

1997 Cost Basis

The following information is provided to assist you in determining your tax basis in your GM common stock and your Raytheon Class A Common Stock, but is not intended as tax advice.

You should consult your tax advisor as to the particular tax basis consequences to you of the Hughes Defense Spin-Off.

Generally, the U.S. federal tax law requires that the tax basis in your old GM common stock be allocated between your GM common stock and the Class A Common Stock you received in the Hughes Defense Spin-Off. This allocation is based on the relative fair market value immediately after the Hughes Defense Spin-Off of your GM common stock and the Class A Common Stock you received. The tax basis in your old GM common stock after the Hughes Defense Spin-Off will generally be equal to the tax basis of your stock immediately before the Hughes Defense Spin-Off, reduced by the amount of tax basis allocated to your Class A Common Stock.

You and your tax advisor may find the information in the following tables useful in connection with the allocation of your tax basis in your old GM common stock between your Class A Common Stock and your GM common stock.

The new GM Class H Common Stock traded separately from the Class A Common Stock for the first time on December 18, 1997, while the GM \$1-2/3 Common Stock did not trade separately from the Class A Common Stock until December 19, 1997 (i.e., the price of GM \$1-2/3 Common Stock included the value of the Class A Common Stock until December 19). Under the distribution ratio for the Hughes Defense Spin-Off, Class H stockholders received 0.56240 shares of Class A Common Stock for each share of GM Class H Common Stock. New York Stock Exchange composite prices for December 18, 1997 were as follows:

Name **GM \$1-2/3 Common**
High 64.88
Low 63.50
Open 64.50
Close 63.56

Name **GM Class H**
High 40.00
Low 36.63
Open 36.75
Close 37.94

Name **Raytheon Class A**
High 57.00
Low 53.88
Open 55.25
Close 54.75

The GM \$1-2/3 Common Stock traded separately from the Class A Common Stock for the first time on December 19, 1997. Under the distribution ratio for the Hughes Defense Spin-Off, GM \$1-2/3 stockholders received 0.06377 shares of Class A Common Stock for each share of GM \$1-2/3 Common Stock. New York Stock Exchange composite prices for December 19, 1997 were as follows:

Name **GM \$1-2/3 Common**
High 60.44
Low 58.31
Open 60.31
Close 58.56

Name **GM Class H**
High 37.75
Low 35.88
Open 37.44
Close 37.38

Name **Raytheon Class A**
High 54.06
Low 50.75
Open 54.00
Close 51.25

The tax law does not clearly address how tax basis should be allocated by stockholders who own two or more blocks of stock. For more information about how to determine the tax basis in your stock, see pages 95-97 of the Solicitation Statement/Prospectus that you received prior to the Hughes Defense Spin-Off. We encourage you to consult with your own tax advisor regarding the tax basis consequences of the Hughes Defense Spin-Off.

1997 Example 1

Federal tax law requires that the tax basis in your old GM Class H Common Stock be allocated between your GM stock and the Class A Common Stock that you received in the Hughes Defense Spin-Off. This allocation is based on the relative fair market value immediately after the Hughes Defense Spin-Off of your new GM Class H Common Stock and your Class A Common Stock.

Federal tax law does not specifically identify how one determines the fair market value of the new Class H Common Stock and the Class A Common Stock that you received. There are arguably three alternative methods to determine the fair market value:

(i) the average of the high and low trading prices of such stocks on December 18 (the day on which both stocks first traded); (ii) the opening trading price on December 18; and (iii) the closing trading price on December 18. In certain IRS private rulings, the IRS has recognized the use of the average of the high and low trading prices as an acceptable measure of fair market value. The following examples provide the basis allocation percentages under each of these alternative methods. You may wish to adopt one of these methods for allocating your tax basis.

Each of these examples assumes that a shareholder owns 1,000 shares of old Class H Common Stock that were purchased for \$30 per share, for a total basis of \$30,000. Pursuant to the distribution ratio of 0.56240 shares of Class A Common Stock for each share of Class H Common Stock, this shareholder would have received 562.4 shares of Class A Common Stock in the Hughes Defense Spin-Off. Of these shares, the fractional .4 share was converted into Class B Common Stock and sold at a price of \$56.149 (per whole share) shortly after Hughes Defense merged with Raytheon. The 1,000 shares of old Class H Common Stock were recapitalized and exchanged for 1,000 shares of new Class H Common Stock.

These examples also show how tax basis can be allocated between new Class H Common Stock and Class A Common Stock, including fractional shares sold for cash. Stockholders should recognize gain or loss in an amount equal to the difference between the tax basis allocated to these fractional shares and the amount of cash received.

(i) Average of High and Low for December 18, 1997 High/Low Average

GM_New_Class_H \$38.315
Raytheon_Class_A \$55.44

Shares Retained/Received
GM_New_Class_H 1,000
Raytheon_Class_A 562.40

Total Value of Shares
GM_New_Class_H \$38,315
Raytheon_Class_A \$31,179

Allocation of basis %
GM_New_Class_H 55.13%
Raytheon_Class_A 44.87%

Allocation of \$30,000 basis
GM_New_Class_H \$16,539
Raytheon_Class_A \$13,461

Tax Basis allocated to fractional share ($.4/562.4 \times \$13,461$)
GM_New_Class_H
Raytheon_Class_A \$9.57

(ii) Opening Price for December 18, 1997 Opening Price

GM_New_Class_H \$38.315
Raytheon_Class_A \$55.44

Shares Retained/Received
GM_New_Class_H 1,000
Raytheon_Class_A 562.40

Total Value of Shares
GM_New_Class_H \$36,750
Raytheon_Class_A \$31,073

Allocation of basis %
GM_New_Class_H 54.19%
Raytheon_Class_A 45.81%

Allocation of \$30,000 basis
GM_New_Class_H \$16,257
Raytheon_Class_A \$13,743

Tax Basis allocated to fractional share ($.41/562.4 \times \$13,743$)
GM_New_Class_H
Raytheon_Class_A \$9.77

(iii) Closing Price for December 18, 1997

Closing Price
GM_New_Class_H \$37.94
Raytheon_Class_A \$54.75

Shares Retained/Received
 GM_New_Class_H 1,000
 Raytheon_Class_A 562.40

Total Value of Shares
 GM_New_Class_H \$37,940
 Raytheon_Class_A \$30,791

Allocation of basis %
 GM_New_Class_H 55.20%
 Raytheon_Class_A 48.80%

Allocation of \$30,000 basis
 GM_New_Class_H \$16,560
 Raytheon_Class_A \$13,440

Tax Basis allocated to fractional share
 GM_New_Class_H
 Raytheon_Class_A \$9.56

We urge you to consult with your own tax advisor regarding the tax basis consequences to you of the Hughes Defense Spin-Off.

1997 Example 2

Federal tax law requires that the tax basis in your GM \$1-2/3 Par Value Common Stock be allocated between your GM stock and the Class A Common Stock that you received in the Hughes Defense Spin-Off. This allocation is based on the relative fair market value immediately after the Hughes Defense Spin-Off of your GM \$1-2/3 Par Value Common Stock and your Class A Common Stock.

Federal tax law does not specifically identify how one determines the fair market value of the \$1-2/3 Par Value Common Stock and the Class A Common Stock that you received. There are arguably three alternative methods to determine the fair market value: (i) the average of the high and low trading prices of such stocks on December 19 (the day on which both stocks first traded separately); (ii) the opening trading price on December 19; and (iii) the closing trading price on December 19. (These three methods all use trading prices as of December 19, because the \$1-2/3 Par Value Common Stock did not begin trading separately from the Class A Common Stock until two days after the Hughes Defense Spin-Off was completed). In certain IRS private rulings, the IRS has recognized the use of the average of the high and low trading prices as an acceptable measure of fair market value. The following examples provide the basis allocation percentages under each of these alternative methods. You may wish to adopt one of these methods for allocating your tax basis.

Each of these examples assumes that a shareholder owns 1,000 shares of GM \$1-2/3 Par Value Common Stock that were purchased for \$50 per share, for a total basis of \$50,000. Pursuant to the distribution ratio of 0.06377 shares of Class A Common Stock for each share of \$1-2/3 Par Value Common Stock, this shareholder would have received 63.77 shares of Class A Common Stock in the Hughes Defense Spin-Off. Of these shares, the fractional .77 share was converted into Class B Common Stock and sold at a price of \$56.149 (per whole share) shortly after Hughes Defense merged with Raytheon.

These examples also show how tax basis can be allocated between shares of \$1-2/3 Par Value Common Stock and Class A Common Stock, including fractional shares that were sold for cash. Stockholders should recognize gain or loss in an amount equal to the difference between the tax basis allocated to these fractional shares and the amount of cash received.

(i) Average of High and Low for December 19, 1997

	GM \$1-2/3 Stock	Raytheon Class A
High/Low Average	\$59.38	\$52.41
Shares Retained/Received	1,000	63.77
Total Value of Shares	\$59,380	\$3,342
Allocation of basis %	94.67%	5.33%
Allocation of \$50,000 basis	\$47,335	\$2,665
Tax Basis allocated to fractional share (.77/63.77 x \$2,665)		\$32.18

(ii) Opening Price for December 19, 1997

	GM \$1-2/3 Stock	Raytheon Class A
Opening Price	\$60.31	\$54.00
Shares Retained/Received	1,000	63.77
Total Value of Shares	\$60,310	\$3,444
Allocation of basis %	94.60%	5.40%
Allocation of \$50,000 basis	\$47,300	\$2,700
Tax Basis allocated to fractional share (.77/63.77 x \$2,700)		\$32.60

(iii) Closing Price for December 19, 1997

	GM \$1-2/3 Stock	Raytheon Class A
Closing Price	\$58.56	\$51.25
Shares Retained/Received	1,000	63.77
Total Value of Shares	\$58,560	\$3,268
Allocation of basis %	94.71%	5.29%
Allocation of \$50,000 basis	\$47,355	\$2,645
Tax Basis allocated to fractional share (.77/63.77 x \$2,645)		\$31.94

We urge you to consult with your own tax advisor regarding the tax basis consequences to you of the Hughes Defense Spin-Off.
