysis; (viii) certain other internal information, primarily financial in nature, including forecasts concerning the business and operations of Raytheon furnished to us by Raytheon for purposes of our analysis; (ix) certain publicly available information concerning the trading of, and the trading market for, the GM $1⅔ Common Stock, the GM Class H Common Stock and the Raytheon Common Stock; (x) the Restated Certificate of Incorporation of General Motors and the amendments thereto contemplated as part of the Hughes Transactions; (xi) the Policy Statement to be adopted by the General Motors Board of Directors with respect to General Motors' two classes of common stock upon issuance of the New GM Class H Common Stock; (xii) certain publicly available information with respect to certain other companies that we believe to be comparable to each of Hughes Defense, Delco, Hughes Telecom and Raytheon and the trading markets for certain of such other companies' securities; (xiii) the Private Letter Ruling and the request for such ruling; and (xiv) certain publicly available information concerning the nature and terms of certain other transactions that we consider relevant to our inquiry. We have also considered such other information, financial studies, analyses, investigations and financial, economic and market criteria that we deemed relevant. We have also met with certain officers and employees of General Motors, Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon to discuss the foregoing as well as other matters we believe relevant to our inquiry.

In our review and analysis and in arriving at our opinion, we have assumed and relied upon the accuracy and completeness of all of the financial and other information provided us or publicly available and have neither attempted independently to verify nor assumed any responsibility for verifying any of such information. We have not conducted or assumed any responsibility for conducting a physical inspection of any of the properties or facilities of Hughes Defense, Delco, Delphi, Hughes Telecom or Raytheon, nor have we made or obtained or assumed any responsibility for making or obtaining any independent evaluations or appraisals of any of such properties or facilities. We have assumed that all documents which we have reviewed in draft form will not, when finalized or executed, differ in any material respect from the drafts we have reviewed. With respect to projections (including estimates of projected revenue and cost synergies resulting from the Raytheon Merger and from the Delco/Delphi Combination), we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of the respective companies as to the respective future financial performances of such companies, and we express no view with respect to the accuracy or completeness of such projections or the assumptions on which they were based. You have advised us that in the absence of the other Hughes Transactions (or another transaction or series of transactions resulting in the transfer of Delco from Hughes Electronics to General Motors such that the tracking stock interest in the earnings of Delco held by holders of GM Class H Common Stock is reallocated to holders of GM $1⅔ Common Stock), General Motors would be unable to realize fully the anticipated benefits of the Delco/Delphi Combination. We have further assumed that the Hughes Transactions will be consummated on the terms described, and in accordance with the timing contemplated, in the Solicitation Statement and in accordance with all applicable laws and provisions of General Motors' constituent instruments.

In conducting our analysis and arriving at our opinion as expressed herein, we have considered such financial and other factors as we have deemed appropriate under the circumstances including, among others, the following: (i) the historical and current financial position and results of operations of each of Hughes Defense, Delco, Delphi, Hughes Telecom and Raytheon; (ii) the business prospects of each of Hughes Defense, Delco, Delphi, Hughes Telecom, Raytheon and New Raytheon; (iii) the historical and current market for the GM $1⅔ Common Stock, the GM Class H Common Stock, the Raytheon Common Stock, and for the equity securities of certain other companies that we believe to be comparable to Hughes Defense, Delco, Delphi, Hughes Telecom, Raytheon and New Raytheon; (iv) the prospective market for each of the New GM Class H Common Stock and the common stock of New Raytheon following the Hughes Transactions; (v) the expected cost savings and other financial synergies to be realized by General Motors as a result of the Delco/Delphi Combination; (vi) the expected impact of the Hughes Transactions on profit sharing payments from General Motors required under an agreement with the United Auto Workers; and (vii) the nature and terms of certain other transactions that we believe to be relevant. We have also taken into account our assessment of general economic, market and financial conditions and our knowledge of the defense, telecommunications and automotive component industries as well as our experience in connection with similar transactions and securities valuation generally. As you are aware, we have not been requested to solicit, and we accordingly have not solicited, alternative proposals with respect to the disposition of, or any other extraordinary transaction involving, any of Hughes Defense, Delco or Hughes Telecom.

Our opinion necessarily is based upon conditions as they exist and can be evaluated on the date hereof and by rendering this opinion we assume no responsibility to update or revise our opinion based upon circumstances or events occurring after the date hereof. Our opinion as expressed below does not address the fairness of the Raytheon Merger (as to which you have been advised by another financial advisor). Our opinion as expressed below does not constitute an opinion or imply any conclusions as to the prices at which New Raytheon Common Stock, GM $1⅔ Common Stock or New GM Class H Common Stock may trade following consummation of the Hughes Transactions. Our opinion is, in any event, limited to the fairness, from a financial point of view, to the holders of the GM $1⅔ Common Stock and to the holders of the GM Class H Common Stock of the consideration to be provided to General Motors and its subsidiaries and to such common stockholders of General Motors in the Hughes Transactions taken as a whole, and does not address General Motors' underlying business decision to effect the Hughes Transactions or constitute a recommendation to any holder of the GM $1⅔ Common Stock or any holder of GM Class H Common Stock as to how such holder should vote with respect to the Hughes Transactions.

Based upon and subject to the foregoing, we are of the opinion as investment bankers that, taking into account all relevant aspects of the Transactions, the consideration to be provided to General Motors and its subsidiaries and to the common stockholders of General Motors in the Hughes Transactions is fair, from a financial point of view, to the holders of the GM $1⅔ Common Stock and to the holders of the GM Class H Common Stock.

Very truly yours,

SALOMON BROTHERS INC

Goldman, Sachs & Co. | 85 Broad Street | New York, New York 10004
Tel: 212-902-1000

Goldman Sachs

January 16, 1997

Board of Directors
General Motors Corporation
767 Fifth Avenue
New York, NY 10053

Board of Directors
Hughes Electronics Corporation
P.O. Box 80028
7200 Hughes Terrace
Los Angeles, CA 90045

Board of Directors
HE Holdings, Inc.
7200 Hughes Terrace
Los Angeles, CA 90045

Ladies and Gentlemen:

You have requested our opinion as to the fairness to (i) HE Holdings, Inc., a Delaware corporation ("Hughes"), (ii) Hughes Electronics Corporation, a Delaware corporation ("HEC") and the holder of the outstanding shares of Common Stock, par value $0.01 per share (the "Shares"), of Hughes, (iii) General Motors Corporation, a Delaware corporation and the parent of HEC ("GM"), (iv) the holders of GM's Common Stock, par value $1⅔ per share (the "1⅔ Common Stock"), and (v) the holders of GM's Class H Common Stock, par value $0.10 per share (the "GM Class H Common Stock" and together with the 1⅔ Common Stock, the "Common Shares") (Hughes, HEC, GM and the holders of the Common Shares collectively referred to herein as the "GM Group"), of the Aggregate Consideration (as defined below) as contemplated by the Agreement and Plan of Merger dated as of January 16, 1997 by and between Raytheon Company, a Delaware corporation ("Raytheon"), and Hughes (the "Agreement"). Pursuant to the Agreement, Raytheon will merge ( the "Merger") with and into Hughes, which at such time and after giving effect to the GM Transactions (as defined below), will be comprised primarily of the defense-related businesses of Hughes.

Pursuant to the Merger, (i) each issued and outstanding whole share of Class A Common Stock (as defined below) will remain outstanding and will be unchanged; (ii) each issued and outstanding fractional share of

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Class A Common Stock will be converted into and represent an equivalent fractional share of Class B Common Stock (as defined below), which will be sold by the Exchange Agent as provided in the Agreement; and (iii) each issued and outstanding share of Common Stock, par value $0.01 per share ("Raytheon Common Stock"), of Raytheon will be converted into and represent one share of Class B Common Stock. Immediately following the Merger, as contemplated by the Agreement, the holders of the Class A Common Stock will own, in the aggregate, approximately 30% of the outstanding common stock of Hughes (the "Equity Interest"). Prior to the Hughes Spin-off (as defined below) and Merger, Hughes is to have indebtedness for borrowed money in an amount not to exceed $9.5 billion minus the Class A Common Stock Amount (as defined below) ((the "Permitted Indebtedness") and together with the Equity Interest, the "Aggregate Consideration"). The "Class A Common Stock Amount" is equal to (x) 102,630,503 shares multiplied by (y) the average closing price of Raytheon Common Stock on the New York Stock Exchange during the 30-day period ending 5 days prior to the Effective Time (as defined in the Agreement); provided, that in the event that such average closing price is greater than $54.29, the Permitted Indebtedness will be an amount determined as if such average closing price was deemed to be $54.29, and in the event such average closing price is less that $44.42, the Permitted Indebtedness will be an amount determined as if such average closing price was deemed to be $44.42.

You have informed us that prior to the Merger, among other things, (i) Hughes will effectuate the Telecom Spin-off (as defined in the Hughes Distribution Agreement (as defined below)); (ii) HEC will be liquidated into GM, as a result of which Delco Electronics Corporation, a Delaware corporation and a wholly owned subsidiary of HEC, will become a direct, wholly-owned subsidiary of GM; (iii) Hughes Aircraft Company, a Delaware corporation, will merge with and into Hughes with Hughes as the surviving entity; (iv) Hughes will recapitalize its outstanding capital stock into Class A Common Stock, par value $0.01 per share ("Class A Common Stock"), and provide for a Class B Common Stock, par value $0.01 per share ("Class B Common Stock"); (v) a wholly-owned subsidiary of GM ("Mergeco") will merge with and into GM, pursuant to which, among other things, the Class A Common Stock will be distributed to and allocated among the holders of the Common Shares with the result that Hughes will be a publicly held company prior to the consummation of the Merger (the "Hughes Spin-Off"); and (vi) GM will recapitalize its GM Class H Common Stock into a new class of GM common stock (the transactions set forth in clauses (i) through (vi) above being referred to herein as the "GM Transactions").

It is understood that we are not opining as to the fairness of the GM Transactions or as to the fairness of the distribution to and allocation among the holders of the Common Shares of the Class A Common Stock in the Hughes Spin-Off. In fact, you have advised us that GM expects to receive, from other financial advisors opinions as to the fairness to the holders of the Common Shares, from a financial point of view, of the consideration to be received by GM and its subsidiaries and common stockholders in the GM Transactions. Our opinion is directed only to the fairness of the Aggregate Consideration to be received by the GM Group as a whole and does not (i) address GM's underlying business decision to effect the GM Transactions, (ii) address the fairness of the allocation of the Aggregate Consideration among the members of the GM Group or (iii) constitute a recommendation concerning how holders of the Common Shares should vote with respect to the GM Transactions.

Goldman, Sachs & Co., as part of its investment banking business, is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. We are familiar with Hughes having provided certain investment banking services to Hughes and HEC from time to time and having acted as financial advisor to Hughes, HEC and GM in connection with, and having participated in certain of the negotiations leading to, the Agreement. We are also familiar with Raytheon having provided certain investment banking services to Raytheon from time to time, including having acted as its financial advisor in connection with the acquisition of Chrysler Technologies Airborne Systems in June 1996 and acting as a dealer in connection with its issuance of commercial paper.

In connection with this opinion, we have reviewed, among other things, the Agreement; the Implementation Agreement dated as of January 16, 1997 by and between GM and Raytheon (the "Implementation Agreement"); the form of Agreement and Plan of Merger by and between GM and Mergeco, attached as an exhibit to the Implementation Agreement (the "Hughes Distribution Agreement"); the form of Master Separation Agreement among GM, Hughes and the other parties identified therein, attached as an exhibit to the Implementation Agreement, including the form of the Hughes Spin-Off Separation Agreement attached thereto; Annual Reports of HEC for the five years ended December 31, 1995; Annual Reports to Stockholders of Raytheon on Form 10-K for the five years ended December 31, 1995; certain interim reports to stockholders and Quarterly Reports on Form 10-Q for Raytheon; certain other communications from GM and Raytheon to their respective stockholders; and certain internal financial analyses and forecasts for Hughes and Raytheon prepared by their respective managements. We also have held discussions with members of the senior management of Hughes and Raytheon regarding their past and current business operations, financial condition and future prospects of their respective companies, including forecasts of revenue and cost synergies that are expected to result from the Merger. In addition, we have reviewed the reported price and trading activity for the shares of Raytheon Common Stock; compared certain financial and stock market information for Raytheon with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the aerospace and defense industry specifically and in other industries generally and performed such other studies and analyses as we considered appropriate.

We have relied upon the accuracy and completeness of all of the financial and other information reviewed by us and have assumed the accuracy and completeness thereof in all material respects for purposes of this opinion. In that regard, we have assumed, with your consent, that the financial forecasts prepared by Hughes and Raytheon, including without limitation, projected revenue and cost synergies resulting from the Merger, have been reasonably prepared on a basis reflecting the best currently available judgments and estimates of Hughes and Raytheon and that such forecasts will be realized in all material respects in the amounts and at the times contemplated thereby. In addition, we have not made an independent evaluation or appraisal of the assets and liabilities of Hughes or Raytheon or any of their subsidiaries and we have not been furnished with any such evaluation or appraisal. Our advisory services and the opinion expressed herein are provided for the information and assistance of the Boards of Directors of GM, HEC and Hughes in connection with their consideration of the Merger. You have informed us that the Boards of Directors of GM, HEC and Hughes are considering the Merger in the context of the GM Transactions. As stated above, we are not opining as to the fairness of the GM Transactions. We are not expressing any opinion herein as to the prices at which the Class A Common Stock, the Class B Common stock or the GM Class H Common Stock may trade if and when they are issued.

Based upon and subject to the foregoing and based upon such other matters as we consider relevant, it is our opinion that as of the date hereof the Aggregate Consideration is fair to the GM Group as a whole.

Very truly yours,

GOLDMAN, SACHS & CO.