

November 14, 2006

Raytheon Company  
Attn: General Counsel's Office  
870 Winter Street  
Waltham, MA 02451

Dear General Counsel of Raytheon:

The Project On Government Oversight (POGO) is overhauling and renewing its Federal Contractor Misconduct Database ([www.pogo.org/db/index.cfm](http://www.pogo.org/db/index.cfm)), a compilation of information from public resources regarding government contractors, including Raytheon. On August 16, 2005 and December 2, 2005, we sent you information regarding findings relevant to Raytheon, which we have enclosed for your reference. As of today, we have not received a response from your office.

A written response is certainly in the best interest of everyone involved. It is the best way for your company to go on record regarding this process and the instances identified; your letter will be posted in its entirety on the database. Several companies have already responded and have expressed appreciation for the opportunity to express their views. POGO would prefer to receive a response by November 30, 2006 to ensure it is included with the launch of our new database.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Scott Amey  
General Counsel

Enclosure

## Instances of Misconduct

1.

Aircraft Maintenance Double-Billing  
Date: 01/08/1999 (Date of Settlement)  
Misconduct Type: Government Contract Fraud  
Contracting Party: Government Defense  
Court Type: Civil  
Amount: \$400,000  
Disposition: Settlement

Synopsis: “Raytheon Aerospace Company has paid the government more than \$400,000 to settle claims that it overcharged the government under a settlement reached on January 8... The government claimed that a Raytheon subsidiary, Beech Aerospace Systems, Inc., double-billed the Department of Defense for certain parts under a 1991 aircraft maintenance contract”, violating the False Claims Act, 31 USC § 3729 et seq.

Document(s):  
DOJ Press Release

2.

Contractor Kickbacks  
Date: 06/30/1996 (Date of Settlement)  
Misconduct Type: Ethics  
Contracting Party: Government Civilian  
Court Type: Civil  
Amount: \$115,310  
Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Raytheon paid \$115,310 to settle allegations related to “Contractor Kickbacks.”

Document(s):  
Harkin/DeFazio Press Release

3.

Cost/Labor Mischarge  
Date: 05/12/1995 (Date of Settlement)  
Misconduct Type: Defective Pricing  
Contracting Party: Government Defense  
Court Type: Civil  
Amount: \$617,125  
Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Raytheon paid \$617,125 to settle allegations a “Cost/Labor Mischarge.”

Document(s):

Harkin/DeFazio Press Release

4.

Defective Pricing

Date: 11/30/1997 (Date of Settlement)

Misconduct Type: Defective Pricing

Contracting Party: Government Defense

Court Type: Civil

Amount: \$2,099,042

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Raytheon paid \$2,099,042 to settle allegations of “Defective Pricing”.

Document(s):

Harkin/DeFazio Press Release

5.

F-14 and F-15 Component False Claims

Date: 03/01/2000 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Civil

Amount: \$2,113,000

Disposition: Settlement

Synopsis: Hughes Aircraft Company, a Raytheon subsidiary, paid \$2,113,000 to settle alleged violations of the False Claims Act, 31 USC § 3729 et seq. According to the government, contract “specifications required Hughes Aircraft Company to perform performance and acceptance tests on traveling wave tubes, components used in radar systems on F-14 and F-15 aircraft. Such testing was not accomplished on three different models of the tubes, and investigation also determined Hughes inflated labor hours billed to the Government.”

Document(s):

DOD IG Semiannual Report to Congress

6.

Improper Charge for Marketing

Date: 04/09/1998 (Date of Settlement)

Misconduct Type: Defective Pricing

Contracting Party: Government Defense

Court Type: Civil

Amount: \$2,700,000  
Disposition: Settlement

Synopsis: Raytheon paid \$2.7 million to settle allegations that the company “charged the Government for costs incurred in marketing products to foreign governments. Since 1986, Raytheon’s cost accounting procedures have provided for separate accounting treatment of foreign and domestic marketing costs. These procedures, and the Cost Accounting Standards of the Federal Acquisition Regulations, require the allocation of Raytheon’s foreign marketing costs to contracts between Raytheon and its foreign customers, and allocation of its domestic marketing costs to U.S. Government contracts. The Government asserted that most of the activities of the Raytheon international development function were foreign marketing activities and that Raytheon improperly classified the costs as ‘division administration’ costs allocable to Government contracts.”

Document(s):  
DOD IG Semiannual Report to Congress

7.  
Improper Communications Equipment Export  
Date: 02/27/2003 (Date of Settlement)  
Misconduct Type: Import/Export  
Contracting Party: International  
Court Type: Civil  
Amount: \$25,000,000  
Disposition: Settlement

Synopsis: Raytheon settled charges that the company had “improperly attempted to export troposcatter communications equipment to form 1990 through 1997” in violation of the Arms Export Control Act, 22 U.S.C. § 2778.

Document(s):  
Charging Letter

8.  
Improper Export to Canada  
Date: 10/27/1999 (Date of Agreement)  
Misconduct Type: Import/Export  
Contracting Party: International  
Court Type: Administrative  
Amount: \$550,000  
Disposition: Administrative Agreement

Synopsis: Raytheon Company entered into a Consent Agreement to settle allegations that it violated the Arms Export Control Act, 22 U.S.C. § 2778, by exporting defense articles and technical data covered by the US Maritime Law to Canada without the required approvals from

the Department of State, and in other circumstances, violated the terms and conditions of approvals that were provided by the State Department.

Document(s):

Consent Agreement

Charging Letter

Order

9.

Radar Unit Testing

Date: 09/10/1996 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Civil

Amount: \$4,050,000

Disposition: Settlement

Synopsis: "Hughes Aircraft Company [paid] the United States \$4,050,000 to settle claims the company failed to perform certain tests on components used in advanced electronic equipment such as radar units for military aircraft, missile guidance units and delicate tracking equipment." Allegedly, "Hughes supervisors instructed employees in the Environmental Test Area... to omit tests, to shorten required procedures", in violation of the False Claims Act, 31 USC § 3729 et seq.

Document(s):

DOJ Press Release

10.

Substitution/Nonconforming Product

Date: 02/13/1996 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Civil

Amount: \$82,000

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Raytheon paid \$82,000 to settle allegations of providing the government with a "Substitution/Nonconforming Product."

Document(s):

Harkin/DeFazio Press Release

11.

Substitution/Nonconforming Product (1995)

Date: 08/31/1995

Misconduct Type: Government Contract Fraud  
Contracting Party: Government Defense  
Court Type: Civil  
Amount: \$95,000  
Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Raytheon paid \$95,000 to settle allegations of providing the government with a "Substitution/Nonconforming Product."

Document(s):  
Harkin/DeFazio Press Release

12.  
United States v. Hughes Aircraft (Non-Conforming Fasteners)  
Date: 06/12/1997 (Date of Settlement)  
Misconduct Type: Government Contract Fraud  
Contracting Party: Government Defense  
Court Type: Civil  
Amount: \$500,000  
Disposition: Settlement

Synopsis: Hughes Aircraft, a subsidiary of Raytheon, paid "\$500,000 to settle allegations that they defrauded the government by not properly testing certain components of torpedoes as required under a military contract and using non-conforming fasteners under several other Department of Defense contracts", in violation of the False Claims Act, 31 USC § 3729 et seq. "An investigation by the Defense Criminal Investigative Service and the Naval Criminal Investigative Service revealed that Hughes failed to properly test certain electronic components of Advanced Capacity Mark 48 torpedoes sold to the United States Navy. It also concluded that Hughes used flawed fasteners such as stainless steel screws that failed to meet specifications contained in several other military contracts."

Document(s):  
DOJ Press Release

13.  
Yslava v. Hughes Aircraft (Drinking Water Contamination)  
Date: 02/08/2000 (Date of Settlement)  
Misconduct Type: Environment  
Contracting Party: Government Civilian  
Court Type: Civil  
Amount: \$13,000,000  
Disposition: Settlement

Synopsis: "Hughes Aircraft, a subsidiary of Raytheon, allegedly contaminated the drinking water of Tucson, Arizona, residents as the result of the dumping of TCE, a toxin. The company

agreed to a settlement of approximately \$13 million which included a medical monitoring program for residents.”

Document(s):

SEC 10-K

14.

In re Raytheon Securities Litigation

Date: 05/01/2004 (Date of Settlement)

Misconduct Type: Securities

Contracting Party: N/A

Court Type: Civil

Amount: \$210,000,000

Disposition: Settlement

Synopsis: “In late 1999, the Company and two of its officers were named as defendants in several class action lawsuits. These lawsuits were consolidated into a single complaint in June 2000, when four additional former or present officers were named as defendants in a Consolidated and Amended Class Action Complaint (the “Consolidated Complaint”) with the caption, In re: Raytheon Securities Litigation (Civil Action No. 12142-PBS), filed in the U.S. District Court in Massachusetts. The Consolidated Complaint principally alleged that the defendants violated federal securities laws by purportedly making misleading statements and by failing to disclose material information concerning the Company’s financial performance during the class period. In May 2004, without admitting any liability or wrongdoing, the Company reached an agreement to settle this class action lawsuit on behalf of the Company and all individual defendants. The terms of the settlement included a cash payment of \$210 million and the issuance of warrants for the Company’s stock with a stipulated value of \$200 million.”

Document(s):

SEC 10-K

15.

Violations of SEC Rules

Date: 04/15/2005 (Date of Settlement Offer)

Misconduct Type: Securities

Contracting Party: N/A

Court Type: Administrative

Amount: \$12,000,000

Disposition: Settlement

Synopsis: Following a formal investigation into the Company’s disclosure and accounting practices, primarily related to the commuter aircraft business and the timing of revenue recognition at Raytheon Aircraft Company, on April 15, 2005, the Company announced that it had submitted an offer of settlement to the staff of the SEC. The Company, without admitting or denying any wrongdoing, offered to pay a civil penalty of \$12 million and consent to the entry of a cease and desist order with respect to violations of Sections 17(a)(2)-(3) of the Securities Act

of 1933 and Sections 13(a) and 13(b)(2)(A)-(B) of the Securities Exchange Act of 1934, and related SEC rules. The SEC staff has agreed to recommend that the SEC approve the offer of settlement. The proposed settlement is subject to approval by the SEC.

Document(s):

SEC 10-K

16.

EEOC v. Raytheon Technical Services (Racial Discrimination)

Date: 11/04/2004 (Date of Consent Decree)

Misconduct Type: Labor

Contracting Party: N/A

Court Type: Administrative

Amount: \$165,000

Disposition: Administrative Agreement

Synopsis: On November 4, 2004, the Equal Employment Opportunity Commission filed a suit against Raytheon subsidiary Raytheon Technical Services, alleging "that defendant failed to hire charging party as a painter when it became the new contractor at the military base because of his race, black." When it became apparent that the painter had more experience than the other painters that were hired, "the parties resolved the case through a consent decree providing \$165,000 to charging party."

Document(s):

EEOC Press Release