

## NOTICE TO INTERESTED PARTIES

### Raytheon Savings and Investment Plan

#### *Why a Second Notice.*

This notice is similar to the notice issued on June 10, 2005 regarding a submission for final authorization under Prohibited Transaction Class Exemption (PTCE) 96-62 (61 FR 39988, July 31, 1996, as amended by 67 FR 44622, July 3, 2002) filed by Raytheon Company (Raytheon) with the United States Department of Labor (the Department) regarding the future receipt by the Raytheon Savings and Investment Plan (Raysip) of certain warrants (the Warrants) to purchase Raytheon common stock.

The earlier notice explained that if certain events did not occur within certain time frames, Raytheon could submit a second, similar submission to the Department, and if so, you would receive a second, similar notice. One of the events did not occur; namely, the United States District Court for the District of Massachusetts (the Court) did not issue a distribution order (the Distribution Order) on or before October 11, 2005. The Court may issue a Distribution Order at some point in the future. Accordingly, Raytheon has submitted a new submission (the Submission) to the Department with respect to the same proposed transactions. The Submission requires Raytheon to give you this notice. The rest of this notice is substantially the same as the June 10, 2005 notice.

#### *General Introduction.*

You are hereby notified that the Department has determined that the Submission has met the requirements for tentative authorization (Tentative Authorization) under the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the Internal Revenue Code of 1986, as amended (Code). Raytheon makes the following representations regarding the Submission:

### DESCRIPTION OF THE PROPOSED TRANSACTIONS

Raytheon filed the Submission with the Department to permit Raysip to acquire, hold, exercise and dispose of certain Warrants to be issued by Raytheon in connection with the settlement of the class action lawsuit *In re Raytheon Company Securities Litigation*, Civil Action No. 99-12142-PBS (D. Mass.) (the Securities Class Action). The Securities Class Action involves certain shareholders who purchased Raytheon class A or class B (Class A or Class B)<sup>1</sup> common stock during the period beginning October 7, 1998 and ending October 12, 1999. Raysip is among the shareholders eligible to participate in the settlement of the Securities Class Action (the Settlement).

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<sup>1</sup> Raytheon Class A and Class B common stock were merged on May 14, 2001, and thereafter, Raytheon has had a single class of common stock.

*The Department's Involvement.*

The transactions submitted to the Department involve the acquisition, holding, disposition and exercise of any Warrants to be received in the Settlement of the Securities Class Action (the Proposed Transactions). The Warrants constitute "employer securities" within the meaning of ERISA section 407(d)(1). However, Raytheon understands that the Department may take the position that the Warrants do not constitute "qualifying employer securities" within the meaning of ERISA section 407(d)(5), and therefore, the acquisition and holding of the Warrants may constitute prohibited transactions under ERISA section 406 and Code section 4975(c). If the Department grants final authorization, the Proposed Transactions would be exempt from the application of ERISA sections 406(a) and (b) and Code section 4975(c), meaning that the penalty taxes and additional fines would not be imposed on Raytheon or Raysip.

*Why You are Receiving this Notice.*

You are receiving this notice because you are currently a participant (or beneficiary) in Raysip, or you were a participant (or beneficiary) in Raysip (or a plan subsequently merged into Raysip<sup>2</sup>) for all or a portion of the period beginning October 7, 1998 and ending October 12, 1999 and you had an account balance that was invested in Raytheon common stock (the Raytheon Common Stock). As discussed further below, you may be eligible for an allocable portion of the proceeds that may be issued in the Settlement; however, your receipt of this notice is not an assurance that you are eligible for any portion of such proceeds.

*The Securities Class Action.*

The Warrants would be issued in connection with the Securities Class Action that was filed in 1999 against Raytheon, certain of its officers and directors, and its independent auditor, PriceWaterhouseCoopers (PWC), in the Court. The initial complaint alleged that Raytheon (and the other defendants) made material misrepresentations and omissions regarding certain business transactions.

The class, which was certified in March 2002, includes all persons who purchased Raytheon Class A or Class B common stock between October 7, 1998 and October 12, 1999, other than the named defendants, officers and directors of Raytheon, and certain other parties. Raysip is among the putative class members with respect to its participants whose accounts were allocated stock purchased during the designated period. The lead plaintiff is the New York State Common Retirement Fund (NYSCRF), which has pursued the Securities Class Action on behalf of itself and the class. NYSCRF is not related or affiliated in any way to Raytheon or Raysip.

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<sup>2</sup> This notice and the exemption request apply with respect to the Raytheon common stock that was purchased between October 7, 1998 and October 12, 1999 by the separate retirement plans that were subsequently merged with and into Raysip. Effective January 1, 1999, the following plans were merged with and into Raysip: Raytheon Salaried Savings and Investment Plan, Raytheon California Hourly Savings and Investment Plan, Raytheon TI Systems Savings Plan, E-Systems, Inc. Employee Savings Plan, Serv-Air, Inc. Savings and Retirement Plan, Hughes STX Corporation 401(k) Retirement Plan, Savings and Investment Plan of Standard Missile Company, L.L.C., and Raytheon Stock Ownership Plan. Effective January 1, 2000, the Raytheon Employee Savings and Investment Plan was merged with and into Raysip.

### *The Settlement.*

The parties to the Securities Class Action have reached a Settlement, which requires Raytheon to pay the class members \$210 million in cash and issue 5-year Warrants to purchase Raytheon Common Stock with a strike price of \$37.50 per share. The Warrants would have an aggregate present value of \$200 million (as determined using the Black-Scholes valuation methodology) on the Warrant valuation date, which will be before the date of issuance. In addition, PWC is required to pay the class members \$50 million in cash. The Warrants would be listed on the New York Stock Exchange for trading. The Stipulation and Agreement of Settlement was approved by the Court following a fairness hearing on December 6, 2004. A final judgment was entered and the Settlement has become final.

### *The Cash-in-Lieu-of-Warrants Provision.*

It is possible that the Court's Distribution Order approving the distribution plan (the Distribution Plan) will contain a provision that would permit Raytheon to pay cash instead of Warrants (the Cash-in-Lieu-of-Warrants Provision) to all claimants who would otherwise receive a number of Warrants below a specified threshold. The threshold would be specified in the Distribution Order, but in no event would it be more than ninety-nine (99) Warrants. The cash payment would equal the value of the Warrants that would not be issued (as determined using the formula for valuation of Warrants in the Settlement). The cash substituted for the applicable Warrants would be distributed at the same time as the other Settlement proceeds. If Raytheon substitutes cash for Warrants, Raytheon would have to do so with respect to all claimants who would otherwise receive Warrants below the specified threshold. The effect would be that all similarly-situated claimants would be treated the same.

### *The Cash-in-Lieu-of-Warrants Provision and Raysip.*

The impact of the Cash-In-Lieu-of-Warrants Provision on Raysip would depend on how Raysip is treated for this purpose. It is possible that the Court's Distribution Order approving the Distribution Plan will treat Raysip as one claimant or as multiple claimants consisting of the individual participant accounts (or in some other manner). If Raysip is treated as one claimant, the Warrants would exceed the threshold amount. In that case, Raysip would receive cash and Warrants in the same manner as though the Cash-in-Lieu-of-Warrants Provision had not been made part of the Distribution Order. If Raysip is treated as multiple claimants, Raysip would receive cash in lieu of Warrants with respect to those participant-claimants who would otherwise have received Warrants below the specified threshold amount. Under this latter alternative, Raysip would receive cash and Warrants with respect to some participants, and would receive only cash with respect to some participants. However, participants would be treated the same as all similarly-situated claimants, and all similarly-situated participants within Raysip would be treated the same.

### *The Administration of the Settlement.*

The Settlement will be administered (including the determination of the amount of cash and Warrants payable to each of the class members, taking into account that Raytheon may be permitted to pay cash instead of Warrants below a specified threshold amount) by Analytics

Incorporated, which was retained by NYSCRF on behalf of the class members to administer the Settlement. Analytics Incorporated is not related or affiliated in any way to Raytheon or Raysip.

*The Independent Fiduciary.*

Raytheon, as the named fiduciary of Raysip, engaged U.S. Trust as an independent fiduciary (the Independent Fiduciary) and investment manager for Raysip in connection with the Settlement of the Securities Class Action. The Independent Fiduciary is not related or affiliated in any way to Raytheon or Raysip. Specifically, the Independent Fiduciary's responsibilities include: (i) to review and evaluate the terms of the Settlement, (ii) to determine whether to object to the Settlement and specify the basis for any such objection, (iii) to participate, to the extent it deems appropriate, in any hearing scheduled with respect to the Settlement, (iv) to assist with the preparation of proofs of claim on behalf of Raysip, (v) to prepare and deliver a written report to Raysip's Investment Committee summarizing its determinations, including an analysis of the basis of such determinations with respect to Raysip, and (vi) to manage the exercise or other disposition of any Warrants received by Raysip in the Settlement.

Any Warrants that may be issued will be held, sold or exercised, as directed, by the Independent Fiduciary, and the Settlement proceeds will be allocated to the affected participants' accounts.

**PROPOSED TRANSACTIONS TIMEFRAME AND CONDITIONS**

The Settlement proceeds (including the Warrants) will not be distributed to the class members (including Raysip) until some time after the Court issues a Distribution Order approving the Distribution Plan. However, if the Department grants final authorization for the Submission, the final authorization will only apply if the Court issues the Distribution Order within 120 days of the Department's grant of such final authorization and the Warrants are distributed within 120 days of the Court's issuance of the Distribution Order. If one or both of these conditions are not satisfied (or it appears that one or both conditions may not be satisfied), Raytheon may submit a third, similar Submission to the Department. If so, you will receive a third notice similar to this notice.

*The Safeguard Conditions.*

The Proposed Transactions, as described above, have met the requirements for Tentative Authorization under PTCE 96-62, and the Proposed Transactions pose little, if any, risk of abuse or loss to participants in Raysip, other than the investment risk that applies to all investments after they are acquired by a plan, because:

- (a) The Proposed Transactions will be pursuant to the Court-approved Settlement;
- (b) The terms of the Settlement were reviewed by an Independent Fiduciary that concluded Raysip should participate in the Settlement, including the receipt of Warrants;
- (c) The Cash-in-Lieu-of-Warrants Provision in the Distribution Order to permit Raytheon to pay cash instead of issuing Warrants below a specified threshold amount must be

agreed to by the lead plaintiff in the Securities Class Action on behalf of all members of the class and approved by the Court;

- (d) All similarly-situated class members will be treated in the same manner;
- (e) Raysip will pay no commissions or any other fee in connection with the Proposed Transactions (other than any brokerage fees or other charges that may be assessed by unrelated, third parties if the Warrants are sold on the open market);
- (f) Raytheon will bear the entire cost of this request for final authorization and this notice;
- (g) The holding, exercise and disposition of the Warrants will be managed by an Independent Fiduciary; and
- (h) The final authorization of this Submission will be conditioned on the issuance by the Court of the Distribution Order within 120 days of the Department's grant of such final authorization and the distribution of the Warrants within 120 days of the Court's issuance of the Distribution Order.

#### RIGHTS OF INTERESTED PARTIES

##### *Your Rights.*

The Proposed Transactions have met the requirements for Tentative Authorization from the Department under PTCE 96-62. As an interested party, you have the right to submit to the Department your comments about the Proposed Transactions. If you would like to comment on the Proposed Transactions, you should send your written comments to the following address:

Office of Exemption Determinations  
Employee Benefits Security Administration  
Room N-5700  
U.S. Department of Labor  
200 Constitution Ave, N.W.  
Washington, D.C. 20210

ATTENTION: Submission No. E-00507

Comments may also be submitted by fax or e-mail to:

Fax: (202) 219-0204  
E-mail: [quezada.silvia@dol.gov](mailto:quezada.silvia@dol.gov)

You have until February 7, 2006, to submit your comments to the Department. If the Department does not receive any substantive comments or information, which it feels should be addressed by Raysip, the Department will approve the Proposed Transactions within five (5) days from the end of the comment period.

*Accounts Included in Raysip's Claim.*

As stated earlier in this notice, the class includes all persons who purchased Raytheon Class A or Class B common stock between October 7, 1998 and October 12, 1999, other than the named defendants, officers and directors of Raytheon, and certain other parties. Raysip is among the putative class members with respect to its participants whose accounts were allocated stock purchased during the designated period. Your account was included in Raysip's claim if, during the designated period, your account received matching contributions in the form of Raytheon stock or your account otherwise had Raytheon stock allocated to it. If you do not know whether your Raysip account meets these conditions, you may call the following number to find out whether your Raysip account was included in Raysip's claim: (800) 221-3312. This number will not provide any information other than whether your Raysip account was included in Raysip's claim.

*Tentative Authorization.*

The Department's issuance of Tentative Authorization is based on the similarity of these Proposed Transactions to at least two other transactions that have previously received exemptions from the Department. A description of those similar transactions can be found in the following individual prohibited transaction exemptions:

<u>Individual Exemption</u>	<u>Federal Register Citation</u>
Wyndham International, Inc. Employee Savings & Retirement Plan Final Grant	67 F.R. 39068 (June 6, 2002)  2002-29

In Individual Exemption 2002-29, the Department granted an exemption to Wyndham International, Inc. (Wyndham) with respect to the past acquisition, holding, and exercise by its 401(k) profit sharing plan of certain stock purchase rights for Wyndham convertible preferred stock. The stock purchase rights were issued in settlement of a securities class action brought against Wyndham by the shareholders of Wyndham common stock. All holders of the Wyndham common stock, including the Wyndham 401(k) profit sharing plan, were treated in a like manner with respect to all aspects of the stock purchase rights issued in settlement of the securities class action.

The Golden Retirement Savings Program Final Grant	67 F.R. 1243 (January 9, 2002)  2002-02
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In Individual Exemption 2002-02, the Department granted an exemption to Golden Books Family Entertainment, Inc. (Golden Books) with respect to the past acquisition and holding by two of its 401(k) profit sharing plans of certain warrants to purchase the new common stock of Golden Books. The warrants were issued in connection with Golden Books' emergence from bankruptcy protection in which the old common stock was cancelled and all shareholders were issued warrants to purchase the new common stock of Golden Books. All holders of the old common stock, including the two Golden Books profit sharing plans, were treated in a like

manner with respect to all aspects of the warrants issued under the bankruptcy reorganization plan.