



NEWS

From the Office of the New York State Comptroller

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Raytheon Defendants To Pay \$410 Million In Proposed Settlement Of All Claims Against Them In Securities Class Action

Settlement, If Approved By Court, Will Be Seventh Largest Securities Litigation Settlement In History, Suit To Continue Against Auditor

The Raytheon Company has agreed to pay \$410 million in cash and warrants to settle all claims against it and several of its former top executives, including former Chairmen and CEO's Dennis J. Picard and Daniel P. Burnham, related to a securities class action, Alan G. Hevesi, New York State Comptroller and sole Trustee of the New York State Common Retirement Fund and Court-appointed Lead Plaintiff, announced today. If approved, this would be the seventh largest settlement in securities class action history.

Hevesi said: "Today's settlement represents a solid recovery for class members. We continue to pursue the case against Raytheon's auditor, PricewaterhouseCoopers. This proposed settlement sends a strong signal to corporate executives that they will face vigorous efforts to hold them accountable for their conduct."

The State Comptroller is the Court-appointed Lead Plaintiff in the securities class action, *In re Raytheon Company Securities Litigation*, which is pending before Judge Patti B. Saris, in the US District Court for the District of Massachusetts. The Comptroller and the class are represented by Milberg Weiss Bershad & Schulman LLP, which was appointed as Lead Counsel by Judge Saris in March of 2000. The firm's fee, which must also be approved by the court, would be nine percent under a pre-negotiated agreement between the Comptroller and the firm. At the time of the commencement of the suit, Carl McCall was the State Comptroller.

This is a class action on behalf of all purchasers of common stock of Raytheon between October 7, 1998 and October 12, 1999 (the Class Period). The proposed settlement, if approved, would resolve all claims against Raytheon and the individual defendants who are alleged to have issued materially false and misleading statements that deceived the investing public as to the company's financial performance by accounting manipulations in the company's RE&C and RSC divisions. Raytheon Defendants are alleged to have violated federal securities laws by issuing such materially false and misleading statements involving serious accounting irregularities and failures to comply with Generally Accepted Accounting Principles (GAAP) in reporting the financial results for RE&C and RSC. Additionally, the defendants are alleged to have failed to disclose that a key government defense project to refurbish P-3 Orion aircraft for the US Navy was materially behind schedule and over budget.

The terms of the settlement are as follows:

1. Raytheon and the Individual Defendants will pay the Plaintiff Class \$210 million in cash and \$200 million in warrants. (A warrant is a certificate issued by a company that represents an option to buy a certain number of shares of stock at a specific price before a predetermined date. Because it has a value of its own, a warrant can be traded on the open market.)
2. The warrants will be 5 year warrants with a strike price of \$37.50 per share. The \$200 million value of the warrants will be calculated as of the date of distribution of the warrants to class members. (The strike price is the amount that must be paid in order to buy one share of stock)
3. The cash will be deposited in an escrow account for the benefit of the members of the class. The cash and warrants will be distributed to class members under the direction of the Court at a later date.
4. Judge Saris must approve the terms of the settlement at a future hearing.

The Defendants who have agreed to settle are:

1. Raytheon Company, a Delaware corporation with principal executive offices located in Waltham, Mass. Raytheon provides products and services in the areas of defense and commercial electronics, business and special mission aircraft and engineering and construction.
2. Individual Defendants are former and current executives of Raytheon.
Dennis J Picard- former Chairman of the Board, CEO and President until his retirement in 1998
Daniel P Burnham-former Chairman of the Board and CEO who replaced Picard in 1998
Peter R D'Angelo- former CFO until his retirement in 1999
Franklyn A Caine – former CFO who replaced D'Angelo in 1999
Shay D Assad- former CEO of RE&C
William H Swanson- former CEO of RSC and current CEO and President of Raytheon

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