

**UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION**

SECURITIES EXCHANGE ACT OF 1934

Release No. 55551 / March 28, 2007

ACCOUNTING AND AUDITING ENFORCEMENT

Release No. 2585 / March 28, 2007

ADMINISTRATIVE PROCEEDING

File No. 3-12602

In the Matter of

EDWARD S. PLINER, CPA,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO RULE 102(e) OF
THE COMMISSION'S RULES OF PRACTICE,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against Edward S. Pliner ("Pliner" or "Respondent") pursuant to Rule 102(e)(3) of the Commission's Rules of Practice.¹

II.

In anticipation of the institution of these proceedings, the Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.3 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:²

1. Pliner, age 49, has been a Certified Public Accountant licensed in Massachusetts at all relevant times. During 1997 through February 2000, Pliner served as the lead engagement partner on the audits of the financial statements for Raytheon Company ("Raytheon" or the "company"). From approximately April 2000 until December 2002, Pliner served as Raytheon's Controller and then became the company's CFO.

2. Raytheon is a Delaware corporation, headquartered in Waltham, Massachusetts. The company is an industry leader in defense, government electronics, space technology, and business and special mission aircraft. Between 1997 and 2001, Raytheon reported between \$13 billion and \$20 billion in net sales revenue annually and employed between 75,000 to 120,000 individuals. During this time period and continuing through today, Raytheon's securities have been registered with the Commission pursuant to Section 12(b) of the Securities Exchange Act of 1934 and are listed on the New York, Chicago, and Pacific Exchanges.

3. On March 15, 2007, the Commission filed a complaint against Respondent in Securities and Exchange Commission v. Edward S. Pliner, Civil Action No. 07-cv-00495 (GK), in the United States District Court for the District of Columbia. Respondent neither admits nor denies the allegations in that complaint. On March 26, 2007, a final judgment was entered by consent against Pliner, permanently enjoining him from committing violations of Sections 17(a)(2) and (3) of the Securities Act of 1933 and from aiding and abetting violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-13, and 13b2-1 promulgated thereunder. The final judgment ordered Pliner to pay \$325,000 in disgorgement of certain past bonus amounts, \$90,042 in prejudgment interest thereon, and a \$150,000 civil money penalty.

4. The Commission's complaint alleges among other things that, between 1997 and 2001, Raytheon and certain members of its senior management made false and misleading disclosures and used improper accounting practices that operated as a fraud by masking the declining results and deteriorating business of Raytheon Aircraft Company ("RAC") and inaccurately reporting the company's operating results on both a segmented and consolidated basis. According to the SEC's complaint, certain of these disclosures and accounting practices were undertaken by or with the knowledge of Pliner and others.

5. The Commission's complaint also alleges that, as Raytheon's lead auditor, Pliner was aware of certain bill-and-hold and commuter aircraft accounting practices at RAC, which he knew or should have known were improper. Yet, he signed unqualified audit opinions for the 1997 and 1998 audits, which represented that the company's financial statements "present fairly, in all material respect, the financial position of Raytheon Company and Subsidiaries

² The findings herein are made pursuant to Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

Consolidated... and the results of their operations...in conformity with generally accepted accounting principles.”

6. The Commission’s complaint further alleges that, as Raytheon’s Controller, Pliner continued to be aware of and involved in certain on- and off-balance sheet commuter accounting, which he knew or should have known did not accurately reflect the negative impact of declining commuter values in Raytheon’s financial statements. According to the Commission’s complaint, Pliner further did not make or ensure the timely, accurate, and full disclosure of material trends and uncertainties related to Raytheon’s commuter aircraft business in the company’s SEC filings during 2000 and 2001, and he also did not ensure that the company maintained an adequate system of internal accounting controls related to these assets.

7. According to the Commission’s complaint, RAC’s operating results would have been reduced by at least \$67 million (41 percent) at year-end 2000 had Pliner and others in senior Raytheon and RAC management timely and appropriately recognized losses inherent in a planned “soft landing” of the commuter aircraft line. According to the Commission’s complaint, at this time, these and other senior executives further expected commuter losses of \$240 million given the cash sales prices that had been approved in the “soft landing,” and a charge of \$67 million to \$240 million would have reduced Raytheon’s 2000 profit before taxes by at least 8 to 27 percent.

8. The Commission’s complaint alleges that Pliner and others caused Raytheon to improperly take this charge in the third quarter of 2001, when the company wrote down its on-balance sheet commuter assets and increased reserves for its off-balance sheet commuter receivables by a total of \$693 million after the terrorist attacks of September 11th. According to the Commission’s complaint, given the charge that the company should have taken at year-end 2000, Raytheon’s third quarter 2001 commuter loss provision was materially overstated by at least 10 to 53 percent.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in the Respondent’s Offer.

Accordingly, IT IS HEREBY ORDERED, effective immediately, that:

A. Pliner is suspended from appearing or practicing before the Commission as an accountant.

B. After three (3) years from the date of this Order, Pliner may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company’s financial statements that are filed with the Commission. Such an application must satisfy the Commission that Pliner’s work in his practice before the Commission will be reviewed either by the independent audit committee of the public

company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that:

(a) Pliner, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board (“Board”) in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Pliner, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the Respondent’s or the firm’s quality control system that would indicate that the Respondent will not receive appropriate supervision; and

(c) Pliner has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Pliner acknowledges his responsibility, as long as he appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

C. The Commission will consider an application by Pliner to resume appearing or practicing before the Commission as an accountant provided that his accountant status is current and he has resolved any disciplinary issues with the applicable board of accountancy. However, if the resolution of any disciplinary action by a board of accountancy is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission’s review may include consideration of, in addition to the matters referenced above, any other matters relating to Pliner’s character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Nancy M. Morris
Secretary