



DEFENSE CONTRACT MANAGEMENT AGENCY
Defense Corporate Executive Center
225 Presidential Way
Woburn, MA 01801-5143



IN REPLY REFER TO: DCMAC-L/Raytheon

July 9, 2007

Mr. John D. Harris, II
Vice President – Contracts & Supply Chain
Raytheon Company
870 Winter Street
Waltham, MA 02451

REFERENCES:

- (A) Raytheon Company Specialty Metals Corrective Action Plan (CAP), dated January 30, 2007, and draft updates dated March 29, 2007, April 18, 2007 and May 11, 2007.
- (B) Raytheon Company Request for One-Time Waiver (OTW), same dates as above.

Dear Mr. Harris:

DCMA has evaluated Raytheon's CAP and OTW request dated June 7, 2007. Based on the DCMA evaluation, the Company's CAP and OTW are hereby approved.

DCMA has determined that Raytheon Company has an effective CAP for achieving compliance for items delivered to the Government by Raytheon and its suppliers in accordance with Section 842(b)(1)(A)(ii) of the John Warner National Defense Authorization Act for FY 2007. Continued approval of the Company's CAP and OTW is conditioned on Raytheon complying with the initiatives it has established for ensuring suppliers provide compliant products. The Company must also show adequate progress against the milestones it established in its CAP for compliance with the specialty metals requirements.

Raytheon's stated goal is for all parts covered by the OTW to be compliant by September 29, 2010, including those covered by an approved Domestic Non-Availability Determination (DNAD). The Company has also stated that for those parts that cannot be compliant by that date, Raytheon will request a class or program specific DNAD, as appropriate.

Raytheon will provide this office quarterly reports showing updated supplier/part compliance dates compiled from supplier information in Exhibit H of the Company's CAP. The Defense Corporate Executive (DCE) will conduct monthly status meetings with the Company as considered appropriate under the circumstances. Raytheon will provide expected compliance dates for all parts covered by the OTW not later than June 30, 2008. The Company agrees to provide the DCE with additional information sufficient to measure progress toward compliance

with the corrective actions described in its CAP and associated milestone dates. Raytheon will also furnish the DCE with information regarding its actions to verify that items subject to the OTW comply with pre-October 17, 2006 requirements.

Non-compliant parts that fall within an approved DNAD may be accepted by the Government without withholds. This applies to contracts awarded prior to, on and/or after November 16, 2006. DNAD covered parts are exempt from the specialty metals restrictions. In the event a DNAD is reduced in scope or canceled, contracts awarded while the DNAD was in effect continue their exception to the specialty metal restrictions. However, non-compliant parts in inventory or on order, no longer fall within an approved DNAD, and therefore, will not be acceptable for use on contracts awarded after the DNAD scope is reduced or canceled. By including parts in its Request for OTW that fall under approved and/or a pending DNAD, Raytheon avoids the potential problem where the scope of a DNAD is reduced or canceled for pre-October 17, 2006 inventory items.

In the event Raytheon identifies non-compliant parts not covered by a DNAD, an authorized exception, or the OTW for contracts awarded before November 16, 2006, the Company shall immediately notify the Procuring Contracting Officer (PCO). The notification shall include a request for conditional acceptance and withhold and a separate CAP, or amendment to the Company-wide CAP, describing how and when compliance is expected. The CAP, or amendment, should include sufficient market research to support a DNAD request. For those contracts awarded on/after November 16, 2006, conditional acceptance and withhold is not authorized. Raytheon must immediately notify the PCO and include a CAP with sufficient market research to support a DNAD or obtain compliant parts.

In accordance with Section 842(b) (1) (B) of the John Warner National Defense Authorization Act for FY 2007, Raytheon's Request for an OTW has been approved and the notice posted to FedBizOpps.gov on July 9, 2007. The approval applies to those contracts (current and future) and non-compliant parts identified by Raytheon and provided to DCMA as part of its CAP and Request for OTW. For those current and future contracts, the specialty metal must have been incorporated into items that were produced, manufactured or assembled in the United States before October 17, 2006. Raytheon will identify the additional contracts and parts and provide this information in the quarterly reports required for monitoring the Company's compliance with its CAP and progress against meeting established milestone dates.

Congress has determined that the Department of Defense may relieve contractors of their contractual compliance with specialty metal restrictions. To obtain relief, contractors must demonstrate that it is not practical or economical to replace or substitute parts, items must be produced, manufactured or assembled in the United States before October 17, 2006, final acceptance must occur after that date and before September 30, 2010, and the non-compliances are not knowing or willful. When these conditions are met and the DCMA Executive Director or Deputy Executive Director for Contract Operations & Customer Relations approves the OTW, items subject to the OTW may be accepted without further analysis or consideration. However, if Raytheon fails to demonstrate compliance with its CAP and/or fails to show adequate progress against CAP milestones, DCMA reserves the right to revoke approval of Raytheon's CAP and OTW. In the event the approval is revoked, DCMA will suspend the release of withholds,

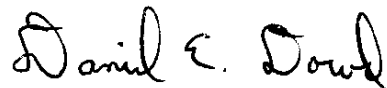
eliminate conditional acceptance of noncompliant items, and seek consideration, monetary or otherwise, deemed appropriate.

Raytheon Company's CAP was approved and the OTW granted because the Company has shown that it has a process in place that identifies non-compliant specialty metal incorporated into items produced, manufactured or assembled in the United States prior to October 17, 2006. Deliveries by the Company for the aforementioned items were subject to withhold under the conditional acceptance procedures. A letter authorizing the release of those withholds will be issued under separate cover.

During market research for DNADs, DCMA found that prime contractors are not ensuring that DPAS Rated Orders are flowed down to the lowest level in the supply chain. DPAS Rated Orders impact the availability of items containing specialty metal. Raytheon must ensure that it is properly administering the flowdown requirements for DPAS to its suppliers.

If you have any questions, or if I can be of further assistance in this matter, please feel free to contact me at your earliest convenience.

Sincerely,

Handwritten signature of Daniel E. Dowl in black ink.

DANIEL E. DOWD
Defense Corporate Executive
DCMAC-L/Raytheon

cc:

David Ricci (DCMA-OC)
John Deas (DCMA-OCT)
John McGrath (DCMA-OCT)
Jack Olson (DCMAG-MCG)
David Riley (DCMAM-GC)
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