

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2001.

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from..... to

Commission File Number 1-13699

RAYTHEON COMPANY
(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State or Other Jurisdiction
of Incorporation or Organization)

95-1778500
(I.R.S. Employer Identification No.)

141 SPRING STREET, LEXINGTON, MASSACHUSETTS 02421
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (781) 862-6600

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.01 par value	New York Stock Exchange
Series A Junior Participating Preferred Stock Purchase Rights	Chicago Stock Exchange Pacific Exchange
Equity Security Units	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [].

The aggregate market value of the voting stock held by non-affiliates of the Registrant, as of February 24, 2002, was approximately \$14.9 billion.

Number of shares of Common Stock outstanding as of February 24, 2002:
396,744,000.

Portions of Raytheon's Annual Report to Stockholders
for the fiscal year ended December 31, 2001

Part I, Part II, Part IV

Portions of the Proxy Statement for Raytheon's
2002 Annual Meeting which will be filed with the Commission within
120 days after the close of Raytheon's fiscal year

Part III

PART I

Item 1. Business

GENERAL

Raytheon Company ("Raytheon" or the "Company"), with worldwide 2001 sales of \$16.9 billion, is a leader in defense electronics, including missiles; radar; sensors and electro-optics; intelligence, surveillance and reconnaissance; command, control, communication and information systems; naval systems; air traffic control systems; aircraft integration systems; and technical services. Raytheon's commercial electronics businesses leverage defense technologies in commercial markets. Raytheon Aircraft is one of the leading providers of business and special mission aircraft and delivers a broad line of jet, turboprop, and piston-powered airplanes to corporate and government customers world-wide.

BUSINESS SEGMENTS

Electronic Systems. The Electronic Systems segment ("ES") focuses on anti-ballistic missile systems; air defense; air-to-air, surface-to-air, and air-to-surface missiles; naval and maritime systems; ship self-defense systems; torpedoes; strike, interdiction and cruise missiles; and advanced munitions. ES also specializes in radar, electronic warfare, infrared, laser, and GPS technologies with programs focusing on land, naval, airborne and spaceborne systems used for surveillance, reconnaissance, targeting, navigation, commercial and scientific applications.

ES produces the Patriot ground-based air defense missile system, which is capable of tracking and intercepting enemy aircraft, cruise missiles, and tactical ballistic missiles. In addition to the U.S., eight nations have selected Patriot as an integral part of their air defense systems. Since the end of the Gulf War in 1991, Raytheon has received approximately \$3.5 billion in international orders for Patriot equipment and services. In addition, ES leads Raytheon's efforts as the prime contractor for the Hawk ground-launched missile, which is in service with the U.S. and 18 allied nations.

ES develops ground-based phased-array radars, including the X-Band Radar (XBR) and Upgrade Early Warning Radar (UEWR) for Ground-based Midcourse Defense (GMD), as well as the Ground-Based Radar (GBR) for the Theater High Altitude Area Defense (THAAD) system, part of the U.S. Army's Theater Missile Defense Program. It also is developing next-generation theater missile interceptors for the Navy Theater Wide (NTW) systems and the Exoatmospheric Kill Vehicle (EKV) for the GMD program.

ES manufactures the primary air-to-air missile for the U.S. Air Force and Navy fighter aircraft - the Advanced Medium Range Air-to-Air Missile (AMRAAM), and is developing the AIM-9X (short-range air-to-air missile). Other missiles produced by ES include Tomahawk, TOW, Stinger, Maverick, Standard, the High Speed Anti-Radiation Missile (HARM), Paveway laser-guided bombs, Extended Range Guided Munitions (ERGM), XM-982, Joint Stand Off Weapon (JSOW), and Javelin (as part of a joint venture).

ES also leads Raytheon's efforts as the prime contractor for the NATO Sea-Sparrow Surface to Air Missile System (NSSMS), as well as producing the air-and surface-launched versions of the Sparrow missile for both the U.S. and foreign Navies. ES produces Phalanx and the Rolling Airframe Missile (RAM), which the U.S. and foreign Navies use as part of the ship self-defense system. ES develops sonars, combat control systems, mine hunting equipment and torpedoes for submarines and ships in U.S. and allied fleets, in addition to designing unmanned underwater

vehicles. ES produces a variety of shipboard radar systems. ES also leads Raytheon's development efforts on the U.S. Navy's next generation of surface combatant ships, the DD-X.

ES airborne radars are deployed on four operational tactical fighter aircraft operated by U.S. forces (the F-14, F-15, F/A-18, and the AV-8B) and international customers, as well as radars for the AC-130U gunship and the B-2 Stealth Bomber. ES is also part of a joint venture providing the next generation airborne radar for the F-22 aircraft. The segment provides the Forward Looking Infrared (FLIR) and designation system for the F-117 Stealth Fighter, the infrared subsystem for the F/A-18 targeting pod, and the Advanced Targeting FLIR for the F/A-18.

ES supplies integrated sensor suites for applications such as the Global Hawk Unmanned Aerial Vehicle Reconnaissance System, which includes a synthetic aperture radar and electro-optical/infrared sensors. ES surveillance and reconnaissance systems are used on a variety of aircraft, such as the British Tornado, the U.S. Air Force U-2 and the U.S. Navy P-3 Orion. Through a joint venture, ES is developing next generation airborne ground surveillance radar, which will be scalable for multiple platforms. ES also provides space sensors for defense and scientific applications.

ES night vision and fire control systems equip combat vehicles like the M1 Abrams tank, Bradley Fighting Vehicle and a host of light armored vehicles, ships and submarines, and aircraft. The segment also puts state of the art technology in the hands of the infantry.

The segment's surface radar products include radars for intelligence/data collection, spacetrack, deep space surveillance, missile warning and imaging and command and control radars. Tactical radars include battlefield radars for Forward Area Air Defense Systems and hostile weapons locating radars.

Command, Control, Communication and Information Systems. The Command, Control, Communication and Information Systems segment ("C3I") is classified into five principal businesses. They are: Intelligence, Surveillance, Reconnaissance ("ISR"), Air Traffic Management ("ATM"), Command and Control / Battle Management ("C2BM"), Communications and Information Technology / Information Systems.

C3I products include command, control and communication systems; air traffic control automation and radar systems; tactical radios; satellite communication and ground control terminals; wide area surveillance systems; ground-based information processing systems; image processing; large scale information retrieval, processing and distribution systems; global broadcast systems and secure information technology solutions.

In the ISR business, C3I is a leading provider of remote sensing and processing for national intelligence systems as well as control and mission management systems for Unmanned Aerial Vehicles (UAVs). C3I designed and developed systems that provide real-time battlefield information, signal intelligence and multi-source intelligence integration to the US Air Force and several Government agencies. C3I also participates in the commercial ISR marketplace as the prime contractor for the Brazilian System for the Vigilance of the Amazon (SIVAM) program, which will provide an integrated information network that will be used to enable the Brazilian Government to protect the environment, improve air safety and weather forecasting, manage land occupation and usage, and enable effective law enforcement and border control.

C3I designs and installs air traffic and weather management systems around the world, including large-scale software based control automation systems and stand-alone radar. C3I is the largest air traffic automation and radar systems supplier to the Federal Aviation Administration (FAA). Internationally, Raytheon has installed numerous air traffic control systems and is currently providing ATM systems and radar for: Australia, Canada, Cyprus, Germany, Hong Kong, India, Indonesia, Norway, the People's Republic of China, Switzerland and Taiwan.

In communications, C3I is a leading supplier of battlefield tactical radios and satellite ground terminals. The C3I Satcom programs group supplies Satcom terminals to the Navy, the Army and Air Force. C3I's C2BM programs group designs, develops and delivers tactical command and control systems that provide the means to effectively execute conventional and special operations missions. C2BM addresses market segments of fire control, joint command and control, sensor networking, modeling and simulation, command centers, sensor fusion and correlation, and command vehicles for a variety of military and non-military users.

C3I also performs contracts involving information technology, for several U.S. Government Departments and Agencies including Energy, Education, the Army and Navy as well as NASA. C3I efforts in this regard involve providing for information assurance, knowledge management, data storage and retrieval systems, web-based information systems and high performance computing.

Raytheon Technical Services Company. Raytheon Technical Services Company ("RTSC") provides technical services, training programs, and logistics and base operations support throughout the U.S. and in 22 other countries.

RTSC performs complete engineering and depot-level cradle-to-grave support for Raytheon-manufactured equipment and for various commercial and military customers. Services provided include installation and test of upgrades to deployed systems; engineering design, planning, and testing; repair and refurbishment of U.S. Department of Defense ("DoD") equipment; software engineering support; data management; preparation of technical manuals; training for allied forces; system and facility installations; field testing and evaluation; field engineering; and system operation and maintenance.

RTSC is a world leader in providing and supporting range instrumentation systems and bases worldwide for the DoD. It also provides missile range calibration services for the U.S. Air Force, trains U.S. Army personnel in battlefield tactics and supports undersea testing and evaluation for the U.S. Navy. RTSC provides operations and engineering support to the Atlantic Underwater Test and Evaluation Center, range technical support, and facilities maintenance at several DoD facilities, including the U.S. Army's missile testing range in the Kwajalein Atoll. It also provides base operations support to DoD facilities on Guam, Johnston Atoll and other locations.

RTSC supplies professional services to a broad range of customers in the areas of space and earth sciences, scientific data management, transportation management, remote sensing, and computer networking. RTSC also supports the U.S. Government's demilitarization activities in countries of the former Soviet Union and the development and operation of Space Shuttle and Space Station simulators for NASA's Johnson Space Center. It also provides logistics and science support for the National Science Foundation's Antarctica program.

Aircraft Integration Systems. The Aircraft Integration Systems segment ("AIS") focuses on the integration of airborne surveillance and intelligence systems and aircraft modifications. AIS develops and integrates complex electronic systems for airborne Intelligence, Surveillance, and Reconnaissance missions. In addition, AIS modernizes aging aircraft through structural refurbishment and electronics upgrades. AIS also provides support to Special Operations forces. In March 2002, the Company sold AIS.

Commercial Electronics. Raytheon's commercial electronics businesses produce, among other things, thin film filters for optical communications products, gallium arsenide MMIC components for direct broadcast satellite television receivers, gallium arsenide power amplifiers for wireless communications products, wireless broadband solutions, thermal imaging products for the public safety, industrial and automotive markets, automobile radar systems, marine electronics for the commercial and military marine market, and other electronic components for a wide range of applications.

Aircraft. Raytheon Aircraft offers a broad product line of aircraft and aviation services in the general aviation market. Raytheon Aircraft manufactures, markets and supports piston-powered aircraft, turboprops and business jets for the world's commercial, regional airlines and military aircraft markets.

Raytheon Aircraft's piston-powered aircraft line includes the single-engine Beech Bonanza and the twin-engine Beech Baron aircraft for business and personal flying. The segment's King Air turboprop series includes the Beech King Air C90B, B200, and 350. The jet line includes the Premier I entry-level jet, Beechjet 400A lightjet and the Hawker 800XP midsize business jet. Raytheon Aircraft also produces a 19-passenger regional airliner. A new super midsize business jet, the Hawker Horizon, is currently in development, with anticipated airplane certification and delivery in 2003.

The segment supplies aircraft training systems, including the T-6A trainer selected as the next-generation trainer for the U.S. Air Force and Navy under the Joint Primary Aircraft Training System (JPATS). Raytheon Aircraft produces special mission aircraft, including militarized versions of the King Airs and the U-125 search-and-rescue

variant of the Hawker 800.

During 2001, the Company divested a 74 percent interest in Raytheon Aerospace which provides contractor logistics and training support for military and government aircraft around the world. Raytheon Aircraft Services operates a network of business aviation service operations at airports across the U.S., in the U.K. and Mexico. Raytheon Aircraft Parts and Inventory Distribution (RAPID) is Raytheon Aircraft's exclusive world-wide parts wholesale distributor. Raytheon Aircraft Charter and Management offers aircraft charter and management services to the U.S. market.

Raytheon Travel Air sells fractional shares in aircraft and provides aircraft management and transportation services for the owners of the shares. The Travel Air program includes the Hawker 800XP, Beechjet 400A and the King Air B200. The company has announced its intention to combine the Raytheon Travel Air fractional aircraft business with Flight Options in a transaction which is expected to close during the first quarter of 2002.

Divestitures

Consistent with Raytheon's strategy of focusing on and streamlining core businesses and paying down debt, the Company divested a number of business units in 2001. Cash proceeds from divestitures and sales of investments totaled \$266 million.

SALES TO THE UNITED STATES GOVERNMENT

Sales to the United States Government (the "Government"), principally to the Department of Defense, were \$12.0 billion in 2001 and \$11.1 billion in 2000, representing 71% of total sales in 2001 and 66% of total sales in 2000. Of these sales, \$0.6 billion in 2001 and \$0.5 billion in 2000 represented purchases made by the Government on behalf of foreign governments.

GOVERNMENT CONTRACTS

The Company and its various subsidiaries act as a prime contractor or major subcontractor for many different Government programs, including those that involve the development and production of new or improved weapons or other types of electronic systems or major components of such systems. Over its lifetime, a program may be implemented by the award of many different individual contracts and subcontracts. The funding of Government programs is subject to congressional appropriations. Although multi-year contracts may be authorized in connection with major procurements, Congress generally appropriates funds on a fiscal year basis even though a program may continue for many years. Consequently, programs are often only partially funded initially, and additional funds are committed only as Congress makes further appropriations. The Government is required to adjust equitably a contract price for additions or reductions in scope or other changes ordered by it.

Generally, Government contracts are subject to oversight audits by Government representatives, and, in addition, they include provisions permitting termination, in whole or in part, without prior notice at the Government's convenience upon the payment of compensation only for work done and commitments made at the time of termination. In the event of termination for convenience, the contractor will receive some allowance for profit on the work performed. The right to terminate for convenience has not had any material adverse effect upon Raytheon's business in light of its total Government business.

The Company's Government business is performed under both cost reimbursement and fixed price prime contracts and subcontracts. Cost reimbursement contracts provide for the reimbursement of allowable costs plus the payment of a fee. These contracts fall into three basic types: (i) cost plus fixed fee contracts which provide for the payment of a fixed fee irrespective of the final cost of performance; (ii) cost plus incentive fee contracts which provide for increases or decreases in the fee, within specified limits, based upon actual results as compared to contractual targets relating to such factors as cost, performance and delivery schedule; and (iii) cost plus award fee contracts which provide for the payment of an award fee determined at the discretion of the customer based upon the performance of the contractor against pre-established criteria. Under cost reimbursement type contracts, Raytheon is reimbursed periodically for allowable costs and is paid a portion of the fee based on contract progress. Some costs incident to performing contracts have been made partially or wholly unallowable by statute or regulation. Examples are

charitable contributions, certain merger and acquisition costs, lobbying costs and certain litigation defense costs.

The Company's fixed-price contracts are either firm fixed-price contracts or fixed-price incentive contracts. Under firm fixed-price contracts, Raytheon agrees to perform a specific scope of work for a fixed price and as a result benefits from cost savings and carries the burden of cost overruns. Under fixed-price incentive contracts, Raytheon shares with the Government savings accrued from contracts performed for less than target costs and costs incurred in excess of targets up to a negotiated ceiling price (which is higher than the target cost) and carries the entire burden of costs exceeding the negotiated ceiling price. Accordingly under such incentive contracts, the Company's profit may also be adjusted up or down depending upon whether specified performance objectives are met. Under firm fixed-price and fixed-price incentive type contracts, the Company usually receives either milestone payments equaling 90% of the contract price or monthly progress payments from the Government generally in amounts equaling 75% or 80% of costs incurred under Government contracts. The remaining amount, including profits or incentive fees, is billed upon delivery and final acceptance of end items under the contract.

The Company's Government business is subject to specific procurement regulations and a variety of socio-economic and other requirements. Failure to comply with such regulations and requirements could lead to suspension or debarment, for cause, from Government contracting or subcontracting for a period of time. Among the causes for debarment are violations of various statutes, including those related to procurement integrity, export control, government security regulations, employment practices, the protection of the environment, the accuracy of records and the recording of costs.

Under many Government contracts, the Company is required to maintain facility and personnel security clearances complying with DoD requirements.

Companies which are engaged in supplying defense-related equipment to the Government are subject to certain business risks, some of which are peculiar to that industry. Among these are: the cost of obtaining trained and skilled employees; the uncertainty and instability of prices for raw materials and supplies; the problems associated with advanced designs, which may result in unforeseen technological difficulties and cost overruns; and the intense competition and the constant necessity for improvement in facilities and personnel training. Sales to the Government may be affected by changes in procurement policies, budget considerations, changing concepts of national defense, political developments abroad and other factors. See the "Risk Factors" section beginning on page 8 of this Report, for a description of additional business risks.

See "Sales to the United States Government" on page 5 of this Report for information regarding the percentage of the Company's revenues generated from sales to the Government.

BACKLOG

The Company's backlog of orders at December 31, 2001 and 2000 was \$26.5 billion. The 2001 amount includes backlog of approximately \$17.8 billion from the Government compared with \$17.4 billion at the end of 2000.

Approximately \$4.4 billion of the overall backlog figure represents the unperformed portion of direct orders from foreign governments. Approximately \$2.3 billion of the overall backlog represents non-government foreign backlog.

Approximately \$14.7 billion of the \$26.5 billion 2001 year-end backlog is not expected to be filled during the following twelve months. For additional information related to backlog figures, see Management's Discussion and Analysis of Financial Condition and Results of Operations - Segment Results on page 28 of the Company's 2001 Annual Report to Stockholders.

RESEARCH AND DEVELOPMENT

During 2001, Raytheon expended \$475 million on research and development efforts compared with \$526 million in 2000 and \$508 million in 1999. These expenditures principally have been for product development for the Government and for aircraft products. In addition, Raytheon conducts funded research and development activities under Government contracts which is included in net sales. For additional information related to research and

development efforts, see Note A to the Company's Financial Statements on page 38 of the Company's 2001 Annual Report to Stockholders.

RAW MATERIALS, SUPPLIERS AND SEASONALITY

Delivery of raw materials and supplies to Raytheon is generally satisfactory. Raytheon is sometimes dependent, for a variety of reasons, upon sole-source suppliers for procurement requirements. However, Raytheon has experienced no significant difficulties in meeting production and delivery obligations because of delays in delivery or reliance on such suppliers. In recent years, revenues in the second half of the year have generally exceeded revenues in the first half. The timing of Government awards, the availability of Government funding, product deliveries and customer acceptance are among the factors affecting the periods in which revenues are recorded. Management expects this trend to continue in 2002.

COMPETITION

The Company's defense electronics businesses are direct participants in most major areas of development in the defense, space, information gathering, data reduction and automation fields. Technical superiority and reputation, price, delivery schedules, financing, and reliability are among the principal competitive factors considered by electronics customers. The on-going consolidation of the U.S. and global defense, space and aerospace industries continues to intensify competition. Consolidation among U.S. defense, space and aerospace companies has resulted in a reduction in the number of principal prime contractors. As a result of this consolidation, the Company frequently partners on various programs with its major suppliers, some of whom are, from time to time, competitors on other programs.

The Aircraft segment competes primarily with four other companies in the business aviation industry. The principal factors for competition in the industry are price, financing, operating costs, product reliability, cabin size and comfort, product quality, travel range and speed, and product support. The Company believes it possesses competitive advantages in the breadth of our product line, the performance of our product line, and the strength of our product support.

PATENTS AND LICENSES

Raytheon and its subsidiaries own a large intellectual property portfolio which includes, by way of example, United States and foreign patents, unpatented know-how, trademarks and copyrights, all of which contribute significantly to the preservation of the Company's competitive position in the market. In certain instances, Raytheon has augmented its technology base by licensing the proprietary intellectual property of others. Although these patents and licenses are, in the aggregate, important to the operation of the Company's business, no existing patent, license, or similar intellectual property right is of such importance that its loss or termination would, in the opinion of management, have a material effect on the Company's business. Raytheon's patent position and intellectual property portfolio is deemed adequate for the conduct of its businesses.

EMPLOYMENT

As of December 31, 2001, Raytheon had approximately 87,200 employees compared with approximately 93,700 employees at the end of 2000. The decrease is mainly due to divestitures during 2001.

Raytheon considers its union-management relationships to be positive, with few exceptions. In 2001, Raytheon successfully reached agreement on 8 labor contracts, with no work stoppages.

INTERNATIONAL SALES

Raytheon's sales to customers outside the United States (including foreign military sales) were 21% of total sales in 2001 and 2000 and 23% of total sales in 1999. These sales were principally in the fields of air defense systems, air traffic control systems, sonar systems, aircraft products, electronic equipment, computer software and systems, personnel training, equipment maintenance and microwave communication. Foreign subsidiary working capital requirements generally are financed in the countries concerned. Sales and income from international operations are subject to changes in currency values, domestic and foreign government policies (including requirements to expend a portion of program funds in-country) and regulations, embargoes and international hostilities. Exchange restrictions imposed by various countries could restrict the transfer of funds between countries and between Raytheon and its subsidiaries. Raytheon generally has been able to protect itself against most undue risks through insurance, foreign exchange contracts, contract provisions, government guarantees or progress payments.

Raytheon utilizes the services of sales representatives and distributors in connection with foreign sales. Normally representatives are paid commissions and distributors are granted resale discounts in return for services rendered.

The export from the U.S. of many of Raytheon's products may require the issuance of a license by the Department of State under the Arms Export Control Act of 1976, as amended (formerly the Foreign Military Sales Act); or by the Department of Commerce under the Export Administration Act as kept in force by the International Emergency Economic Powers Act of 1977, as amended ("IEEPA"); or by the Treasury Department under IEEPA or the Trading with the Enemy Act of 1917, as amended. Such licenses may be denied for reasons of U.S. national security or foreign policy. In the case of certain exports of defense equipment and services, the Department of State must notify Congress at least 15 or 30 days (depending on the identity of the country that will utilize the equipment and services) prior to authorizing such exports. During that time, Congress may take action to block a proposed export by joint resolution which is subject to Presidential veto.

RISK FACTORS

The following are some of the factors the Company believes could cause its actual results to differ materially from expected and historical results. Other factors besides those listed here could also adversely affect the Company.

Because we have sold a number of our business units in recent years, our business is less diversified, which could reduce our earnings and might make us more susceptible to negative conditions in our remaining businesses.

Consistent with our strategy of focusing on and streamlining our core businesses and paying down our debt, during 1999, 2000 and 2001, we divested several non-core business units. In addition, in March 2002, we sold our Aircraft Integration Systems business. As a result of these divestitures, we no longer receive revenues from these operations and, without offsetting increases in revenues in our other businesses, our overall revenues would decrease, which would have a negative effect on our financial condition.

In addition, as a result of these divestitures, our business is now less diversified and thus more dependent on our remaining businesses. As a result, we are now more sensitive to conditions and trends in the remaining industries in which we operate. Negative conditions and trends in these remaining industries could cause our financial condition and results of operations to suffer more heavily than would occur when our business lines were more diversified. Our inability to overcome these negative conditions and trends could have a negative impact on our financial condition.

We heavily depend on our government contracts, which are only partially funded, subject to immediate termination and heavily regulated and audited, and the termination or failure to fund one or more of these contracts could have a negative impact on our operations.

We act as prime contractor or major subcontractor for many different government programs. Over its lifetime, a program may be implemented by the award of many different individual contracts and subcontracts. The funding of government programs is subject to congressional appropriations. Although multi-year contracts may be authorized in connection with major procurements, Congress generally appropriates funds on a fiscal year basis even though a program may continue for several years. Consequently, programs are often only partially funded initially, and additional funds are committed only as Congress makes further appropriations. The termination of funding for a government program would result in a loss of anticipated future revenues attributable to that program. That could have a negative impact on our operations. In addition, the termination of a program or failure to commit additional funds to a program already started could increase our overall costs of doing business.

Generally, government contracts are subject to oversight audits by government representatives and contain provisions permitting termination, in whole or in part, without prior notice at the government's convenience upon the payment of compensation only for work done and commitments made at the time of termination. We can give no assurance that one or more of our government contracts will not be terminated under these circumstances. Also, we can give no assurance that we would be able to procure new government contracts to offset the revenues lost as a result of any termination of our contracts. As our revenues are dependent on our procurement, performance and payment under our contracts, the loss of one or more critical contracts could have a negative impact on our financial condition.

Our government business is also subject to specific procurement regulations and a variety of socio-economic and other requirements. These requirements, although customary in government contracts, increase our performance and compliance costs. These costs might increase in the future, reducing our margins, which could have a negative effect on our financial condition. Failure to comply with these regulations and requirements could lead to suspension or debarment, for cause, from government contracting or subcontracting for a period of time. Among the causes for debarment are violations of various statutes, including those related to:

- . procurement integrity
- . export control
- . government security regulations
- . employment practices
- . protection of the environment
- . accuracy of records and the recording of costs

The termination of a government contract or relationship as a result of any of these acts would have a negative impact on our operations and could have a negative effect on our reputation and ability to procure other government contracts in the future.

In addition, sales to the government may be affected by:

- . changes in procurement policies
- . budget considerations
- . unexpected developments such as the terrorist attacks of September 11, 2001, which change concepts of national defense
- . political developments abroad, such as those occurring in the wake of the September 11 attacks

The influence of any of these factors, which are largely beyond our control, could also negatively impact our financial condition. We also may experience problems associated with advanced designs required by the government which may result in unforeseen technological difficulties and cost overruns. Failure to overcome these technological difficulties and the occurrence of cost overruns would have a negative impact on our results.

We depend on the U.S. Government for a significant portion of our sales, and the loss of this relationship or a shift in Government funding could have severe consequences on the financial condition of Raytheon.

Approximately 71% of our net sales in 2001 were to the U.S. Government. Therefore, any significant disruption or deterioration of our relationship with the U.S. Government would significantly reduce our revenues. Our U.S. Government programs must compete with programs managed by other defense contractors for a limited number of programs and for uncertain levels of funding. Our competitors continuously engage in efforts to expand their business relationships with the U.S. Government at our expense and are likely to continue these efforts in the future. The U.S. Government may choose to use other defense contractors for its limited number of defense programs. In addition, the funding of defense programs also competes with non-defense spending of the U.S. Government. Budget decisions made by the U.S. Government are outside of our control and have long-term consequences for the size and structure of Raytheon. A shift in government defense spending to other programs in which we are not involved or a reduction in U.S. Government defense spending generally could have severe consequences for our results of operations.

We derive a significant portion of our revenues from international sales and are subject to the risks of doing business in foreign countries.

In 2001, sales to international customers accounted for approximately 21% of our net sales. We expect that international sales will continue to account for a significant portion of our revenues for the foreseeable future. As a result, we are subject to risks of doing business internationally, including:

- . changes in regulatory requirements
- . domestic and foreign government policies, including requirements to expend a portion of program funds locally and governmental industrial cooperation requirements
- . fluctuations in foreign currency exchange rates
- . delays in placing orders
- . the complexity and necessity of using foreign representatives and consultants
- . the uncertainty of adequate and available transportation
- . the uncertainty of the ability of foreign customers to finance purchases
- . uncertainties and restrictions concerning the availability of funding credit or guarantees
- . imposition of tariffs or embargoes, export controls and other trade restrictions
- . the difficulty of management and operation of an enterprise spread over various countries
- . compliance with a variety of foreign laws, as well as U.S. laws affecting the activities of U.S. companies abroad
- . economic and geopolitical developments and conditions, including international hostilities, acts of terrorism and governmental reactions, inflation, trade relationships and military and political alliances

While these factors or the impact of these factors are difficult to predict, any one or more of these factors could adversely affect our operations in the future.

We may not be successful in obtaining the necessary licenses to conduct operations abroad, and Congress may prevent proposed sales to foreign governments.

Licenses are required from government agencies under the Export Administration Act, the Trading with the Enemy Act of 1917 and the Arms Export Control Act of 1976 for export of many of our products. We can give no assurance that we will be successful in obtaining these necessary licenses in order to conduct business abroad. In the case of certain sales of defense equipment and services to foreign governments, the U.S. Government's Executive Branch must notify Congress at least 15 to 30 days, depending on the location of the sale, prior to authorizing these sales. During that time, Congress may take action to block the proposed sale.

Competition within our markets may reduce our procurement of future contracts and our sales.

The military and commercial industries in which we operate are highly competitive. Our competitors range from highly resourceful small concerns, which engineer and produce specialized items, to large, diversified firms. Several

established and emerging companies offer a variety of products for applications similar to those of our products. Our competitors may have more extensive or more specialized engineering, manufacturing and marketing capabilities than we do in some areas. There can be no assurance that we can continue to compete effectively with these firms. In addition, some of our largest customers could develop the capability to manufacture products similar to products that we manufacture. This would result in these customers supplying their own products and competing directly with us for sales of these products, all of which could significantly reduce our revenues and seriously harm our business.

Furthermore, we are facing increased international competition and cross-border consolidation of competition. There can be no assurance that we will be able to compete successfully against our current or future competitors or that the competitive pressures we face will not result in reduced revenues and market share or seriously harm our business.

Our future success will depend on our ability to develop new technologies that achieve market acceptance.

Both our commercial and defense markets are characterized by rapidly changing technologies and evolving industry standards. Accordingly, our future performance depends on a number of factors, including our ability to:

- . identify emerging technological trends in our target markets
- . develop and maintain competitive products.
- . enhance our products by adding innovative features that differentiate our products from those of our competitors
- . manufacture and bring products to market quickly at cost-effective prices
- . effectively structure our businesses, through the use of joint ventures, teaming agreements, and other forms of alliances, to the competitive environment

Specifically, at Raytheon Aircraft Company, our future success is dependent on our ability to meet scheduled timetables for the development, certification and delivery of new product offerings.

We believe that, in order to remain competitive in the future, we will need to continue to develop new products, which will require the investment of significant financial resources. The need to make these expenditures could divert our attention and resources from other projects, and we cannot be sure that these expenditures will ultimately lead to the timely development of new technology. Due to the design complexity of our products, we may in the future experience delays in completing development and introduction of new products. Any delays could result in increased costs of development or deflect resources from other projects. In addition, there can be no assurance that the market for our products will develop or continue to expand as we currently anticipate. The failure of our technology to gain market acceptance could significantly reduce our revenues and harm our business. Furthermore, we cannot be sure that our competitors will not develop competing technologies which gain market acceptance in advance of our products. The possibility that our competitors might develop new technology or products might cause our existing technology and products to become obsolete. If we fail in our new product development efforts or our products fail to achieve market acceptance more rapidly than our competitors, our revenues will decline and our business, financial condition and results of operations will be negatively affected.

Our financial performance is dependent on the timely and successful conversion of our defense products into commercial markets.

In order to leverage technology that we develop for defense applications, we frequently strive to adapt existing defense technology for commercial markets. We may not be successful, however, in converting our defense systems and devices into commercially viable products, and the market for such products may be limited. Any of these results could have a negative impact on our future revenues.

We enter into fixed-price contracts which could subject us to losses in the event that we have cost overruns.

Generally we enter into contracts on a firm, fixed-price basis. This allows us to benefit from cost savings, but we carry the burden of cost overruns. If our initial estimates are incorrect, we can lose money on these contracts. In addition, some of our contracts have provisions relating to cost controls and audit rights, and if we fail to meet the terms specified in those contracts then we may not realize their full benefits. Our financial condition is dependent on our ability to maximize our earnings from our contracts. Lower earnings caused by cost overruns and cost controls

would have a negative impact on our financial results.

We may incur additional charges in connection with the sale of Raytheon Engineers & Constructors to Washington Group International, Inc. ("WGI").

We have significant letters of credit, surety bonds, guarantees and other support agreements in place related to a number of leases and other agreements of our Raytheon Engineers & Constructors business unit, which we sold to WGI in July 2000. Many of these relate to ongoing engineering and construction projects, including two large power plants being built in Massachusetts that WGI has abandoned. We have recorded losses of \$814 million on these two projects in 2001. Also during 2001, we recorded losses of \$156 million related to other construction projects. The cost to complete all of these projects may ultimately be higher than our estimates. As a result of the sale of our engineering and construction business to WGI, we have become more heavily dependent upon third parties, including WGI, to perform construction management and other tasks which require industry expertise that we no longer possess. Also in connection with the sale of our engineering and construction business to WGI, we retained certain liabilities and risks. Some of these liabilities and risks were affected by the bankruptcy filing of WGI and a settlement (the "WGI Settlement") we entered into with WGI.

In the course of the bankruptcy proceeding, WGI rejected some ongoing construction projects. To the extent the Company has outstanding support agreements, the Company has honored those agreements and is working on those projects. There are risks that the costs incurred on these projects will increase beyond the Company's estimates because of factors such as labor productivity and availability of labor, the nature and complexity of the work to be performed, the impact of change orders, the recoverability of claims included in the estimate to complete and the outcome of defending claims asserted against the Company.

The WGI Settlement provides that WGI is responsible for certain payments and is required to assume certain obligations in connection with projects that WGI assumed in its bankruptcy proceeding. If WGI is unwilling or unable to perform these responsibilities, its obligations could become obligations of the Company because of the Company's guarantees, surety bonds and letters of credit.

While these potential obligations, liabilities and risks or the impact of them are difficult to predict, any one or more of these factors could have a material adverse impact on our financial condition.

The outcome of litigation in which we have been named as a defendant is unpredictable and an adverse decision in any such matter could have a material adverse affect on our financial position and results of operations.

We are defendants in a number of litigation matters. These claims may divert financial and management resources that would otherwise be used to benefit our operations. Although we believe that we have meritorious defenses to the claims made in each and all of the litigation matters to which we have been named a party, and intend to contest each lawsuit vigorously, no assurances can be given that the results of these matters will be favorable to us. An adverse resolution of any of these lawsuits could have a material adverse affect on our financial position and results of operations.

We depend on the recruitment and retention of qualified personnel, and our failure to attract and retain such personnel could seriously harm our business.

Due to the specialized nature of our businesses, our future performance is highly dependent upon the continued services of our key engineering personnel and executive officers. Our prospects depend upon our ability to attract and retain qualified engineering, manufacturing, marketing, sales and management personnel for our operations. Competition for personnel is intense, and we may not be successful in attracting or retaining qualified personnel. Our failure to compete for these personnel could seriously harm our business, results of operations and financial condition.

Some of our workforce is represented by labor unions.

Approximately 13,200 of our employees are unionized, which represented approximately 15% of our employees at December 31, 2001. As a result, we may experience prolonged work stoppages, which could adversely affect our business, and we are vulnerable to the demands imposed by our collective bargaining relationships. We cannot predict how stable these relationships, currently with 10 different U.S. labor organizations and 4 different non-U.S. labor organizations, will be or whether we will be able to meet the requirements of these unions without impacting the financial condition of Raytheon. In addition, the presence of unions may limit our flexibility in dealing with our workforce. Work stoppages and instability in our union relationships could negatively impact our ability to manufacture our products on a timely basis, resulting in strain on our relationships with our customers, as well as a loss of revenues. That would adversely affect our results of operations.

We may be unable to adequately protect our intellectual property rights, which could affect our ability to compete.

Protecting our intellectual property rights is critical to our ability to compete and succeed as a company. We own a large number of United States and foreign patents and patent applications, as well as trademark, copyright and semiconductor chip mask work registrations which are necessary and contribute significantly to the preservation of our competitive position in the market. There can be no assurance that any of these patents and other intellectual property will not be challenged, invalidated or circumvented by third parties. In some instances, we have augmented our technology base by licensing the proprietary intellectual property of others. In the future, we may not be able to obtain necessary licenses on commercially reasonable terms. We enter into confidentiality and invention assignment agreements with our employees, and enter into non-disclosure agreements with our suppliers and appropriate customers so as to limit access to and disclosure of our proprietary information. These measures may not suffice to deter misappropriation or independent third party development of similar technologies. Moreover, the protection provided to our intellectual property by the laws and courts of foreign nations may not be as advantageous to us as the remedies available under United States law.

Our operations expose us to the risk of material environmental liabilities.

Because we use and generate large quantities of hazardous substances and wastes in our manufacturing operations, we are subject to potentially material liabilities related to personal injuries or property damages that may be caused by hazardous substance releases and exposures. For example, we are investigating and remediating contamination related to our current or past practices at numerous properties and, in some cases, have been named as a defendant in related personal injury or "toxic tort" claims.

We are also subject to increasingly stringent laws and regulations that impose strict requirements for the proper management, treatment, storage and disposal of hazardous substances and wastes, restrict air and water emissions from our manufacturing operations, and require maintenance of a safe workplace. These laws and regulations can impose substantial fines and criminal sanctions for violations, and require the installation of costly pollution control equipment or operational changes to limit pollution emissions and/or decrease the likelihood of accidental hazardous substance releases. We incur, and expect to continue to incur, substantial capital and operating costs to comply with these laws and regulations. In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require us to incur costs in the future that would have a negative effect on our financial condition or results of operations.

Provisions in our charter documents and rights agreement could make it more difficult to acquire Raytheon and may reduce the market price of our stock.

Our certificate of incorporation and by-laws contain certain provisions, such as a classified board of directors, a provision prohibiting stockholder action by written consent, a provision prohibiting stockholders from calling special meetings and a provision authorizing our Board of Directors to consider factors other than stockholders' short-term interests in evaluating an offer involving a change in control. Also, we have a shareholder rights plan, which limits the ability of any person to acquire more than 15% of our common stock. These provisions could have the effect of delaying or preventing a change in control of Raytheon or the removal of Raytheon management, of

detering potential acquirors from making an offer to our stockholders and of limiting any opportunity to realize premiums over prevailing market prices for Raytheon common stock. Provisions of the shareholder rights agreement, which is incorporated as an exhibit to this filing, could also have the effect of deterring changes of control of Raytheon.

We depend on component availability, subcontractor performance and our key suppliers to manufacture and deliver our products and services.

Our manufacturing operations are highly dependent upon the delivery of materials by outside suppliers in a timely manner. In addition, we depend in part upon subcontractors to assemble major components and subsystems used in our products in a timely and satisfactory manner. While we enter into long-term or volume purchase agreements with a few of our suppliers, we cannot be sure that materials, components, and subsystems will be available in the quantities we require, if at all. We are dependent for some purposes on sole-source suppliers. The recent economic downturn, especially in light of the terrorist attacks on September 11, 2001, may materially adversely affect certain of these suppliers. If any of them fails to meet our needs, we may not have readily available alternatives. Our inability to fill our supply needs would jeopardize our ability to satisfactorily and timely complete our obligations under government and other contracts. This might result in reduced sales, termination of one or more of these contracts and damage to our reputation and relationships with our customers. All of these events could have a negative effect on our financial condition.

The unpredictability of our results may harm the trading price of our securities, or contribute to volatility.

Our operating results may vary significantly over time for a variety of reasons, many of which are outside of our control, and any of which may harm our business. The value of our securities may fluctuate as a result of considerations that are difficult to forecast, such as:

- . volume and timing of product orders received and delivered
- . levels of product demand
- . consumer and government spending patterns
- . the timing of contract receipt and funding
- . our ability and the ability of our key suppliers to respond to changes in customer orders
- . timing of our new product introductions and the new product introductions of our competitors
- . changes in the mix of our products
- . cost and availability of components and subsystems
- . price erosion
- . adoption of new technologies and industry standards
- . competitive factors, including pricing, availability and demand for competing products
- . fluctuations in foreign currency exchange rates
- . conditions in the capital markets and the availability of project financing
- . the impact on recourse obligations at Raytheon Aircraft due to changes in the collateral value of financed aircraft
- . regulatory developments
- . general economic conditions, particularly the cyclical nature of the general aviation market in which we participate

The long-range impact of terrorist attacks, such as those that occurred on September 11, 2001, upon the markets in which we operate, our business operations, and our expectations is uncertain.

There can be no assurance that the current armed hostilities will not increase or that these terrorist attacks, or United States responses, will not lead to further acts of terrorism and civil disturbances in the United States or elsewhere, which may further contribute to the economic instability in the United States. These attacks or armed conflicts may directly impact our physical facilities or those of our suppliers or customers and could have an impact on our domestic and international sales, our supply chain, our production capability, our insurance premiums or the ability to purchase insurance and our ability to deliver our products to our customers. Political and economic instability in some regions of the world may also result and could negatively impact our business. Although we believe we are

positioned well for defense priorities, that could well be offset by a decrease in civilian use of air travel, adversely affecting civil aircraft sales. In addition, the consequences of the terrorist attacks and armed conflicts are unpredictable, and their long-term effect upon the Company is uncertain.

FORWARD-LOOKING STATEMENTS - SAFE HARBOR PROVISIONS

This filing and the information we are incorporating by reference, including any statements relating to the Company's future plans, objectives, and projected future financial performance, contain or are based on, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Specifically, statements that are not historical facts, including statements accompanied by words such as "believe," "expect," "estimate," "intend," or "plan," variations of these words, and similar expressions, are intended to identify forward-looking statements and convey the uncertainty of future events or outcomes. The Company cautions readers that any such forward-looking statements are based on assumptions that the Company believes are reasonable, but are subject to a wide range of risks, and actual results may differ materially. Given these uncertainties, readers of this filing should not rely on forward-looking statements. Forward-looking statements also represent the Company's estimates and assumptions only as of the date that they were made. The Company expressly disclaims any current intention to provide updates to forward-looking statements, and the estimates and assumptions associated with them, after the date of this filing. Important factors that could cause actual results to differ include, but are not limited to those discussed in the immediately preceding section of this Item, under "Risk Factors."

Item 2. Properties

The Company and its subsidiaries operate in a number of plants, laboratories, warehouses and office facilities in the United States and abroad.

At December 31, 2001, the Company utilized approximately 41 million square feet of floor space for manufacturing, engineering, research, administration, sales and warehousing, approximately 95% of which was located in the United States. Of this total, approximately 38% was owned, approximately 57% was leased, and approximately 5% was made available under facilities contracts for use in the performance of U. S. Government contracts. At December 31, 2001 the Company had approximately 1.1 million square feet of additional floor space that was not in use, including approximately 418,000 square feet in Company-owned facilities.

There are no major encumbrances on any of the Company's facilities other than financing arrangements which in the aggregate are not material. In the opinion of management, the Company's properties have been well maintained, are in sound operating condition and are adequate for the Company to operate at present levels.

At December 31, 2001, our business segments had major operations at the following locations:

- . Electronic Systems -- E. Camden, AZ; Tucson, AZ; El Segundo, CA; Goleta, CA; Long Beach, CA; Louisville, KY; Andover, MA; Bedford, MA; Sudbury, MA; Tewksbury, MA; Portsmouth, RI; Dallas, TX; Plano, TX; and Sherman, TX;
- . Command, Control, Communication and Information Systems -- Fullerton, CA; Aurora, CO; Largo, FL; St. Petersburg, FL; Ft. Wayne, IN; Landover, MD; Townson, MD; Marlboro, MA; State College, PA; Garland, TX; and Falls Church, VA;
- . Aircraft Integration Systems -- Lexington, KY; Greenville, TX; and Waco, TX;
- . Raytheon Technical Services Company -- Chula Vista, CA; Long Beach, CA; Indianapolis, IN; Burlington, MA; Norfolk and Reston, VA;
- . Commercial Electronics -- Andover, MA; Kiel, Germany; and Midland, Ontario;
- . Raytheon Aircraft Company -- Selma, AL; Little Rock, AR; Salina, KS; and Wichita, KS;

- . Administration and Services -- Lexington, MA; and
- . Raytheon United Kingdom -- Harlow, England; and Glenrothes, Scotland;

A summary of the utilized floor space at December 31, 2001, by business segment, follows:

(in square feet with 000's omitted)

	Leased	Owned	Gov't Owned	Total
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Electronic Systems	9,484	7,079	1,296	17,859
Command, Control, Communication and Information Systems	3,684	2,799	0	6,483
Aircraft Integration Systems	4,196	216	961	5,373
Raytheon Technical Services Company	3,076	98	0	3,174
Commercial Electronics	33	924	0	957
Raytheon Aircraft Company	2,643	3,918	0	6,561
Administration and Services (includes domestic and international sales offices)	255	251	0	506
Raytheon International, Inc.	69	0	0	69
Raytheon United Kingdom	34	409	0	443
Discontinued Operations	0	0	0	0
<hr style="border-top: 1px dashed black;"/>				
TOTAL	23,474	15,694	2,257	41,425

Additional information regarding the effect of compliance with environmental protection requirements and the resolution of environmental claims against the Company and its operations is contained in the "Risk Factors" section beginning on page 8 of this Report, in "Item 3. Legal Proceedings" immediately below, in Management's Discussion and Analysis of Financial Condition and Results of Operation - Commitments and Contingencies on page 31 of the Company's 2001 Annual Report to Stockholders and in Note M to the Company's Financial Statements on page 48 of the Company's 2001 Annual Report to Stockholders.

Item 3. Legal Proceedings

The Company is primarily engaged in providing products and services under contracts with the U.S. Government and, to a lesser degree, under direct foreign sales contracts, some of which are funded by the U.S. Government. These contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the U.S. Government investigate whether the Company's operations are being conducted in accordance with these requirements. U.S. Government investigations of the Company, whether relating to these contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon the Company, the suspension of government export licenses, or the suspension or debarment from future U.S. Government contracting. U.S. Government investigations often take years to complete and many result in no adverse action against the Company.

As previously reported, during late 1999, the Company and two of its officers were named as defendants in several purported 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 alleges 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 purported class period of October 7, 1998 through October 12, 1999. On September 8, 2000, the Company and the individual defendants filed a motion to dismiss the Consolidated Complaint. The plaintiffs opposed the motions. The court heard arguments on February 9, 2001 and took the motions under advisement. In August 2001, the court issued an order dismissing

most of the claims asserted against the Company and the individual defendants. Discovery is proceeding on the two circumstances that remain the subject of claims.

As previously reported, the Company also was named as a nominal defendant and all of its directors at the time (except one) were named as defendants in purported derivative lawsuits filed on October 25, 1999 in the Court of Chancery of the State of Delaware in and for New Castle County by Ralph Mirarchi and others (No. 17495- NC), and on November 24, 1999 in Middlesex County, Massachusetts, Superior Court by John Chevedden (No. 99-5782). On February 28, 2000, Mr. Chevedden filed another derivative action in the Delaware Chancery Court entitled John Chevedden v. Daniel P. Burnham, et al., (No. 17838- NC) and

on March 22, 2000, Mr. Chevedden's Massachusetts derivative action was dismissed. The Mirarchi and Chevedden derivative complaints contain allegations

similar to those included in the Consolidated Complaint in the In Re Raytheon Securities Litigation, and further allege that the defendants purportedly

breached fiduciary duties to the Company and allegedly failed to exercise due care and diligence in the management and administration of the affairs of the Company. On December 11, 2001, the Company and the individual defendants filed a motion to dismiss the Mirarchi complaint (the only one of these actions for which service of process of the complaint was by then completed.)

As previously reported, in March 2001, Washington Group International, Inc. (f/k/a Morrison Knudsen Corporation, and referred to below as "WGI") sued the Company in the District Court of the Fourth Judicial District of the State of Idaho in an action entitled, Washington Group International v. Raytheon Company,

et. al., (Case No. CV OC 0101422D) alleging breach of contract and fraud in

connection with the sale of the Raytheon Engineers & Constructors ("RE&C") business. WGI also sought specific performance of the purchase price adjustment provision in the Stock Purchase Agreement. The court appointed an independent accountant to resolve the purchase price adjustment dispute, and ordered that WGI's fraud and breach of contract claims be submitted to arbitration as the Company had requested. On November 8, 2001 the litigation with WGI was suspended upon the announcement of an agreement in principle of a settlement, which is noted below.

As previously reported, in May 2001, WGI filed for protection under Chapter 11 of the U.S. Bankruptcy Code in Reno, Nevada in an action entitled, In re

Washington Group International, Inc., et al. (Case No. BK-N-01-21627-GWZ). In

connection with the filing, WGI filed a proposed plan of reorganization, which was amended and modified several times. In early August 2001, WGI filed an adversary proceeding against the Company alleging that the sale and various other transactions constituted "fraudulent transfers" (Docket #1, No. 01-3084). Also in early August 2001, the Company filed a proof of claim as an unsecured creditor in the bankruptcy case.

As previously reported, in June 2001, a purported class action lawsuit entitled, Muzinich & Co., Inc. et al v. Raytheon Company, et. al., (Civil Action No.

01-0284-S-BLW) was filed in federal court in Boise, Idaho allegedly on behalf of all purchasers of common stock or senior notes of WGI during the period April 17, 2000 through March 1, 2001 (the class period). The putative plaintiff class claims to have suffered harm by purchasing WGI securities because the Company and certain of its officers allegedly violated federal securities laws by purportedly misrepresenting the true financial condition of RE&C in order to sell RE&C to WGI at an artificially inflated price. An amended complaint was filed on October 1, 2001 alleging similar claims. The Company and the individual defendants filed a motion seeking to dismiss the action in mid-November 2001. The Court heard arguments on that motion on March 7, 2002 and it is currently evaluating the parties' arguments regarding dismissal.

As previously reported, the Company has been named as a nominal defendant and all of its directors have been named as defendants in two identical purported derivative lawsuits filed in Chancery Court in New Castle County, Delaware in July 2001, entitled Melvin P. Harr v. Barbara M. Barrett, et. al., (Civil Action

No. 19018) and Howard Lasker v. Barbara M. Barrett, et. al., (Civil Action No.

19027). The Harr and Lasker derivative complaints contain allegations similar to those included in the Muzinich class action complaint and further allege that

the individual defendants breached fiduciary duties to the Company and purportedly failed to maintain systems necessary for prudent management and control of the Company's operations. On December 11, 2001, the Company and the individual defendants filed a motion to dismiss the Harr complaint, the only one of these actions for which service was by then completed. In addition, the Company has been named as a nominal defendant and members of its Board of Directors and several current and former officers have been named as defendants in another purported shareholder derivative action entitled Richard J. Kager v.

Daniel P. Burnham, et. al., (Civil Action No. 01-11180-JLT) filed in July 2001

in the U. S. District Court in Massachusetts. The Kager derivative complaint

contains

allegations similar to those included in the Muzinich complaint, and further

alleges that the individual defendants breached fiduciary duties to the Company and purportedly failed to maintain systems necessary for prudent management and control of the Company's operations.

On November 8, 2001, all claims and litigation between the Company and WGI referenced above were suspended upon the announcement of an agreement in principle of a settlement that, among other things, would end all pending litigation between the Company and WGI. The settlement between the Company and WGI was part of WGI's plan of reorganization (the "Plan"), which was confirmed by the Bankruptcy Court on December 21, 2001. On January 4, 2002, the Bankruptcy Court approved the WGI settlement documents. On January 25, 2002, the parties executed and delivered the WGI settlement documents and the Plan became effective. Appeals have been filed challenging the Bankruptcy Court's orders approving the Plan and approving the settlement between the Company and WGI, however the WGI settlement documents are now effective and are being implemented and the litigation between the Company and WGI has been dismissed. For additional information related to the settlement between the Company and WGI and liability relating to the Company's former engineering and construction business, see Management's Discussion and Analysis of Financial Condition and Results of Operations - Discontinued Operations on page 28 of the Company's 2001 Annual Report to Stockholders and Note B Discontinued Operations to the Company's Financial Statements on page 40 of the Company's 2001 Annual Report to Stockholders.

Although the Company believes that it and the other defendants have meritorious defenses to the claims made in each and all of the aforementioned complaints and intends to contest each lawsuit vigorously, an adverse resolution of any of the lawsuits could have a material adverse effect on the Company's financial position and results of operations in the period in which the lawsuits are resolved. The Company is not presently able to reasonably estimate potential losses, if any, related to any of the lawsuits.

Defense contractors are subject to many levels of audit and investigation. Agencies which oversee contract performance include: the Defense Contract Audit Agency, the Department of Defense Inspector General, the General Accounting Office, the Department of Justice and Congressional Committees. The Department of Justice from time to time has convened grand juries to investigate possible irregularities by the Company in government contracting.

As previously reported, the Department of Justice has informed the Company that the Government has concluded its investigation of the contemplated sale by Raytheon Canada Ltd., a subsidiary of the Company, of troposcatter radio equipment to a customer in Pakistan. The Company has produced documents in response to grand jury subpoenas, and grand jury appearances have taken place. The Company has cooperated fully with the investigation. The Government has not informed the Company of a final decision with respect to this matter. An adverse decision relating to this matter ultimately could have a material adverse effect on the Company's results of operations or financial condition.

As previously reported, the Company has been cooperating with the staff of the Securities and Exchange Commission, which is conducting an investigation relating to the Company's former engineering and construction business and related accounting and other matters. The Company has been responding to subpoenas, providing documents and information to the SEC staff, and is continuing to cooperate with the SEC staff in its investigation. The Company is unable to predict the outcome of the inquiry or any action that the SEC might take.

The Company is permitted to charge to its Government contracts an allocable portion of the amount that the Company accrues for self-insurance. There is a disagreement between the Company and the Government about the way that the Company allocated self-insurance charges for product liability risks associated with its Raytheon Aircraft business units. The Government has not asserted a claim for a specific amount, but the allocation practice at issue was adopted in 1988 and the Government claim could be material when it is quantified.

The Company is involved in various stages of investigation and cleanup relative to remediation of various environmental sites. All appropriate costs incurred in connection therewith have been accrued. Due to the complexity of environmental laws and regulations, the varying costs and effectiveness of alternative cleanup methods and technologies, the uncertainty of insurance coverage and the unresolved extent of the Company's responsibility, it is difficult to determine the ultimate outcome of these matters. However, in the opinion of management, any liability will not have a material effect on the Company's financial position, liquidity or results of

operations. Additional information regarding the effect of compliance with environmental protection requirements and the resolution of environmental claims against the Company and its operations is contained in the "Risk Factors" section beginning on page 8 of this Report, in Management's Discussion and Analysis of Financial Condition and Results of Operation - Commitments and Contingencies on page 31 of the Company's 2001 Annual Report to Stockholders and in Note M to the Company's Financial Statements on page 48 of the Company's 2001 Annual Report to Stockholders.

Accidents involving personal injuries and property damage occur in general aviation travel. When permitted by appropriate government agencies, Raytheon Aircraft investigates accidents related to its products involving fatalities or serious injuries. Through a relationship with FlightSafety International, Raytheon Aircraft provides initial and recurrent pilot and maintenance training services to reduce the frequency of accidents involving its products.

Raytheon Aircraft is a defendant in a number of product liability lawsuits which allege personal injury and property damage and seek substantial recoveries including, in some cases, punitive and exemplary damages. Raytheon Aircraft maintains partial insurance coverage against such claims and maintains a level of uninsured risk determined by management to be prudent. Additional information regarding aircraft product liability insurance is contained in Note M to the Company's Financial Statements on page 47 of the Company's 2001 Annual Report to Stockholders.

The insurance policies for product liability coverage held by Raytheon Aircraft do not exclude punitive damages, and it is the position of Raytheon Aircraft and its counsel that punitive damage claims are therefore covered. Historically, the defense of punitive damage claims has been undertaken and paid by insurance carriers. Under the law of some states, however, insurers are not required to respond to judgments for punitive damages. Nevertheless, to date no judgments for punitive damages have been sustained.

Various other claims and legal proceedings generally incidental to the normal course of business are pending or threatened on behalf of or against the Company. While the Company cannot predict the outcome of these matters, in the opinion of management, any liability arising from them will not have a material adverse effect on the Company's financial position, liquidity or results of operations after giving effect to provisions already recorded.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 4(A). Executive Officers of the Registrant

The executive officers of the Company are listed below. Each executive officer was elected by the Board of Directors to serve for a term of one year and until his or her successor is elected and qualified or until his or her earlier removal, resignation or death.

Daniel P. Burnham: Chairman and Chief Executive Officer since July 31, 1999. Prior thereto, Mr. Burnham served as President and Chief Executive Officer from December 1, 1998 to July 31, 1999 and as President and Chief Operating Officer from July 1, 1998 to December 1, 1998. Prior to joining the Company, Mr. Burnham was Vice Chairman of AlliedSignal, Inc. from October 1997 and President of AlliedSignal Aerospace and an Executive Vice President of AlliedSignal, Inc. from 1992 until becoming Vice Chairman in 1997. Age: 55.

Franklyn A. Caine: Senior Vice President and Chief Financial Officer since April 1999. Prior to assuming his present position, Mr. Caine was Executive Vice President and Chief Financial Officer of Wang Laboratories, Inc. from 1994. Age: 52.

Richard J. Foley: Vice President and Corporate Director of Contracts since February 1999. Prior to assuming his present position, Mr. Foley was appointed Corporate Director of Contracts in April 1998. Between 1995 and 1998, Mr. Foley was the Manager of Contracts of Raytheon's Electronic Systems Division. Mr. Foley has served Raytheon for more than 35 years holding senior contract management positions with the Company. Age: 57.

Richard A. Goglia: Vice President and Treasurer since January 1999. Prior to assuming such position, Mr. Goglia was Director, International Finance from March 1997. Prior to joining the Company, Mr. Goglia was Senior Vice President--Corporate Finance, GE Capital

Corporation from 1989. Age: 50.

Francis S. Marchilena: Executive Vice President of Raytheon Company and President - Command, Control, Communication and Information Systems since June 2000. Prior to assuming his present position, Mr. Marchilena was Senior Vice President and General Manager of the Command, Control and Communication Systems Segment and Executive Vice President and General Manager of the Training and Services Segment of the former Raytheon Systems Company. Between 1996 and 1998, Mr. Marchilena was the Assistant General Manager for Raytheon Electronic Systems. Mr. Marchilena has served Raytheon for more than 33 years holding increasingly responsible management positions with the Company. Age: 56.

Neal E. Minahan: Senior Vice President and General Counsel since July 2001. Prior to assuming his present position, Mr. Minahan was Vice President and Deputy General Counsel from December 1999 to June 2001; Senior Vice President, Raytheon Systems Company from December 1998 to November 1999; Deputy General Counsel Raytheon Company, January 1998 to November 1998 and Assistant General Counsel from 1990 to January 1998. Prior to that, he was Counsel from 1972 to 1990. Age: 57.

Keith J. Peden: Senior Vice President - Human Resources since March 2001. Prior to assuming his present position, Mr. Peden was Vice President Deputy Director - Human Resources since November 1997 and Corporate Director of Benefits and Compensation since April 1993. Age: 51.

Edward S. Pliner: Vice President and Corporate Controller since April 2000. Prior to assuming his present position, Mr. Pliner was a Partner of PricewaterhouseCoopers LLP from September 1995. Age: 44.

Rebecca B. Rhoads: Vice President and Chief Information Officer since April 2001. Prior to assuming her present position, Ms. Rhoads was Vice President of Information Systems Technology for Raytheon Electronic Systems from February 2000 and Vice President of Information Technology, Defense Systems Segment since July 1999. Between 1996 and 1999, Ms. Rhoads was Director of the Raytheon Test Systems Design Center. Age: 44.

James E. Schuster: Executive Vice President of Raytheon Company and Chairman and Chief Executive Officer - Raytheon Aircraft Company since May 2001. Prior to assuming his present position, Mr. Schuster was Vice President of Raytheon Company and President of Aircraft Integration Systems from April 2000 and Senior Vice President and Deputy General Manager for Aircraft Integration Systems since September 1999. Prior to joining the Company, Mr. Schuster was President, Motors & Generators, Magnetex, Inc. since 1996. Age: 48.

Gregory S. Shelton: Vice President - Engineering and Technology since May 2001. Prior to assuming his present position, Mr. Shelton served as Vice President of Engineering for Raytheon's missiles business since 1998. Prior to that, he was Vice President, Engineering for Hughes Weapons Systems segment from 1996 to 1997. He also served as Vice President and Product Line Manager, Air Missiles and Advanced Programs and Technology for Hughes Missile Systems Company from 1995 to 1996. Age: 51.

William H. Swanson: Executive Vice President of Raytheon Company and President - Electronic Systems since January 2000. Prior to assuming his present position, Mr. Swanson was Executive Vice President and Chairman and Chief Executive Officer of Raytheon Systems Company from December 1997; Executive Vice President and General Manager - Raytheon Electronic Systems Division from March 1995; and Senior Vice President and General Manager - Missile Systems Division from 1990. Mr. Swanson has served Raytheon for more than 28 years holding increasingly responsible management positions with the Company. Age: 53.

PART II

Item 5. Market For Registrant's Common Equity and Related Stockholder Matters

At December 31, 2001, there were 76,041 record holders of the Company's common stock. Additional information required by this Item 5 is contained on page 56 of the Company's 2001 Annual Report to Stockholders and in Note Q to the Company's Financial Statements on page 53 of the Company's 2001 Annual Report to Stockholders and is incorporated herein by reference.

During 2001, the Company eliminated its dual class capital structure and reclassified its Class A and Class B

common stock into a single new class of common stock. The Company also effected a 20-for-1 reverse-forward stock split that resulted in holders of fewer than 20 shares of common stock being cashed out of their holdings.

In May 2001, the Company issued 17,250,000, 8.25 percent, equity security units for \$50 per unit totaling \$837 million, net of offering costs. Also, in May 2001, the Company issued 14,375,000 shares of common stock for \$27.50 per share. In October 2001, the Company issued 31,578,900 shares of common stock for \$33.25 per share. Sales of the foregoing securities were registered under the Securities Act of 1933, as amended. The proceeds of the offerings were used to reduce debt and for general corporate purposes.

Item 6. Selected Financial Data

The information required by this Item 6 is included in the "Five Year Statistical Summary" contained in the Company's 2001 Annual Report to Stockholders on page 23 and is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this Item 7 is contained in the Company's 2001 Annual Report to Stockholders on pages 24 through 33 and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this Item 7A is contained in the Company's 2001 Annual Report to Stockholders on page 33 and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Selected quarterly financial data is contained in Note Q on page 53 and the financial statements and supplementary data of the Company are on pages 34 through 54, respectively, of the Company's 2001 Annual Report to Stockholders and are incorporated herein by reference. Schedules required under Regulation S-X are filed as "Financial Statement Schedules" pursuant to Item 14 of this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information regarding the directors of the Company is contained in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on April 24, 2002 under the captions "The Board of Directors and Board Committees" and "Election of Directors" and is incorporated herein by reference. Information regarding the executive officers of the Company is contained in Part I, Item 4(A) of this Form 10-K.

Item 11. Executive Compensation

This information is contained in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on April 24, 2002 under the caption "Executive Compensation" and, except for the information required by Items 402(k) and 402(l) of Regulation S-K, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

This information is contained in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on April 24, 2002 under the caption "Stock Ownership" and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

This information is contained in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on April 24, 2002 under the caption "Certain Relationships and Related Transactions" and is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Financial Statements and Schedules

- (1) The following financial statements of Raytheon Company as contained in Raytheon's 2001 Annual Report to Stockholders, are hereby incorporated by reference:

Balance Sheets at December 31, 2001 and 2000

Statements of Income for the Years Ended December 31, 2001, 2000 and 1999

Statements of Stockholders' Equity for the Years Ended December 31, 2001, 2000 and 1999

Statements of Cash Flows for the Years Ended December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements for the Year Ended December 31, 2001

- (2) The following financial statement schedule is included herein:

Schedule II, Reserves for the Three Years Ended December 31, 2001

Schedules I, III and IV are omitted because they are not required, not applicable or the information is otherwise included.

- (3) The reports of Raytheon's independent auditors with respect to the above referenced financial statements and financial statement schedule are hereby incorporated by reference

(b) Reports on Form 8-K

Raytheon Company Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2001

Raytheon Company Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2001

(c) Exhibits

3.1 Raytheon Company Restated Certificate of Incorporation, restated as of February 11, 1998 filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1997, is hereby incorporated by reference.

3.2 Raytheon Company Amended and Restated By-Laws, as amended through January 28, 1998 filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1997, is

hereby incorporated by reference.

- 3.3 Certificate of Amendment of Restated Certificate of Incorporation of Raytheon Company to effect a reverse stock split of the Registrant's Class A and Class B common stock, filed as an exhibit to Raytheon's Registration Statement on Form S-8, File No. 333-52535, is hereby incorporated by reference.
- 3.4 Certificate of Amendment of Restated Certificate of Incorporation of Raytheon Company to effect a forward stock split of the Registrant's Class A and Class B common stock, filed as an exhibit to Raytheon's Registration Statement on Form S-8, File No. 333-52535, is hereby incorporated by reference.
- 3.5 Certificate of Amendment of Restated Certificate of Incorporation of Raytheon Company to reclassify the Registrant's Class A and Class B common stock into a single new class of common stock, filed as an exhibit to Raytheon's Registration Statement on Form S-8, File No. 333-52535, is hereby incorporated by reference.
- 4.1 Indenture relating to Senior Debt Securities dated as of July 3, 1995 between Raytheon Company and The Bank of New York, Trustee, filed as an exhibit to Former Raytheon's Registration Statement on Form S-3, File No. 33-59241, is hereby incorporated by reference.
- 4.2 Indenture relating to Subordinated Debt Securities dated as of July 3, 1995 between Raytheon Company and The Bank of New York, Trustee, filed as an exhibit to Former Raytheon's Registration Statement on Form S-3, File No. 33-59241, is hereby incorporated by reference.
- 4.3 Supplemental Indenture dated as of December 17, 1997 between Raytheon Company and The Bank of New York, Trustee filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1997, is hereby incorporated by reference.
- 4.4 Second Supplemental Indenture, dated as of May 9, 2001, between Raytheon Company and the Bank of New York, filed as an exhibit to Raytheon's Form 8-K, dated May 10, 2001, is hereby incorporated by reference.
- 4.5 Rights Agreement dated as of December 15, 1997 between the Company and State Street Bank and Trust Company, as Rights Agent, filed as an exhibit to the Company's Registration Statement on Form 8-A, File No. 1-13699, is hereby incorporated by reference.
- 4.6 Amendment to Rights Agreement dated as of May 15, 2001 between the Company and State Street Bank and Trust Company, as Rights Agent.*
- 4.7 Agreement of Substitution and Amendment of Rights Agreement dated as of March 5, 2002 between the Company and American Stock Transfer and Trust Company.*
- 4.8 Form of Senior Debt Securities filed as an exhibit to Raytheon's Registration Statement on Form S-3, File No. 333-58474, is hereby incorporated by reference.
- 4.9 Form of Subordinated Debt Securities filed as an exhibit to Raytheon's Registration Statement on Form S-3, File No. 333-58474, is hereby incorporated by reference.
- 4.10 Certificate of Trust of RC Trust I filed as an exhibit to Raytheon's Registration Statement on Form S-3, File No. 333-58474, is hereby incorporated by reference.
- 4.11 Amended and Restated Declaration of Trust of RC Trust I, dated as of May 9, 2001, among Raytheon Company, The Bank of New York as initial Property Trustee, The Bank of New York (Delaware) as initial Delaware Trustee, and the Regular Trustee, filed as an exhibit to Raytheon's Form 8-K, dated May 10, 2001, is hereby incorporated by reference.

- 4.12 Certificate of Trust of RC Trust II filed as an exhibit to Raytheon's Registration Statement on Form S-3, File No. 333-58474, is hereby incorporated by reference.
- 4.13 Declaration of Trust of RC Trust II filed as an exhibit to Raytheon's Registration Statement on Form S-3, File No. 333-58474, is hereby incorporated by reference.
- 4.14 Purchase Contract Agreement dated May 9, 2001, filed as an exhibit to Raytheon's filing on Form 8-K, dated May 10, 2001, is hereby incorporated by reference.
- 4.15 Form of Preferred Security filed as an exhibit to Raytheon's Form 8-K, dated May 10, 2001, is hereby incorporated by reference.
- 4.16 Pledge Agreement dated May 9, 2001, among Raytheon Company, Bank One Trust Company, N.A., as Collateral Agent, Custodial Agent and Securities Intermediary and the Bank of New York, as Purchase Contract Agent, filed as an exhibit to Raytheon's Form 8-K/A, dated May 10, 2001, is hereby incorporated by reference.
- 4.17 Form of Remarketing Agreement among Raytheon Company and The Bank of New York as Purchase Contract Agent, filed as an exhibit to Raytheon's Form 8-K, dated May 10, 2001, is hereby incorporated by reference.
- 10.1 Raytheon Company 1976 Stock Option Plan, as amended, filed as an exhibit to the Company's Registration Statement on Form S-8, File No. 333-45629, is hereby incorporated by reference.
- 10.2 Raytheon Company 1991 Stock Plan, as amended, filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended July 4, 1999, is hereby incorporated by reference.
- 10.3 Raytheon Company 1995 Stock Option Plan, as amended, filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended July 4, 1999, is hereby incorporated by reference.
- 10.4 Raytheon Company 2001 Stock Plan, filed as an exhibit to the Company's Registration Statement on Form S-8, File No. 333-52535, is hereby incorporated by reference.
- 10.5 Plan for Granting Stock Options in Substitution for Stock Options Granted by Texas Instruments Incorporated, filed as an exhibit to the Company's Registration Statement on Form S-8, File No. 333- 45629, is hereby incorporated by reference.
- 10.6 Plan for Granting Stock Options in Substitution for Stock Options Granted by Hughes Electronics Corporation, filed as an exhibit to the Company's Registration Statement on Form S-8, File No. 333- 45629, is hereby incorporated by reference.
- 10.7 Raytheon Company 1997 Nonemployee Directors Restricted Stock Plan, filed as an exhibit to the Company's Registration Statement on Form S-8, File No. 333-45629, is hereby incorporated by reference.
- 10.8 Raytheon Company Deferral Plan for Directors, filed as an exhibit to Former Raytheon's Registration Statement on Form S-8, File No. 333-22969, is hereby incorporated by reference.

- 10.9 Form of Executive Change in Control Severance Agreement between the Company and each of the following executives: Franklyn A. Caine, Francis S. Marchilena, Neal E. Minahan, Keith J. Peden, James E. Schuster and William H. Swanson.*
- 10.10 Form of Executive Change in Control Severance Agreement between the Company and each of the following executives: Richard A. Goglia, Edward S. Pliner, Rebecca R. Rhoads, and Gregory S. Shelton.*
- 10.11 Employment Agreement between Raytheon Company and Daniel P. Burnham, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, is hereby incorporated by reference.
- 10.12 Severance Agreement between Raytheon Company and Daniel P. Burnham, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, is hereby incorporated by reference.
- 10.13 Employment Agreement between Raytheon Company and Franklyn A. Caine, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended April 4, 1999, is hereby incorporated by reference.
- 10.14 Amendment to William H. Swanson's Change in Control Severance Agreement, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1999, is hereby incorporated by reference.
- 10.15 Employment Agreement between Raytheon Company and Edward S. Pliner.*
- 10.16 Retention Agreement between Raytheon Company and Hansel E. Tookes, II, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2000, is hereby incorporated by reference.
- 10.17 Letter Agreement between Raytheon Company and Hansel E. Tookes, II amending the Retention Agreement referenced in Exhibit 10.16 between the parties dated as of April 7, 2000.*
- 10.18 Employment Agreement between Raytheon Company and Keith J. Peden.*
- 10.19 HE Holdings, Inc. Five Year Competitive Advance and Revolving Credit Facility, filed as an exhibit to the Company's Registration Statement on Form S-4, File No. 333-37223, is hereby incorporated by reference.
- 10.20 Third Amended and Restated Purchase and Sale Agreement dated as of March 9, 2001 among

Raytheon Aircraft Credit Corporation, Raytheon Aircraft Receivables Corporation and the Purchasers named therein, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended April 1, 2001, is hereby incorporated by reference.

- 10.21 Reaffirmation of Amended and Restated Repurchase Agreement dated as of March 9, 2001 among Raytheon Aircraft Company and the Purchasers named therein, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended April 1, 2001, is hereby incorporated by reference.
- 10.22 Amendment and Reaffirmation of Amended and Restated Guarantee dated as of March 9, 2001 among Raytheon Company and the Purchasers named therein, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended April 1, 2001, is hereby incorporated by reference.
- 10.23 364 Day Competitive Advance and Revolving Credit Facility dated as of November 28, 2001, among Raytheon Company, as Borrower, Raytheon Technical Services Company and Raytheon Aircraft Company, as Guarantors, the lenders named therein, and J.P. Morgan Chase Bank as Administrative Agent for the lenders.*
- 10.24 Five-Year Competitive Advance and Revolving Credit Facility dated as of November 28, 2001, among Raytheon Company, as Borrower, Raytheon Technical Services Company and Raytheon Aircraft Company, as Guarantors, the lenders named therein, and J.P. Morgan Chase Bank as Administrative Agent for the lenders.*
- 10.25 Raytheon Savings and Investment Plan, as amended and restated effective January 1, 1999, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated by reference.
- 10.26 Raytheon Employee Savings and Investment Plan, as amended and restated effective January 1, 1999, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated by reference.
- 10.27 Raytheon Excess Savings Plan, filed as an exhibit to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-8, File No. 333-56117, is hereby incorporated by reference.
- 10.28 Raytheon Deferred Compensation Plan, filed as an exhibit to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-8, File No. 333-56117, is hereby incorporated by reference.
- 10.29 Guarantee Agreement, dated as of May 9, 2001, between Raytheon Company and The Bank of New York as initial Guarantee Trustee, filed as an exhibit to Raytheon's Form 8-K, dated May 10, 2001, is hereby incorporated by reference.
- 10.30 Raytheon Supplemental Executive Retirement Plan.*
- 12 Statement regarding Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends for the year ended December 31, 2001.*
- 13 Raytheon Company 2001 Annual Report to Stockholders (furnished for the information of the Commission and not to be deemed "filed" as part of this Report except to the extent that portions thereof are expressly incorporated herein by reference).*

21 Subsidiaries of Raytheon Company.*

23.1 Consent of Independent Accountants.*

23.2 Reports of Independent Accountants.*

(Exhibits marked with an asterisk (*) are filed electronically
herewith.)

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RAYTHEON COMPANY

/s/ Franklyn A. Caine

Franklyn A. Caine
Senior Vice President and Chief Financial
Officer for the Registrant

Dated: March 18, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
/s/ Daniel P. Burnham ----- Daniel P. Burnham	Chairman and Chief Executive Officer (Principal Executive Officer)	March 18, 2002
/s/ Barbara M. Barrett ----- Barbara M. Barrett	Director	March 18, 2002
/s/ Ferdinand Colloredo-Mansfeld ----- Ferdinand Colloredo-Mansfeld	Director	March 18, 2002
/s/ John M. Deutch ----- John M. Deutch	Director	March 18, 2002
/s/ Thomas E. Everhart ----- Thomas E. Everhart	Director	March 18, 2002
/s/ John R. Galvin ----- John R. Galvin	Director	March 18, 2002
/s/ L. Dennis Kozlowski ----- L. Dennis Kozlowski	Director	March 18, 2002
/s/ Henrique de Campos Meirelles ----- Henrique de Campos Meirelles	Director	March 18, 2002
/s/ Frederic M. Poses ----- Frederic M. Poses	Director	March 18, 2002

/s/ Warren B. Rudman - ----- Warren B. Rudman	Director	March 18, 2002
/s/ Michael C. Ruetters - ----- Michael C. Ruetters	Director	March 18, 2002
/s/ William R. Spivey - ----- William R. Spivey	Director	March 18, 2002
/s/ Alfred M. Zeien - ----- Alfred M. Zeien	Director	March 18, 2002
/s/ Edward S. Pliner - ----- Edward S. Pliner	Vice President and Corporate Controller (Chief Accounting Officer)	March 18, 2002

RAYTHEON COMPANY

 SCHEDULE II - RESERVES
 FOR THE THREE YEARS ENDED DECEMBER 31, 2001

(In millions)

COLUMN A	COLUMN B		COLUMN C	COLUMN D	COLUMN E
Description -----	Balance at beginning of period -----	Charged to costs and expenses	Charged to other accounts	Deductions Note (1)	Balance at end of Period -----
Year ended December 31, 2001:					
Allowance for doubtful accounts receivable	\$22.9	\$2.3	-	\$2.9	\$22.3
Year ended December 31, 2000:					
Allowance for doubtful accounts receivable	\$26.6	\$3.9	-	\$7.6	\$22.9
Year ended December 31, 1999:					
Allowance for doubtful Accounts receivable	\$20.8	\$8.3	-	\$2.5	\$26.6

Note (1) - Uncollectible accounts and adjustments, less recoveries.

AMENDMENT TO RIGHTS AGREEMENT

AMENDMENT, dated as of May 15, 2001, to the Rights Agreement, dated as of December 15, 1997 (the "Rights Agreement"), between Raytheon Company, a Delaware corporation (the "Company", and State Street Bank and Trust Company, as Rights Agent (the "Rights Agent").

WHEREAS, the Company and the Rights Agent have heretofore executed and entered into the Rights Agreement. Pursuant to Section 27 of the Rights Agreement, the Company and the Rights Agent may from time to time supplement or amend the Rights Agreement in accordance with the provisions thereof. All acts and things necessary to make this Amendment a valid agreement, enforceable according to its terms, have been done and performed, and the execution and delivery of this Amendment by the Company and the Rights Agent have been in all respects duly authorized by the Company and the Rights Agent.

WHEREAS, the Board of Directors and the Shareholders of the Company have each approved, and the Company has filed, certain amendments to the Restated Certificate of Incorporation and By-laws of the Company, pursuant to which the Company has reclassified (the "Reclassification") each outstanding share of Class A Common Stock, par value \$.01 ("Class A Common Stock") and Class B Common Stock, par value \$.01 ("Class B Common Stock") into a single class of new Common Stock, par value \$.01 ("Common Stock").

WHEREAS, The Board of Directors has determined that it is in the best interest of the Company and its shareholders to amend the Rights Agreement in light of the Reclassification.

In consideration of the foregoing and the mutual agreements set forth herein, and intending to be legally bound, the parties hereto agree as follows:

1. Section 1 of the Rights Agreement is hereby modified and amended as follows:

The first sentence of the definition of Common Shares is deleted and replaced with the following:

"Common Shares" when used with reference to the Company shall mean the shares of Common Stock \$.01 par value per share of the Company.

The definition of Triggering Holding is deleted and replaced with the following:

"Triggering Holding" shall mean any holding that includes 15% or more of the Common Shares of the Company then outstanding.

2. Both Section 11(a)(ii) and Section 11(d)(ii) of the Rights Agreement are hereby modified and amended so that each reference in Section 11(a)(ii) and in Section 11(d)(ii) to Class B Common Shares is replaced with, and shall be deemed to refer to, Common Shares.

3. Section 24 of the Rights Agreement is hereby modified and amended so that each reference in section 24 to Class B Common Shares is replaced with, and shall be deemed to refer to, Common Shares.

4. Clause (i) of Section 24 of the Rights Agreement is hereby modified and amended to read as follows "the sum of .001% and the largest percentage of outstanding Common Shares then known by the Company to be beneficially owned by any Person (other than an Exempt Person) and"

5. This Amendment to the Rights Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

6. This Amendment to the Rights Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute one and the same instrument. Terms not defined herein shall, unless the context otherwise requires, have the meanings assigned to such terms in the Rights Agreement.

7. In all respects not inconsistent with the terms and provisions of this Amendment to the Rights Agreement, the Rights Agreement is hereby ratified, adopted, approved and confirmed. In executing and delivering this Amendment, the Rights Agent shall be entitled to all the privileges and immunities afforded to the Rights Agent under the terms and conditions of the Rights Agreement.

8. If any term, provision, covenant or restriction of the Amendment to the Rights Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Amendment to the Rights Agreement, and of the Rights Agreement, shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

9. If any term, provision, covenant or restriction of this Amendment to the Rights Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Amendment to the Rights Agreement, and of the Rights Agreement, shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be duly executed and attested, all as of the date and year first above written.

Attest: RAYTHEON COMPANY

By: /s/ John W. Kapples

John W. Kapples
Vice President and Secretary

By: /s/ Thomas D. Hyde

Thomas D. Hyde
Senior Vice President and General Counsel

Attest: STATE STREET BANK AND TRUST COMPANY

By: /s/ Peter P. Harrington

By: /s/ Stephen Cesso

AGREEMENT OF SUBSTITUTION AND AMENDMENT OF RIGHTS AGREEMENT

This Agreement of Substitution and Amendment is entered into as of March 5, 2002, by and between Raytheon Company, a Delaware corporation (the "Company") and American Stock Transfer and Trust Company, a New York banking corporation ("AST").

RECITALS

- A. On or about December 15, 1997, HE Holdings, Inc., the predecessor in interest to the Company, entered into a Rights Agreement, as amended by the First Amendment to Rights Agreement dated May 15, 2001 (the "Rights Agreement"), with State Street Bank and Trust Company, the predecessor in interest to EquiServe (the "Predecessor Agent") as rights agent.
- B. On or about February 1, 2002, the Predecessor Agent notified the Company in writing of its resignation as rights agent pursuant to Section 21 of the Agreement. Such resignation was effective as of March 4, 2002.
- C. The Company wishes to substitute AST as rights agent pursuant to Section 21 of the Rights Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of other consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Section 21 of the Rights Agreement is hereby amended to provide that any successor rights agent shall, at the time of its appointment as rights agent, have a combined capital and surplus of at least \$10 million, rather than \$50 million.
2. The Company hereby appoints AST as rights agent pursuant to Section 21 of the Rights Agreement, to serve in that capacity for the consideration and subject to all of the terms and conditions of the Rights Agreement.
3. AST hereby accepts the appointment as rights agent pursuant to Section 21 of the Rights Agreement and agrees to serve in that capacity for the consideration and subject to all of the terms and conditions of the Rights Agreement.
4. From and after the effective date hereof, each and every reference in the Rights Agreement to a "Rights Agent" shall be deemed to be a reference to AST.
5. Section 26 of the Rights Agreement is amended to provide that notices or demands shall be addressed as follows (until another address is filed):

If to the Company:

Raytheon Company
141 Spring Street
Lexington, MA 02421
Attn: Corporate Secretary

If to AST:

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
Attention: Corporate Trust Department

6. Except as expressly modified herein, the Rights Agreement shall remain in full force and effect.
7. This Agreement of Substitution and Amendment may be executed in one or more counterparts, each of which shall together constitute one and the same document.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date indicated above.

RAYTHEON COMPANY

By: /s/ Neal E. Minahan

Name:

AMERICAN STOCK TRANSFER & TRUST COMPANY

By: /s/ Herbert Lemmer

Name:

Raytheon Company
Change In Control Severance Agreement

Agreement by and between Raytheon Company, a Delaware corporation (the "Company"), and _____ ("Executive") dated as of _____, 2001.

The Board of Directors of Company believes it is in the best interests of the Company and its stockholders to have the continued dedication of Executive notwithstanding the possibility, threat or occurrence of a Change in Control (as defined in Section 1.5); to diminish the inevitable distraction of Executive due to personal uncertainties and risks created by a threatened or pending Change in Control; and to provide Executive with compensation and benefits arrangements upon a Change in Control which are competitive with those offered by other corporations.

Therefore, the Board of Directors has caused the Company to enter into this Agreement, and the Company and Executive agree as follows:

1 DEFINITIONS

For purposes of this Agreement, the following terms have the following meanings.

1.1 "Affiliated Company" means an affiliated company as defined in Rule 12b-2 of _____ the Securities Exchange Act of 1934, as amended (the "Exchange Act").

1.2 "Base Salary" means Executive's annual base salary paid or payable _____ (including any base salary which has been earned but deferred) to Executive by the Company or an affiliated company immediately preceding the date of a Change in Control.

1.3 "Board" means the Board of Directors of the Company.

1.4 "Cause" means Executive's:

- (i) willful and continued failure to perform substantially Executive's duties with the Company or one of its affiliates as such duties are constituted as of a Change in Control after the Company delivers to Executive written demand for substantial performance specifically identifying the manner in which Executive has not substantially performed Executive's duties;

(ii) conviction for a felony; or

(iii) willfully engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this Section 1.4, no act or omission by Executive shall be considered "willful" unless it is done or omitted in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company. Any act or failure to act based upon (a) authority given pursuant to a resolution duly adopted by the Board, (b) instructions of the Chief Executive Officer or a senior officer of the Company, or (c) advice of counsel for the Company shall be conclusively presumed to be done or omitted to be done by Executive in good faith and in the best interests of the Company. For purposes of subsections (i) and (iii) above, Executive shall not be deemed to be terminated for Cause unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board at a meeting called and held for such purpose (after reasonable notice is provided to Executive and Executive is given an opportunity, together with counsel, to be heard before the Board) finding that in the good faith opinion of the Board Executive is guilty of the conduct described in subsection (i) or (iii) above and specifying the particulars thereof in detail.

1.5 "Change in Control" of the Company shall be deemed to have occurred as of

the first day that any one or more of the following conditions shall have been satisfied:

- (i) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person"), other than those Persons in control of the Company as of the date hereof or a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, become the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities; or
- (ii) A change in the Board such that individuals who as of the date hereof constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent

Board shall be considered as though such individual were a member of the Incumbent Board; or

- (iii) The stockholders of the Company approve: (a) a plan of complete liquidation of the Company; (b) an agreement for the sale or disposition of all or substantially all of the Company's assets; (c) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization.

However, in no event shall a Change in Control be deemed to have occurred for purposes of this Agreement if Executive is included in a Person that consummates the Change in Control. Executive shall not be deemed to be included in a Person by reason of ownership of (i) less than 3% of the equity in the Person or (ii) an equity interest in the Person which is otherwise not significant as determined prior to the Change of Control by a majority of the non-employee continuing directors of the Company.

1.6 "Code" means the Internal Revenue Code of 1986, as amended.

1.7 "Good Reason" means any of the following acts or omissions by the Company

without Executive's express written consent:

- (i) assigning to Executive duties materially inconsistent with Executive's position (including status, offices, titles and reporting requirements), authority or responsibilities immediately prior to a Change in Control or any other action by the Company which results in a material diminution of Executive's position, authority, duties or responsibilities as constituted immediately prior to a Change in Control;
- (ii) requiring Executive (a) to be based at any office or location in excess of 50 miles from Executive's office or location immediately prior to a Change in Control or (b) to travel on Company business to a substantially greater extent than required immediately prior to a Change in Control;
- (iii) reducing Executive's Base Salary;

- (iv) materially reducing in the aggregate Executive's incentive opportunities under the Company's or an affiliated company's short- and long-term incentive programs as such opportunities exist immediately prior to a Change in Control;
- (v) materially reducing Executive's targeted annualized award opportunities and/or the degree of probability of attainment of such annualized award opportunities as such opportunities exist immediately prior to a Change in Control;
- (vi) failing to maintain Executive's amount of benefits under or relative level of participation in the Company's or an affiliated Company's employee benefit or retirement plans, policies, practices or arrangements in which the Executive participates immediately prior to a Change in Control;
- (vii) purportedly terminating Executive's employment otherwise than as expressly permitted by this Agreement; or
- (viii) failing to comply with and satisfy Section 8.3 hereof by requiring any successor to the Company to assume and agree to perform the Company's obligations hereunder.

1.8 "Qualifying Termination" means the occurrence of any of the following events

 within twenty-four (24) calendar months after a Change in Control:

- (i) the Company terminates the employment of Executive for any reason other than for Cause including, without limitation, forcing Executive to retire on any date not of Executive's choosing;
- (ii) Executive terminates employment with the Company for Good Reason;
- (iii) the Company fails to require a successor to assume, or a successor refuses to assume, the Company's obligations as required by Section 8 hereof; or
- (iv) the Company or any successor breaches any of the provisions hereof.

1.9 "Severance Benefits" means:

-
- (i) an amount equal to the product of Executive's Base Salary multiplied by three (3);

- (ii) an amount equal to Executive's unpaid Base Salary through a Qualifying Termination;
- (iii) an amount equal to the product of the greater of (a) Executive's annual bonus earned for the fiscal year immediately prior to a Change in Control and (b) Executive's target annual bonus established for the plan year in which a Qualifying Termination occurs multiplied by three (3);
- (iv) an amount equal to the product of Executive's unpaid targeted annual bonus established for the plan year in which a Change in Control occurs multiplied by a fraction the numerator of which is the number of days elapsed in the current fiscal year to the Qualifying Termination and the denominator of which is 365;
- (v) an amount equal to the dollar value of Executive's accrued vacation through a Qualifying Termination;
- (vi) an amount equal to all compensation deferred by Executive together with all interest thereon;
- (vii) an amount equal to the actuarial present value of the aggregate benefits accrued by Executive as of a Qualifying Termination under the Company's supplemental retirement plan calculated assuming that Executive's employment continued for three years following a Qualifying Termination; provided, however, that for purposes of determining Executive's final average pay under the supplemental retirement plan, Executive's actual pay history as of the Qualifying Termination shall be used; and
- (viii) fringe benefits pursuant to all welfare, benefit and retirement plans under which Executive and Executive's family are eligible to receive benefits or coverage as of a Change in Control, including but not limited to life insurance, hospitalization, disability, medical, dental, pension and thrift plans.

2 QUALIFYING TERMINATION

2.1 Severance Benefits. Following a Qualifying Termination Executive shall be

entitled to all Severance Benefits, conditioned upon receipt of a written release by the Executive of any claims against the Company or its subsidiaries, except those claims arising under this Agreement or any other written plan or agreement, which shall be specifically noted in such release. The Severance Benefits under this Agreement shall be the exclusive source of separation payments to the Executive. By receipt of the

Severance Benefits provided herein and the execution of the written release provided above, the Executive waives any and all claims the Executive may have to payment upon separation from employment that may arise under any other agreement with the Company, including but not limited to the Severance Agreement dated July 1, 1998, or under any Company-sponsored employee welfare plan.

2.2 Payment of Benefits. The Severance Benefits described in Sections 1.9 (i) through 1.9(vii) shall be paid in cash within 30 days of a Qualifying Termination.

2.3 Duration of Benefits. The Severance Benefits described in Section 1.9(viii) shall be provided to Executive at the same premium cost as in effect immediately prior to the Qualifying Termination. The welfare Severance Benefits described in Section 1.9(viii) shall be provided following the Qualifying Termination until the earlier of (i) the second anniversary of the Qualifying Termination or (ii) the date Executive receives substantially equivalent welfare benefits from a subsequent employer.

3 NON-QUALIFYING TERMINATIONS

3.1 Voluntary; for Cause; Death. Following a Change in Control, if Executive's employment is terminated (i) voluntarily by Executive without Good Reason, (ii) involuntarily by the Company for Cause or (iii) due to death, Executive shall be entitled to Base Salary and benefits accrued through the date of termination and Executive's entitlement to all other benefits shall be determined in accordance with the Company's retirement, insurance and other applicable plans, policies, practices and arrangements. Thereafter, the Company shall have no further obligations to Executive hereunder.

4 NOTICE OF TERMINATION

4.1 Notice by Executive or Company. Any termination by Executive for Good Reason or by the Company for Cause shall be communicated by written notice given to the other in accordance with Section 9.2 hereof and which:

- (i) indicates the specific termination provision in this Agreement relied upon;
- (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision indicated to the extent possible; and
- (iii) specifies the termination date (which date shall not be more than 30 days after the giving of such notice).

4.2 Failure to Give Notice. The failure by Executive or the Company to set forth

in the notice of termination required by Section 4.1 any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

5 TAX PAYMENTS

5.1 Excise Tax Payments. (i) Anything in this Agreement to the contrary

notwithstanding and except as set forth below, if it is determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 5) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Subsection 5(i), if it is determined that Executive is entitled to a Gross-Up Payment, but that Executive, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit of at least \$50,000 (taking into account both income taxes and any Excise Tax) as compared to the net after-tax proceeds to Executive resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(ii) Subject to the provisions of Subsection 5(iii), all determinations required to be made under this Section 5, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by PricewaterhouseCoopers or such other certified public accounting firm as may be designated by Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within 15 business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. If the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in

Control, Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 5, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. If the Company exhausts its remedies pursuant to Subsection 5(iii) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

(iii) Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

- (a) give the Company any information reasonable requested by the Company relating to such claim,
- (b) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
- (c) cooperate with the Company in good faith in order effectively to contest such claim, and
- (d) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Subsection 5(iii), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or to contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis, and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(iv) If, after the receipt by Executive of an amount advanced by the Company pursuant to Subsection 5(iii), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Subsection 5(iii)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If after the receipt by Executive of an amount advanced by the Company pursuant to Subsection 5(iii), a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

5.2 Tax Withholding. The Company may withhold from any amounts payable under -----
this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

6 EXTENT OF COMPANY'S OBLIGATIONS

6.1 No Set-Off, Etc. The Company's obligation to make the payments and perform

it obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others. All payments by the Company hereunder shall be final, and the Company shall not seek to recover from Executive any part of any payment for any reason whatsoever.

6.2 No Mitigation. In no event shall Executive be obligated to seek other

employment or take any other action by way of mitigation of the amounts payable to Executive under any provision hereof, and such amounts shall not be reduced whether or not Executive obtains other employment except to the extent contemplated by Section 2.3 hereof.

6.3 Payment of Legal Fees and Costs. The Company agrees to pay as incurred, to

the full extent permitted by law, all legal fees and expenses which Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by Executive about the amount of payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code.

6.4 Arbitration. Executive shall have the right to have settled by arbitration

any dispute or controversy arising in connection herewith. Such arbitration shall be conducted in accordance with the rules of the American Arbitration Association before a panel of three arbitrators sitting in a location selected by Executive. Judgment may be entered on the award of the arbitrators in any court having proper jurisdiction. All expenses of such arbitration shall be borne by the Company in accordance with Section 6.3 hereof.

7 TERM

7.1 Initial Term. The term of this Agreement shall be two years from the date

hereof.

7.2 Renewal. The terms of this Agreement automatically shall be extended for

successive one-year terms unless canceled by the Company by written notice to Executive not less than six months prior to the end of any term.

7.3 Effect of Change in Control. Notwithstanding Sections 7.1 and 7.2 to the

contrary, the Company may not cancel this Agreement following a Change in Control.

8 SUCCESSORS

8.1 This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall be inure to the benefit of and be enforceable by Executive's legal representatives. Executive may from time to time designate in writing one or more persons or entities as primary and/or contingent beneficiaries of any Severance Benefit owing to Executive hereunder.

8.2 This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

8.3 The Company shall require any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. For purposes hereof, "Company" means the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

9 MISCELLANEOUS

9.1 Heading. The headings are not part of the provisions hereof and shall have -----
no force or effect.

9.2 Notices. All notices and other communications hereunder shall be in writing -----
and shall be given by hand delivery or by registered or certified mail, return receipt required, postage prepaid, addressed as follows:

if to the Company: Raytheon Company
141 Spring Street
Lexington, Massachusetts 02421
Attention: General Counsel

if to Executive: -----

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received.

9.3 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision hereof.

9.4 Compliance; Waiver. Executive's or the Company's failure to insist upon strict compliance with any provision hereof or failure to assert any right hereunder, including without limitation the right of Executive to terminate employment for Good Reason pursuant to Section 2.1 hereof, shall not be deemed to be a waiver of such provision or right or any other provision or right hereof.

9.5 Employment Status. Executive and Company acknowledge that except as may otherwise be provided under any other written agreement between Executive and the Company, the employment of Executive by the Company is "at will" and prior to a Change in Control may be terminated at any time by Executive or the Company. Following a Change in Control, the provisions of this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Raytheon Company

By: _____
Keith J. Peden
Senior Vice President,
Human Resources

Executive

Raytheon Company
Change In Control Severance Agreement

Agreement by and between Raytheon Company, a Delaware corporation (the "Company"), and _____ ("Executive") dated as of _____, 2001.

The Board of Directors of Company believes it is in the best interests of the Company and its stockholders to have the continued dedication of Executive notwithstanding the possibility, threat or occurrence of a Change in Control (as defined in Section 1.5); to diminish the inevitable distraction of Executive due to personal uncertainties and risks created by a threatened or pending Change in Control; and to provide Executive with compensation and benefits arrangements upon a Change in Control which are competitive with those offered by other corporations.

Therefore, the Board of Directors has caused the Company to enter into this Agreement, and the Company and Executive agree as follows:

1 DEFINITIONS

For purposes of this Agreement, the following terms have the following meanings.

1.1 "Affiliated Company" means an affiliated company as defined in Rule 12b-2 of _____ the Securities Exchange Act of 1934, as amended (the "Exchange Act").

1.2 "Base Salary" means Executive's annual base salary paid or payable _____ (including any base salary which has been earned but deferred) to Executive by the Company or an affiliated company immediately preceding the date of a Change in Control.

1.3 "Board" means the Board of Directors of the Company.

1.4 "Cause" means Executive's:

- (i) willful and continued failure to perform substantially Executive's duties with the Company or one of its affiliates as such duties are constituted as of a Change in Control after the Company delivers to Executive written demand for substantial performance specifically identifying the manner in which Executive has not substantially performed Executive's duties;
- (ii) conviction for a felony; or
- (iii) willfully engaging in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this Section 1.4, no act or omission by Executive shall be considered "willful" unless it is done or omitted in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company. Any act or failure to act based upon (a) authority given pursuant to a resolution duly adopted by the Board, (b) instructions of the Chief Executive Officer or a senior officer of the Company, or (c) advice of counsel for the Company shall be conclusively presumed to be done or omitted to be done by Executive in good faith and in the best interests of the Company. For purposes of subsections (i) and (iii) above, Executive shall not be deemed to be terminated for Cause unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board at a meeting called and held for such purpose (after reasonable notice is provided to Executive and Executive is given an opportunity, together with counsel, to be heard before the Board) finding that in the good faith opinion of the Board Executive is guilty of the conduct described in subsection (i) or (iii) above and specifying the particulars thereof in detail.

1.5 "Change in Control" of the Company shall be deemed to have occurred as of -----
the first day that any one or more of the following conditions shall have been satisfied:

- (i) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person"), other than those Persons in control of the Company as of the date hereof or a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, become the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities; or
- (ii) A change in the Board such that individuals who as of the date hereof constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; or
- (iii) The stockholders of the Company approve: (a) a plan of complete liquidation of the Company; (b) an agreement for the sale or disposition of all or substantially all of the Company's assets; (c) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the combined voting power of the voting

securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization.

However, in no event shall a Change in Control be deemed to have occurred for purposes of this Agreement if Executive is included in a Person that consummates the Change in Control. Executive shall not be deemed to be included in a Person by reason of ownership of (i) less than 3% of the equity in the Person or (ii) an equity interest in the Person which is otherwise not significant as determined prior to the Change of Control by a majority of the non-employee continuing directors of the Company.

1.6 "Code" means the Internal Revenue Code of 1986, as amended.

1.7 "Good Reason" means any of the following acts or omissions by the Company

without Executive's express written consent:

- (i) assigning to Executive duties materially inconsistent with Executive's position (including status, offices, titles and reporting requirements), authority or responsibilities immediately prior to a Change in Control or any other action by the Company which results in a material diminution of Executive's position, authority, duties or responsibilities as constituted immediately prior to a Change in Control;
- (ii) requiring Executive (a) to be based at any office or location in excess of 50 miles from Executive's office or location immediately prior to a Change in Control or (b) to travel on Company business to a substantially greater extent than required immediately prior to a Change in Control;
- (iii) reducing Executive's Base Salary;
- (iv) materially reducing in the aggregate Executive's incentive opportunities under the Company's or an affiliated company's short- and long-term incentive programs as such opportunities exist immediately prior to a Change in Control;
- (v) materially reducing Executive's targeted annualized award opportunities and/or the degree of probability of attainment of such annualized award opportunities as such opportunities exist immediately prior to a Change in Control;
- (vi) failing to maintain Executive's amount of benefits under or relative level of participation in the Company's or an affiliated Company's employee benefit or retirement plans, policies, practices or arrangements in which the Executive participates immediately prior to a Change in Control;
- (vii) purportedly terminating Executive's employment otherwise than as expressly permitted by this Agreement; or

(viii) failing to comply with and satisfy Section 8.3 hereof by requiring any successor to the Company to assume and agree to perform the Company's obligations hereunder.

1.8 "Qualifying Termination" means the occurrence of any of the following events

within twenty-four (24) calendar months after a Change in Control:

- (i) the Company terminates the employment of Executive for any reason other than for Cause including, without limitation, forcing Executive to retire on any date not of Executive's choosing;
- (ii) Executive terminates employment with the Company for Good Reason;
- (iii) the Company fails to require a successor to assume, or a successor refuses to assume, the Company's obligations as required by Section 8 hereof; or
- (iv) the Company or any successor breaches any of the provisions hereof.

1.9 "Severance Benefits" means:

- (i) an amount equal to the product of Executive's Base Salary multiplied by two (2);
- (ii) an amount equal to Executive's unpaid Base Salary through a Qualifying Termination;
- (iii) an amount equal to the product of the greater of (a) Executive's annual bonus earned for the fiscal year immediately prior to a Change in Control or (b) Executive's target annual bonus established for the plan year in which a Qualifying Termination occurs multiplied by two (2);
- (iv) an amount equal to the product of Executive's unpaid targeted annual bonus established for the plan year in which a Change in Control occurs multiplied by a fraction the numerator of which is the number of days elapsed in the current fiscal year to the Qualifying Termination and the denominator of which is 365;
- (v) an amount equal to the dollar value of Executive's accrued vacation through a Qualifying Termination;
- (vi) an amount equal to all compensation deferred by Executive together with all interest thereon;
- (vii) an amount equal to the actuarial present value of the aggregate benefits accrued by Executive as of a Qualifying Termination under the Company's supplemental retirement plan calculated assuming that Executive's employment continued for two years following a Qualifying Termination; provided, however, that for

purposes of determining Executive's final average pay under the supplemental retirement plan, Executive's actual pay history as of the Qualifying Termination shall be used; and

(viii) fringe benefits pursuant to all welfare, benefit and retirement plans under which Executive and Executive's family are eligible to receive benefits or coverage as of a Change in Control, including but not limited to life insurance, hospitalization, disability, medical, dental, pension and thrift plans.

2 QUALIFYING TERMINATION

2.1 Severance Benefits. Following a Qualifying Termination Executive shall be

entitled to all Severance Benefits, conditioned upon receipt of a written release by the Executive of any claims against the Company or its subsidiaries, except those claims arising under this Agreement or any other written plan or agreement, which shall be specifically noted in such release.

2.2 Payment of Benefits. The Severance Benefits described in Sections 1.9 (i)

through 1.9(vii) shall be paid in cash within 30 days of a Qualifying Termination.

2.3 Duration of Benefits. The Severance Benefits described in Section 1.9(viii)

shall be provided to Executive at the same premium cost as in effect immediately prior to the Qualifying Termination. The welfare Severance Benefits described in Section 1.9(viii) shall be provided following the Qualifying Termination until the earlier of (i) the second anniversary of the Qualifying Termination or (ii) the date Executive receives substantially equivalent welfare benefits from a subsequent employer.

3 NON-QUALIFYING TERMINATIONS

3.1 Voluntary; for Cause; Death. Following a Change in Control, if Executive's

employment is terminated (i) voluntarily by Executive without Good Reason, (ii) involuntarily by the Company for Cause or (iii) due to death, Executive shall be entitled to Base Salary and benefits accrued through the date of termination and Executive's entitlement to all other benefits shall be determined in accordance with the Company's retirement, insurance and other applicable plans, policies, practices and arrangements. Thereafter, the Company shall have no further obligations to Executive hereunder.

4 NOTICE OF TERMINATION

4.1 Notice by Executive or Company. Any termination by Executive for Good Reason

or by the Company for Cause shall be communicated by written notice given to the other in accordance with Section 9.2 hereof and which:

(i) indicates the specific termination provision in this Agreement relied upon;

(ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision indicated to the extent possible; and

(iii) specifies the termination date (which date shall not be more than 30 days after the giving of such notice).

4.2 Failure to Give Notice. The failure by Executive or the Company to set forth

in the notice of termination required by Section 4.1 any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

5.1 Excise Tax Payments. (i) Anything in this Agreement to the contrary

notwithstanding and except as set forth below, if it is determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 5) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Subsection 5(i), if it is determined that Executive is entitled to a Gross-Up Payment, but that Executive, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit of at least \$50,000 (taking into account both income taxes and any Excise Tax) as compared to the net after-tax proceeds to Executive resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(ii) Subject to the provisions of Subsection 5(iii), all determinations required to be made under this Section 5, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by PricewaterhouseCoopers or such other certified public accounting firm as may be designated by Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within 15 business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. If the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 5, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. If the Company exhausts its remedies pursuant to Subsection 5(iii) and Executive thereafter is required to make a payment of any Excise Tax, the

Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

(iii) Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

- (a) give the Company any information reasonable requested by the Company relating to such claim,
- (b) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
- (c) cooperate with the Company in good faith in order effectively to contest such claim, and
- (d) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Subsection 5(iii), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or to contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis, and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount.

Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(iv) If, after the receipt by Executive of an amount advanced by the Company pursuant to Subsection 5(iii), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Subsection 5(iii)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If after the receipt by Executive of an amount advanced by the Company pursuant to Subsection 5(iii), a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

5.2 Tax Withholding. The Company may withhold from any amounts payable under

this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

6 EXTENT OF COMPANY'S OBLIGATIONS

6.1 No Set-Off, Etc. The Company's obligation to make the payments and perform

it obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others. All payments by the Company hereunder shall be final, and the Company shall not seek to recover from Executive any part of any payment for any reason whatsoever.

6.2 No Mitigation. In no event shall Executive be obligated to seek other

employment or take any other action by way of mitigation of the amounts payable to Executive under any provision hereof, and such amounts shall not be reduced whether or not Executive obtains other employment except to the extent contemplated by Section 2.3 hereof.

6.3 Payment of Legal Fees and Costs. The Company agrees to pay as incurred, to

the full extent permitted by law, all legal fees and expenses which Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by Executive about the amount of payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code.

6.4 Arbitration. Executive shall have the right to have settled by arbitration

any dispute or controversy arising in connection herewith. Such arbitration shall be conducted in accordance with the rules of the American Arbitration Association before a panel of three arbitrators sitting

in a location selected by Executive. Judgment may be entered on the award of the arbitrators in any court having proper jurisdiction. All expenses of such arbitration shall be borne by the Company in accordance with Section 6.3 hereof.

7 TERM

7.1 Initial Term. The term of this Agreement shall be two years from the date

hereof.

7.2 Renewal. The terms of this Agreement automatically shall be extended for

successive one-year terms unless canceled by the Company by written notice to Executive not less than six months prior to the end of any term.

7.3 Effect of Change in Control. Notwithstanding Sections 7.1 and 7.2 to the

contrary, the Company may not cancel this Agreement following a Change in Control.

8 SUCCESSORS

8.1 This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall be inure to the benefit of and be enforceable by Executive's legal representatives. Executive may from time to time designate in writing one or more persons or entities as primary and/or contingent beneficiaries of any Severance Benefit owing to Executive hereunder.

8.2 This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

8.3 The Company shall require any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. For purposes hereof, "Company" means the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

9 MISCELLANEOUS

9.1 Heading. The headings are not part of the provisions hereof and shall have

no force or effect.

9.2 Notices. All notices and other communications hereunder shall be in writing

and shall be given by hand delivery or by registered or certified mail, return receipt required, postage prepaid, addressed as follows:

if to the Company: Raytheon Company

141 Spring Street
Lexington, Massachusetts 02421
Attention: General Counsel

if to Executive:

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received.

9.3 Severability. The invalidity or unenforceability of any provision of this

Agreement shall not affect the validity or enforceability of any other provision hereof.

9.4 Compliance; Waiver. Executive's or the Company's failure to insist upon

strict compliance with any provision hereof or failure to assert any right hereunder, including without limitation the right of Executive to terminate employment for Good Reason pursuant to Section 2.1 hereof, shall not be deemed to be a waiver of such provision or right or any other provision or right hereof.

9.5 Employment Status. Executive and Company acknowledge that except as may

otherwise be provided under any other written agreement between Executive and the Company, the employment of Executive by the Company is "at will" and prior to a Change in Control may be terminated at any time by Executive or the Company. Following a Change in Control, the provisions of this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

Raytheon Company

By:

Keith J. Peden
Senior Vice President,
Human Resources

Executive

March 8, 2000

Mr. Edward S. Pliner

Dear Edward:

It is my sincere pleasure to extend to you an offer for the position of Vice President, Controller reporting to me. Pending Raytheon Board of Directors approval, you will be elected a Vice President of the Raytheon Company. The offer, subject to the approval of the Management Development and Compensation Committee of the Board of Directors, has an annual base salary of \$325,000 and consists of the following additional elements:

- . You will be eligible for the Results Based Incentive Program with a targeted incentive of 50% of base salary.
- . You will be authorized 25,000 shares of Raytheon stock options. These options will vest at one-third each year, over 3 years.
- . You will be eligible to participate in Raytheon's Long Term Achievement Program (LTAP) and will be granted stock options equivalent to a present value of 50% of your current base salary. See attached compensation program description sheet for LTAP explanation. Participation in this plan is subject to annual CEO review.
- . An automobile allowance of \$14,000.
- . Financial planning assistance: \$10,000 first year and \$7,500 thereafter.
- . Eligible for Executive Life insurance of 5X your annual base salary including basic life.
- . Excess liability coverage of \$5,000,000.
- . Deferred compensation eligibility.
- . First class domestic air travel.
- . Twenty (20) days per year of Paid Time Off.

With respect to your pension, at the time of your retirement we will provide a pension equal to at least 40% of the average of the highest five out of the last ten years cash compensation (base and bonus), offset by social security or any other pension payments from your previous employers. In our pension calculations, we will include service from your prior employers.

Please correct PTO to reflect the above stated 20 days.

Keith Peden Vice President Human Resources

June 11, 2001

Mr. Hansel Tookes II

Dear Hansel:

Please let this letter confirm our recent conversation in which I informed you that the Company reaffirms the applicability of the severance/retirement transition payment contained in your July 6, 1999, employment offer letter. This provision provides that, if the company involuntarily separates you from employment without cause, or if you retire on a mutually agreed-upon date before your normal retirement date of age 62, or if you retire at age 62 or beyond, the company will pay to you a severance/retirement transition payment of two and one-half times your annual base salary.

Please note that this severance/retirement transition payment is in lieu of any change in control provision in the July 6, 1999 offer letter and the April 7, 2000 retention bonus letter related to the disposition of Raytheon Aircraft Company.

If you have any questions, please feel free to contact me.

Best regards,

Keith J. Peden
Senior Vice President, Human Resources

April 9, 2001

Mr. Keith Peden

Dear Keith:

It is my sincere pleasure to extend to you an offer for the position of Senior Vice President Human Resources for Raytheon Company reporting to me. The offer has a bi-weekly rate of pay of \$12,692.00, which, if annualized, equates to \$330,000. This position resides in our Corporate Headquarters in Lexington, MA.

Additional elements of this offer will consist of the following:

- . You will be eligible for the Results Based Incentive Program (RBI) with a targeted incentive of 75% of base salary.
- . Pending approval of the Management Development Compensation Committee of the Raytheon Board of Directors, you will be awarded 40,000 shares of Raytheon stock options subject to the provisions of the Raytheon Stock Option Plan. These options will vest at one-third each year, over 3 years.
- . Pending approval of the Management Development Compensation Committee of the Raytheon Board of Directors, you will be awarded 10,000 shares of restricted stock subject to the provisions of the Raytheon Restricted Stock Plan. These options will lapse at one-third each year, over 3 years.
- . You will be eligible to participate in Raytheon's Long Term Achievement Program (LTAP). You will be granted 24,000 stock options as part of this plan. Participation in this plan is subject to annual CEO review.
- . 20 days per year of Paid Time Off.
- . Company provided automobile.
- . Eligibility to participate in Raytheon's Deferred Bonus Program.
- . Eligibility for executive life insurance of 5 times your annual base salary, including basic life insurance.
- . Financial planning assistance of \$15,000 in 2001, and \$12,000 each year thereafter.
- . First Class Domestic Air Travel.
- . Your retirement benefit will be calculated using your 8 years of service with Raytheon Company plus any future Raytheon service. Your retirement benefit will be provided under the Raytheon Qualified and Supplemental Executive Retirement Plans and will be calculated in accordance with the attached Benefit Table. This will be offset by social security.
- . If the Company involuntarily separates you from employment without cause, you will be entitled to a Separation Payment equal to twice your base salary and target RBI bonus, and benefit and perquisite extension for two years.

. In addition, you shall be entitled to a Separation Payment of three times your base salary and target RBI bonus and benefit and perquisite extension for three years if, as a result of a Change in Corporate Control, you are assigned, without your expressed written consent, to duties inconsistent with the position of Senior Vice President Human Resources for Raytheon Company. You are subject to the provisions of the Change in Control agreement per the attached document.

I look forward to you accepting this offer and the valuable contributions you will make to your team.

Sincerely,

Dan Burnham
Chairman and Chief Executive Officer

Enclosures: Duplicate Offer Letter
Change in Control Agreement
Severance Agreement
Retirement Benefits Agreement

I hereby accept this offer of employment and agree to the terms and conditions of this offer.

I hereby decline this offer of employment. Reason for decline:

Signature

Date

Keith J. Peden
Benefits at Retirement

- . Recognition of mid-career status hire
- . Hired March of 1993, current service 8 years, age as of 5/2/01 is 51
- . Credit double service for each month Raytheon service prior to age 55, regular service after age 55

Benefit Percentage of Final Average Earnings

Age	Credit under Raytheon Pension Plan	Benefit Granted	Voluntary Termination	Involuntary Termination
51	14.4%	28.8%	Per Raytheon Plan	Involuntary Termination
52	16.2%	34.4%	Per Raytheon Plan	40.8%
53	18.0%	36.0%	Per Raytheon Plan	40.8%
54	19.8%	38.4%	Per Raytheon Plan	40.8%
55	21.6%	40.8%	40.8%	40.8%
56	23.4%	43.2%	43.2%	50%
57	25.2%	45.6%	45.6%	50%
58	27.0%	48.0%	48.0%	50%
59	28.8%	50% Maximum benefit	50% Maximum benefit	50% Maximum benefit
60	30.6%	50% Maximum benefit	50% Maximum benefit	50% Maximum benefit

=====

\$1,000,000,000

364-DAY COMPETITIVE ADVANCE AND
REVOLVING CREDIT FACILITY

among

RAYTHEON COMPANY

as the Borrower,

RAYTHEON TECHNICAL SERVICES COMPANY and

RAYTHEON AIRCRAFT COMPANY,

each as a Guarantor,

THE LENDERS NAMED HEREIN,

BANK OF AMERICA, N.A.,

as Syndication Agent,

CITICORP USA, INC., CREDIT SUISSE FIRST BOSTON and MIZUHO FINANCIAL
GROUP,

as Documentation Agents,

and

JPMORGAN CHASE BANK,

as Administrative Agent,

Dated as of November 28, 2001

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J.P. MORGAN SECURITIES INC. and

BANC of AMERICA SECURITIES LLC

as Joint Lead Arrangers and Joint Bookrunners

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Exhibit B	Form of Assignment and Acceptance
Exhibit C	Form of Borrowing Request
Exhibit D-1	Form of Competitive Bid Request
Exhibit D-2	Form of Notice of Competitive Bid Request
Exhibit D-3	Form of Competitive Bid
Exhibit D-4	Form of Competitive Bid Accept/Reject Letter
Exhibit E	Form of Opinion of Neal E. Minahan
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Schedule 3.05	Financial Statements/Material Liabilities
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364-DAY COMPETITIVE ADVANCE AND REVOLVING CREDIT FACILITY, dated as of November 28, 2001, among Raytheon Company, a Delaware corporation (the "Borrower"), Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor (in such capacity, each a "Guarantor" and, collectively, the "Guarantors"), the Lenders (as defined in Article I), J.P. Morgan SECURITIES, INC. and BANC OF AMERICA SECURITIES LLC., as joint lead arrangers and joint bookrunners (in such capacity, the "Arrangers"), Bank of America, N.A, as syndication agent (in such capacity, the "Syndication Agent"), Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, as documentation agents (in such capacity, each a "Documentation Agent" and, collectively, the "Documentation Agents"), and JPMORGAN CHASE BANK, a New York banking corporation, as administrative agent (in such capacity, the "Administrative Agent", and, collectively with the Syndication Agent and the Documentation Agents, the "Agents") for the Lenders.

The Borrower has requested the Lenders, and the Lenders have agreed, to extend credit in the form of Revolving Loans at any time and from time to time prior to the Maturity Date, in an aggregate principal amount at any time outstanding not in excess of \$1,000,000,000. The Borrower also has requested the Lenders to provide a procedure pursuant to which the Borrower may invite the Lenders to bid on an uncommitted basis on short-term borrowings by the Borrower. The proceeds of the Loans are to be used by the Borrower for working capital and general corporate purposes of the Borrower and its Subsidiaries.

The Lenders are willing to extend such credit to the Borrower on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"ABR Borrowing" shall mean a Borrowing comprised of ABR Loans.

"ABR Loan" shall mean any Loan bearing interest at the Alternate Base Rate in accordance with the provisions of Article II.

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit A.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"Agents" shall have the meaning assigned to such term in the preamble.

"Agents' Fees" shall have the meaning assigned to such term in Section 2.06(b).

"Aggregate Revolving Credit Exposure" shall mean the aggregate amount of the Lenders' Revolving Credit Exposures.

"Agreement" shall mean this 364-Day Competitive Advance and Revolving Credit Facility, as amended, supplemented or otherwise modified from time to time.

"Alternate Base Rate" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate or both for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, of the preceding sentence, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" shall mean, with respect to any Eurodollar Loan (other than any Eurodollar Competitive Loan), with respect to any ABR Loan or with respect to the Facility Fees, as the case may be, with respect to the day of, and any day after, the Closing Date, the applicable percentage set forth below under the caption "Eurodollar Spread", "ABR Spread" or "Fee Percentage", as the case may be, based upon the ratings by S&P and Moody's, respectively, applicable on such date to the Index Debt:

	Eurodollar Spread -----	ABR Spread -----	Fee Percentage -----
Category 1 -----			
BBB+ or higher by S&P or Baa1 or higher by Moody's Category 2 -----	0.625%	0.000%	0.125%
BBB by S&P or Baa2 by Moody's Category 3 -----	0.725%	0.000%	0.150%
BBB- by S&P or Baa3 by Moody's Category 4 -----	0.950%	0.000%	0.175%
BB+ by S&P or Ba1 by Moody's Category 5 -----	1.275%	0.500%	0.225%
BB or lower by S&P or Ba2 or lower by Moody's	1.675%	1.000%	0.325%

For purposes of this definition, (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this paragraph), then such rating agency shall be deemed to have established a rating in Category 5; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories, the Applicable Percentage shall be based on the higher of the two ratings unless the ratings differ by more than one category, in which case the governing rating shall be the rating next below the higher of the two; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating

system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the non-availability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Percentage shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"Arrangers" shall have the meaning assigned to such term in the preamble.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee, and accepted by the Administrative Agent, in the form of Exhibit B or such other form as shall be approved by the Administrative Agent.

"Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) Statutory Reserves and (b) the Assessment Rate. The term "Statutory Reserves" shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board and any other domestic banking authority to which the Administrative Agent or any Lender (including any branch, Affiliate, or other fronting office making or holding a Loan) is subject with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in Dollars of over \$100,000 with maturities approximately equal to three months. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage. The term "Assessment Rate" shall mean for any date the annual rate (rounded upwards, if necessary, to the next 1/100 of 1%) most recently estimated by the Administrative Agent as the then current net annual assessment rate that will be employed in determining amounts payable by the Administrative Agent to the Federal Deposit Insurance Corporation (or any successor) for insurance by such Corporation (or such successor) of time deposits made in Dollars at the Administrative Agent's domestic offices.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

"Borrowing" shall mean a group of Loans of a single Type made by the Lenders (or, in the case of a Competitive Borrowing, by the Lender or Lenders whose Competitive Bids have been accepted pursuant to Section 2.03) on a single date and as to which a single Interest Period is in effect.

"Borrowing Request" shall mean a request by the Borrower in accordance with the terms of Section 2.04 and substantially in the form of Exhibit C.

"Business" shall have the meaning assigned to such term in Section 3.17.

"Business Day" shall mean any day other than a Saturday, Sunday or day on which banks in New York City are authorized or required by law to close; provided, however, that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market.

"Capital Lease Obligations" shall mean as to any person, the obligations of such person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as

capital leases on a balance sheet of such person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

A "Change in Control" shall be deemed to have occurred if (a) any "person" or "group" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") shall become the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding common stock of the Borrower, or (b) a majority of the seats (other than vacant seats) on the board of directors of the Borrower shall at any time have been occupied by persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated.

"Closing Date" shall mean November 28, 2001.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Commitment" shall mean, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder in an aggregate principal and/or face amount not to exceed the amount set forth opposite such Lender's name on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be (a) reduced from time to time pursuant to Section 2.10 or pursuant to Section 2.16, and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The aggregate initial Commitments shall be \$1,000,000,000.

"Competitive Bid" shall mean an offer by a Lender to make a Competitive Loan pursuant to Section 2.03.

"Competitive Bid Accept/Reject Letter" shall mean a notification made by the Borrower pursuant to Section 2.03(d) in the form of Exhibit D-4.

"Competitive Bid Rate" shall mean, as to any Competitive Bid made by a Lender pursuant to Section 2.03(b), (i) in the case of a Eurodollar Competitive Loan, the Margin, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Lender making such Competitive Bid.

"Competitive Bid Request" shall mean a request made pursuant to Section 2.03 in the form of Exhibit D-1.

"Competitive Borrowing" shall mean a Borrowing consisting of a Competitive Loan or concurrent Competitive Loans from the Lender or Lenders whose Competitive Bids for such Borrowing have been accepted by the Borrower under the bidding procedure described in Section 2.03.

"Competitive Loan" shall mean a Loan from a Lender to the Borrower pursuant to the bidding procedure described in Section 2.03. Each Competitive Loan shall be a Eurodollar Competitive Loan or a Fixed Rate Loan.

"Confidential Information Memorandum" shall mean the Confidential Information Memorandum of the Borrower dated October 2001, as revised, amended, modified or otherwise supplemented prior to the date hereof.

"Consolidated EBITDA" shall mean, for any period, the sum of (a) Consolidated Net Income for such period and (b) the aggregate amounts deducted in determining Consolidated Net Income in respect of (i) Consolidated Net Interest Expense for such period, (ii) income taxes, depreciation and amortization of the Borrower and its consolidated Subsidiaries for such period determined in accordance with GAAP and (iii) write-offs of goodwill as required, or as would be required in the next succeeding fiscal year of the Borrower, by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

"Consolidated Interest Coverage Ratio" shall mean for any period, the ratio of (a) Consolidated EBITDA for such period to (b) Consolidated Net Interest Expense for such period.

"Consolidated Net Income": for any period, the consolidated net income (or deficit) of the Borrower and its consolidated Subsidiaries for such period, determined in accordance with GAAP; provided that (i) for the fiscal quarter of the Borrower and its consolidated Subsidiaries ending April 1, 2001, such Consolidated Net Income shall be increased by \$325,000,000 representing one-time charges recorded in connection with the discontinued operations of Raytheon Engineers and Constructors, (ii) for the fiscal quarter of the Borrower and its consolidated Subsidiaries ending July 1, 2001, such Consolidated Net Income shall be increased by an aggregate amount not to exceed \$272,000,000 for such fiscal quarter, representing additional one-time charges to the extent recorded in connection with the discontinued operations of Raytheon Engineers and Constructors during such fiscal quarter and (iii) for the fiscal quarter of the Borrower and its consolidated Subsidiaries ending September 30, 2001, such Consolidated Net Income shall be increased by an aggregate amount not to exceed \$750,000,000 representing one-time charges recorded in connection with the inventory write-down and valuation reserve related to various aircraft.

"Consolidated Net Interest Expense" shall mean, for any period, net interest expense of the Borrower and its consolidated Subsidiaries for such period, determined in accordance with GAAP.

"Consolidated Net Tangible Assets" shall mean, as at any date of determination, the total amount of assets of the Borrower and the Subsidiaries (less applicable depreciation, amortization and other valuation reserves) at such date, after deducting therefrom (a) all current liabilities of the Borrower and the Subsidiaries at such date and (b) all goodwill, trade names, trademarks, patents, unamortized debt issuance fees and expenses and other like intangibles at such date.

"Contractual Obligations" shall mean, as to any person, any provision of any security issued by such person or of any agreement, instrument or other undertaking to which such person is a party or by which it or any of its property is bound.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"Dollars" or "\$" shall mean lawful money of the United States of America.

"Environmental Laws" shall mean any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other applicable laws or regulations (including common law) regulating, relating to or

imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" shall mean (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan; (b) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (c) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (d) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Borrower or any of its ERISA Affiliates from any Plan or Multiemployer Plan; (f) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (g) the receipt by the Borrower or any ERISA Affiliate of any notice that Withdrawal Liability is being imposed or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; and (h) the occurrence of a non-exempt "prohibited transaction" with respect to which the Borrower or any of its Subsidiaries is a "disqualified person" (within the meaning of Section 4975) of the Code, or with respect to which the Borrower or any such Subsidiary could otherwise be liable.

"Eurocurrency Reserve Requirements" shall mean for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including basic, supplemental, marginal and emergency reserves) under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

"Eurodollar Base Rate" shall mean with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the "Eurodollar Base Rate" shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

"Eurodollar Borrowing" shall mean a Borrowing comprised of Eurodollar Loans.

"Eurodollar Competitive Borrowing" shall mean a Borrowing comprised of Eurodollar Competitive Loans.

"Eurodollar Competitive Loan" shall mean any Competitive Loan bearing interest at a rate determined by reference to the Eurodollar Rate in accordance with the provisions of Article II.

"Eurodollar Loan" shall mean any Eurodollar Revolving Loan or Eurodollar Competitive Loan.

"Eurodollar Rate" shall mean with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

Eurodollar Base Rate

1.00 - Eurocurrency Reserve Requirements

"Eurodollar Revolving Credit Borrowing" shall mean a Borrowing comprised of Eurodollar Revolving Loans.

"Eurodollar Revolving Loan" shall mean any Revolving Loan bearing interest at a rate determined by reference to the Eurodollar Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning assigned to such term in Article VII.

"Excess Utilization Day" shall mean each day on which the Utilization Percentage exceeds 33.3%.

"Existing Credit Agreement" shall mean the Five-Year Competitive Advance and Revolving Credit Facility Credit Agreement, dated as of May 30, 1997 (as amended, supplemented or otherwise modified through the date hereof), among HE Holdings, Inc, as the borrower, Hughes Aircraft Company, as the guarantor, the lenders from time to time parties thereto, Bank of America, N.A., as syndication agent, and The Chase Manhattan Bank (now known as JPMorgan Chase Bank), as administrative agent.

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Letter" shall mean the Fee Letter, dated October 4, 2001, between the Borrower, the Administrative Agent, the Syndication Agent and the Arrangers.

"Fees" shall mean the Facility Fees and the Agents' Fees.

"Financial Officer" of any corporation shall mean the chief financial officer, principal accounting officer, Treasurer, Assistant Treasurer or Controller of such corporation.

"Five-Year Credit Agreement" shall mean the Five-Year Credit Agreement, dated as of the date hereof, among the Borrower, Raytheon Technical Services Company, a Delaware corporation, and

Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto, J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent.

"Fixed Rate Borrowing" shall mean a Borrowing comprised of Fixed Rate Loans.

"Fixed Rate Loan" shall mean any Competitive Loan bearing interest at a fixed percentage rate per annum (expressed in the form of a decimal to no more than four decimal places) specified by the Lender making such Loan in its Competitive Bid.

"GAAP" shall mean generally accepted accounting principles applied on a consistent basis.

"Governmental Authority" shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guarantee" of or by any person shall mean any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other liability of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligations of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or liability or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness or liability, (b) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness or liability of the payment of such Indebtedness or liability or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or liability.

"Guarantor" shall have the meaning assigned to such term in the preamble.

"Hedge Agreements" shall mean all interest rate swaps, caps or collar agreements or similar arrangements dealing with interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Indebtedness" of any person shall mean, as at any date of determination, all indebtedness (including capitalized lease obligations) of such person and its consolidated subsidiaries at such date that would be required to be included as a liability on a consolidated balance sheet (excluding the footnotes thereto) of such person prepared in accordance with GAAP applied on a basis consistent with the application used in the financial statements referred to in Section 3.05.

"Index Debt" shall mean the senior, unsecured, non-credit enhanced, long-term indebtedness for borrowed money of the Borrower.

"Interest Payment Date" shall mean, with respect to any Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months' duration been applicable to such Borrowing, and, in addition, except with respect to any ABR Loan, the date of any prepayment of such Loan or conversion of such Loan to a Loan of a different Type.

"Interest Period" shall mean (a) as to any Eurodollar Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the Borrower may elect, (b) as to any ABR Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the earlier of (i) the next succeeding March 31, June 30, September 30 or December 31 and (ii) subject to Section 2.05(a), the Maturity Date and (c) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing was extended, which shall not be earlier than seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing; provided, however, that, if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period. Notwithstanding anything to the contrary in this definition of "Interest Period", and except as provided in Section 2.05(a), any Interest Period that would otherwise extend beyond the Maturity Date shall end on the Maturity Date.

"Lender Affiliate" shall mean (a) any Affiliate of any Lender, (b) any person that is administered or managed by any Lender or any Affiliate of any Lender and that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and (c) with respect to any Lender which is a fund that invests in commercial loans and similar extensions of credit, any other fund that invests in commercial loans and similar extensions of credit and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such Lender or investment advisor.

"Lenders" shall mean (a) the financial institutions listed on Schedule 2.01 (other than any such financial institution that has ceased to be a party hereto pursuant to an Assignment and Acceptance) and (b) any financial institution that has become a party hereto pursuant to an Assignment and Acceptance.

"Lien" shall mean, with respect to any asset of any person, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities that constitute assets of such person, any purchase option, call or similar right of a third party with respect to such securities.

"Loans" shall mean the Revolving Loans and the Competitive Loans.

"Mandatorily Redeemable Equity Securities" shall mean the 17,250,000 equity security units, including any remarketed securities, issued by the Borrower in May 2001. Each equity security unit consists of a contract to purchase shares of the Borrower's common stock on May 15, 2004, and a mandatorily redeemable equity security, with a stated liquidation amount of \$50.00 due on May 15, 2004. The mandatorily redeemable equity security represents an undivided interest in the assets of RC Trust I, a Delaware business trust, formed for the purpose of issuing these securities and whose assets consist solely of subordinated notes issued by the Borrower.

"Margin" shall mean, as to any Eurodollar Competitive Loan, the margin (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) to be added to or

subtracted from the Eurodollar Rate in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"Margin Stock" shall have the meaning assigned to such term in Regulation U.

"Material Adverse Effect" shall mean a materially adverse effect on the business, assets, operations or condition, financial or otherwise, of the Borrower and the Subsidiaries taken as a whole.

"Materials of Environmental Concern" shall mean all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, urea-formaldehyde insulation, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Maturity Date" shall mean the date which is 364 days after the Closing Date.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Obligations" shall mean (a) the due and punctual payment of (i) the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (ii) all other monetary obligations, including Fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) of the Borrower to the Lenders under this Agreement and (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrower under or pursuant to this Agreement.

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Permitted Receivables Program" shall mean any receivables securitization program pursuant to which the Borrower or any of the Subsidiaries sells accounts receivable and related receivables to any non-Affiliate in a "true sale" transaction; provided, however, that any related indebtedness incurred to finance the purchase of such accounts receivable is not includible on the balance sheet of the Borrower or any Subsidiary in accordance with GAAP and applicable regulations of the Securities and Exchange Commission.

"person" shall mean any natural person, corporation, limited liability company, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

"Plan" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 307 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as being effective.

"Property" shall have the meaning assigned to such term in Section 3.17.

"Ratio Certificate" shall mean a certificate, signed on behalf of the Borrower by a Financial Officer of the Borrower, delivered to the Administrative Agent on the Closing Date and as may be required by Section 5.04(c), and setting forth the calculations, in reasonable detail, required to determine compliance with all covenants set forth in Sections 6.05 (a) and (b) on the Closing Date or on the last day of any fiscal quarter, as the case may be.

"Register" shall have the meaning given such term in Section 10.04(d).

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Required Lenders" shall mean, at any time, the holders of more than 50% of the Commitments then in effect or, if the Commitments have been terminated, the Aggregate Revolving Credit Exposure then outstanding.

"Responsible Officer" of any corporation shall mean any executive officer or Financial Officer of such corporation and any other officer or similar official thereof responsible for the administration of the obligations of such corporation in respect of this Agreement.

"Revolving Credit Borrowing" shall mean a Borrowing comprised of Revolving Loans.

"Revolving Credit Exposure" shall mean, as to any Lender at any time, an amount equal to the aggregate principal amount of all Revolving Loans held by such Lender then outstanding.

"Revolving Loans" shall mean the revolving loans made by the Lenders to the Borrower pursuant to Section 2.01. Each Revolving Loan shall be a Eurodollar Revolving Loan or an ABR Loan.

"S&P" shall mean Standard & Poor's Ratings Service.

"Significant Subsidiary" shall mean any Subsidiary that would be a "Significant Subsidiary" at such time, as such term is defined in Regulation S-X promulgated by the Securities and Exchange Commission as in effect on the Closing Date. Notwithstanding Regulation S-X, each Guarantor will at all times be deemed to be a Significant Subsidiary.

"Solvent" when used with respect to any person, shall mean that, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such person will, as of such date, exceed the amount of all "liabilities of such person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such person will, as of such date, be greater than the amount that will be required to pay the liability of such person on its debts as such debts become absolute and matured, (c) such person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such person will be able

to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"Stockholders' Equity" shall mean, as at any date of determination, the stockholders' equity of the Borrower and its consolidated Subsidiaries as of such date, as determined in accordance with GAAP.

"subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, owned, controlled or held or (b) that is, at the time any determination is made, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" shall mean any subsidiary of the Borrower.

"Term-out Loans" shall mean Loans the principal amount of which the Borrower allows to remain outstanding after the Maturity Date, but prior to the first anniversary of the Maturity Date, in accordance with subsection 2.05(a).

"Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Administrative Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it.

"Total Capitalization" shall mean, as at any date of determination, the sum of Total Debt at such date and Mandatorily Redeemable Equity Securities and Stockholders' Equity at such date.

"Total Commitment" shall mean, at any time, the aggregate amount of the Commitments, as in effect at such time.

"Total Debt" shall mean, at a particular date, all amounts which would be included as indebtedness (including capitalized leases) on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries, determined in accordance with GAAP.

"Transactions" shall have the meaning assigned to such term in Section 3.02.

"Type", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, the term "Rate" shall include the Eurodollar Rate and the Alternate Base Rate.

"Utilization Fee" shall have the meaning assigned to such term in Section 2.06(b).

"Utilization Percentage" shall mean on any day the percentage equivalent to a fraction (a) the numerator of which is the sum of the aggregate outstanding principal amount of (i) the Loans, (ii) the Loans (as defined under the Five-Year Credit Agreement) and (iii) the L/C Obligations (as defined under the Five-Year Credit Agreement); and (b) the denominator of which is the sum of (y) the aggregate Commitments (or, on any day after termination of the Commitments, the aggregate Commitments in effect immediately preceding such termination) and (z) the aggregate Commitments (as defined under the Five-Year Credit Agreement) (or, on any day after termination of the Commitments (as defined under the Five-Year Credit Agreement), the aggregate Commitments (as defined under the Five-Year Credit Agreement) in effect immediately preceding such termination).

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, (a) any reference to this Agreement shall mean this Agreement as amended, restated, supplemented or otherwise modified from time to time and (b) all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided, however, that for purposes of determining compliance with the covenants contained in Article VI, all accounting terms herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP as in effect on the date of this Agreement and applied on a basis consistent with the application used in the financial statements referred to in Section 3.05.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Revolving Loans to the Borrower, at any time and from time to time on or after the Closing Date, and until the earlier of the Maturity Date and the termination of the Commitment of such Lender in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in (a)(i) such Lender's Revolving Credit Exposure exceeding (ii) such Lender's Commitment or (b)(i) the aggregate amount of outstanding Loans exceeding (ii) the Total Commitment. Within the limits set forth in the preceding sentence, the Borrower may borrow, pay or prepay and reborrow Revolving Loans on or after the Closing Date and prior to the Maturity Date, subject to the terms, conditions and limitations set forth herein.

SECTION 2.02. Loans. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments; provided, however, that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in

Section 2.03. The Loans comprising any Borrowing shall be in an aggregate principal amount that is (i) an integral multiple of \$1,000,000 and not less than \$10,000,000 or (ii) equal to the remaining available balance of the Total Commitment.

(b) Subject to Sections 2.09 and 2.14, each Competitive Borrowing shall be comprised entirely of Eurodollar Competitive Loans or Fixed Rate Loans, and each Revolving Credit Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request pursuant to Section 2.03 or 2.04, as applicable. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; provided, however, that the Borrower shall not be entitled to request any Borrowing that, if made, would result in more than 15 Eurodollar Borrowings outstanding hereunder at any time. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to such account in New York City as the Administrative Agent may designate not later than 11:00 a.m., New York City time, and the Administrative Agent shall by 12:00 (noon), New York City time, credit the amounts so received to an account with the Administrative Agent designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request, which account must be in the name of the Borrower or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with paragraph (c) above and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If the Administrative Agent shall have so made funds available then, to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent within one Business Day of demand therefor such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds (which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(e) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date, unless the Borrower has given notice to extend payment of the principal amount of the Loans until the first anniversary of the Maturity Date in accordance with subsection 2.05(a).

SECTION 2.03. Competitive Bid Procedure. (a) In order to request Competitive Bids, the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Competitive Bid Request (i) in the case of a Eurodollar Competitive Borrowing, not later than 10:00 a.m., New York City time, four Business Days before the proposed date of such Borrowing and (ii) in the case of a Fixed Rate

Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the proposed date of such Borrowing. A Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request. No ABR Loan shall be requested in, or made pursuant to, a Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit D-1 may be rejected by the Administrative Agent and the Administrative Agent shall notify the Borrower of such rejection as promptly as practicable. Each Competitive Bid Request shall refer to this Agreement and specify (i) whether the Borrowing being requested is to be a Eurodollar Competitive Borrowing or a Fixed Rate Borrowing; (ii) the date of such Borrowing (which shall be a Business Day); (iii) the number and the location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the aggregate principal amount of such Borrowing, which shall be a minimum of \$10,000,000 and an integral multiple of \$1,000,000 and not greater than the Total Commitment then available; and (v) the Interest Period with respect thereto (which may not end after the Maturity Date unless the Borrower has given notice to extend payment of the principal amount of the Loans until the first anniversary of the Maturity Date in accordance with subsection 2.05(a)). Promptly after its receipt of a Competitive Bid Request that is not rejected, the Administrative Agent shall by telecopy in the form set forth in Exhibit D-2 invite the Lenders to bid to make Competitive Loans pursuant to the Competitive Bid Request.

(b) Each Lender may make one or more Competitive Bids to the Borrower responsive to a Competitive Bid Request. Each Competitive Bid by a Lender must be received by the Administrative Agent by telecopy in the form of Exhibit D-3, (i) in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the format of Exhibit D-3 may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall refer to this Agreement and specify (x) the principal amount (which shall be a minimum of \$5,000,000 and an integral multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (y) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans and (z) the Interest Period applicable to such Loan or Loans and the last day thereof.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount of each Competitive Loan in respect of which a Competitive Bid shall have been made and the identity of the Lender that shall have made each bid.

(d) The Borrower may, subject only to the provisions of this paragraph (d), accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in the form of a Competitive Bid Accept/Reject Letter, whether and to what extent it has decided to accept or reject each Competitive Bid, (x) in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing and (y) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided, however, that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower has decided to reject a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed (but may be less than) the principal amount specified in the Competitive Bid Request, (iv) if the Borrower shall accept a Competitive Bid or Bids made at a particular Competitive Bid Rate but the amount of such Competitive Bid or Bids would cause the total amount to be accepted by the Borrower to exceed the amount specified in the Competitive Bid Request, then the Borrower shall accept a portion of such Competitive Bid or Bids in an amount equal to

the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids so accepted, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Bid and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and an integral multiple of \$1,000,000; provided further, however, that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph (d) shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, in what amount and at what Competitive Bid Rate), and each successful bidder will thereupon become bound, upon the terms and subject to the conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) above.

SECTION 2.04. Borrowing Procedure. In order to request a Borrowing (other than a Competitive Borrowing, as to which this Section 2.04 shall not apply), the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Borrowing Request (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before a proposed Borrowing and (b) in the case of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the day of a proposed Borrowing. Each Borrowing Request shall be irrevocable, signed by or on behalf of the Borrower, and shall specify the following information: (i) whether the Borrowing then being requested is to be a Eurodollar Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day); (iii) the number and location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the amount of such Borrowing; and (v) if such Borrowing is to be a Eurodollar Borrowing, the Interest Period with respect thereto; provided, however, that, notwithstanding any contrary specification in any Borrowing Request, each requested Borrowing shall comply with the requirements set forth in Section 2.02. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.04 (and the contents thereof), and of each Lender's portion of the requested Borrowing.

SECTION 2.05. Evidence of Debt; Repayment of Loans. (a) The Borrower hereby agrees that the outstanding principal balance of each Revolving Loan shall be payable on the Maturity Date and the outstanding principal balance of each Competitive Loan shall be payable on the last day of the Interest Period applicable thereto. Each Loan shall bear interest from and including the date of such Loan on the outstanding principal balance thereof as set forth in Section 2.07. The Borrower may, upon written notice to the Administrative Agent given not more than 60 days and at least 30 days prior to the Maturity Date, extend the date upon which the principal amount of the Loans of the Lenders outstanding as of the Maturity Date will be due and payable to the first anniversary of the Maturity Date. If the Borrower gives notice to the Administrative Agent in accordance with the preceding sentence, the Borrower hereby

unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of the Loans of such Lender on the first anniversary of the Maturity Date (or such earlier date on which the Loans become due and payable pursuant to Article VII).

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid by such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) of this Section 2.05 shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with their terms.

(e) Notwithstanding any other provision of this Agreement, in the event any Lender shall request and receive a promissory note payable to such Lender and its registered assigns, the interests represented by such note shall at all times (including after any assignment of all or part of such interests pursuant to Section 10.04) be represented by one or more promissory notes payable to the payee named therein or its registered assigns.

SECTION 2.06. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee (a "Facility Fee") for the period from and including the Closing Date to the later of (i) the Maturity Date (or if the Borrower gives notice to the Administrative Agent pursuant to Section 2.05(a), the first anniversary of the Maturity Date) and (ii) the date the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement shall have been paid in full, computed at the Applicable Percentage on the average daily amount of the Commitments (whether used or unused) or, after the Maturity Date or after the Commitments have been otherwise terminated hereunder, the average daily amount of the Loans outstanding, of such Lender during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December and on the later of (i) the Maturity Date (or if the Borrower gives notice to the Administrative Agent pursuant to Section 2.05(a), the first anniversary of the Maturity Date) and (ii) the date the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement shall have been paid in full, commencing on the first of such dates to occur after the date hereof. All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(b) The Borrower agrees to pay to the Administrative Agent for the ratable account of each Lender, a utilization fee (a "Utilization Fee") at a rate per annum equal to 0.125% for each Excess Utilization Day during the period for which payment is made on the outstanding Loans of such Lender on such Excess Utilization Day. Such Utilization Fees shall be payable quarterly in arrears on the last day of each March, June, September and December and on the later of (i) the Maturity Date (or if the Borrower gives notice to the Administrative Agent pursuant to Section 2.05(a), the first anniversary of the Maturity Date) and (ii) the date the Commitments have been terminated and the principal of and interest on each

Loan, all Fees and all other expenses or amounts payable under this Agreement shall have been paid in full, commencing on the first of such dates to occur after the Closing Date.

(c) The Borrower agrees to pay to each of the Agents or their Affiliates, for their own account, the fees set forth in the Fee Letter at the times and in the amounts specified therein (the "Agents' Fees").

(d) All Fees shall be paid on the dates due, in immediately available funds. Once paid, none of the Fees shall be refundable under any circumstances.

SECTION 2.07. Interest on Loans. (a) Subject to the provisions of Section 2.08, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when the Alternate Base Rate is determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate plus the Applicable Percentage in effect from time to time.

(b) Subject to the provisions of Section 2.08, the Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to (i) in the case of each Revolving Loan, the Eurodollar Rate for the Interest Period in effect for such Borrowing plus the Applicable Percentage in effect from time to time and (ii) in the case of each Competitive Loan, the Eurodollar Rate for the Interest Period in effect for such Borrowing plus the Margin offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(c) Subject to the provisions of Section 2.08, each Fixed Rate Loan shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the fixed rate of interest offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(d) Interest on each Loan shall be payable on the Interest Payment Dates applicable to such Loan except as otherwise provided in this Agreement. Any change in the interest rate on a Loan resulting from a change in the Alternate Base Rate or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The applicable Alternate Base Rate or Eurodollar Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.08. Default Interest. If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, by acceleration or otherwise, the Borrower shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount to but excluding the date of actual payment (after as well as before judgment) (a) in the case of overdue principal, at the rate otherwise applicable to such Loan pursuant to Section 2.07 plus 2.00% per annum and (b) in all other cases, at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate and over a year of 360 days at all other times) equal to the sum of the Alternate Base Rate plus 2.00%.

SECTION 2.09. Alternate Rate of Interest. In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Borrowing the Administrative Agent shall have determined that (a) Dollar deposits in the principal amounts of the Loans comprising such Borrowing are not generally available in the London interbank market, or (b) the rates at

which such Dollar deposits are being offered will not adequately and fairly reflect the cost to Lenders having Commitments representing at least 20% of the Total Commitment of making or maintaining Eurodollar Loans during such Interest Period, or (c) reasonable means do not exist for ascertaining the Eurodollar Rate, the Administrative Agent shall, as soon as practicable thereafter, give written or teletype notice of such determination to the Borrower and the Lenders. In the event of any such determination (other than any such determination pursuant to clause (b) of the preceding sentence, to the extent the circumstances giving rise to such determination would also give Lenders the right to demand additional amounts pursuant to Section 2.13), until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any request by the Borrower for a Eurodollar Revolving Credit Borrowing pursuant to Section 2.04 shall be deemed to be a request for an ABR Borrowing and (ii) any request by the Borrower for a Eurodollar Competitive Borrowing pursuant to Section 2.03 shall be of no force and effect and shall be denied by the Administrative Agent. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

SECTION 2.10. Termination and Reduction of Commitments. (a) The Commitments shall automatically terminate on the Maturity Date.

(b) Upon at least three Business Days' prior irrevocable written or teletype notice to the Administrative Agent, the Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Commitments; provided, however, that (i) each partial reduction of the Commitments shall be in an integral multiple of \$1,000,000 and in a minimum amount of \$10,000,000 and (ii) the Total Commitment shall not be reduced to an amount that is less than the sum of the Aggregate Revolving Credit Exposure and the aggregate outstanding principal amount of the Competitive Loans at the time.

(c) Each reduction in the Commitments hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Borrower shall pay to the Administrative Agent for the account of the applicable Lenders, on the date of each termination or reduction, the Facility Fees on the amount of the Commitments so terminated or reduced accrued to but excluding the date of such termination or reduction.

SECTION 2.11. Conversion and Continuation of Revolving Credit Borrowings. The Borrower shall have the right at any time upon prior irrevocable notice to the Administrative Agent (a) not later than 10:00 a.m., New York City time, on the day of conversion, to convert any Eurodollar Borrowing into an ABR Borrowing, (b) not later than 10:00 a.m., New York City time, three Business Days prior to conversion or continuation, to convert any ABR Borrowing into a Eurodollar Borrowing or to continue any Eurodollar Borrowing as a Eurodollar Borrowing for an additional Interest Period, and (c) not later than 10:00 a.m., New York City time, three Business Days prior to conversion, to convert the Interest Period with respect to any Eurodollar Borrowing to another permissible Interest Period, subject in each case to the following:

(i) each conversion or continuation shall be made pro rata among the Lenders in accordance with the respective principal amounts of the Loans comprising the converted or continued Borrowing;

(ii) if less than all the outstanding principal amount of any Borrowing shall be converted or continued, then each resulting Borrowing shall satisfy the limitations specified in Sections 2.02(a) and 2.02(b) regarding the principal amount and maximum number of Borrowings of the relevant Type;

(iii) each conversion shall be effected by each Lender by recording for the account of such Lender the new Loan of such Lender resulting from such conversion and reducing the Loan (or portion thereof) of such Lender being converted by an equivalent principal amount; accrued interest on any Eurodollar Loan (or portion thereof) being converted shall be paid by the Borrower at the time of conversion;

(iv) if any Eurodollar Borrowing is converted at a time other than the end of the Interest Period applicable thereto, the Borrower shall pay, upon demand, any amounts due to the Lenders pursuant to Section 2.15;

(v) subject to Section 2.05(a), any portion of a Borrowing maturing or required to be repaid in less than one month may not be converted into or continued as a Eurodollar Borrowing; and

(vi) any portion of a Eurodollar Borrowing that cannot be converted into or continued as a Eurodollar Borrowing by reason of the immediately preceding clause shall be automatically converted at the end of the Interest Period in effect for such Borrowing into an ABR Borrowing.

Each notice pursuant to this Section 2.11 shall be irrevocable and shall refer to this Agreement and specify (i) the identity and amount of the Borrowing that the Borrower requests be converted or continued, (ii) whether such Borrowing is to be converted into or continued as a Eurodollar Borrowing or an ABR Borrowing, (iii) if such notice requests a conversion, the date of such conversion (which shall be a Business Day) and (iv) if such Borrowing is to be converted into or continued as a Eurodollar Borrowing, the Interest Period with respect thereto (which, subject to Section 2.05(a), may not end after the Maturity Date). If no Interest Period is specified in any such notice with respect to any conversion into or continuation as a Eurodollar Borrowing, the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall advise the other Lenders of any notice given pursuant to this Section 2.11 and of each Lender's portion of any converted or continued Borrowing. If the Borrower shall not have given notice in accordance with this Section 2.11 to continue any Borrowing into a subsequent Interest Period (and shall not otherwise have given notice in accordance with this Section 2.11 to convert such Borrowing), such Borrowing shall, at the end of the Interest Period applicable thereto (unless repaid pursuant to the terms hereof), automatically be continued into a new Interest Period as an ABR Borrowing. The Borrower shall not have the right to continue or convert the Interest Period with respect to any Competitive Borrowing pursuant to this Section 2.11.

SECTION 2.12. Prepayment. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing (other than a Competitive Borrowing), in whole or in part, upon at least three Business Days' prior written or teletype notice (or telephone notice promptly confirmed by written or teletype notice) to the Administrative Agent before 11:00 a.m., New York City time; provided, however, that each partial prepayment shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000. The Borrower shall not have the right to prepay any Competitive Borrowing without the prior written consent of the relevant Lender.

(b) In the event of any termination of the Commitments, the Borrower shall repay or prepay all its outstanding Revolving Credit Borrowings on the date of such termination. In the event of any partial reduction of the Commitments, then (i) at or prior to the effective date of such reduction, the Administrative Agent shall notify the Borrower and the Lenders of the Aggregate Revolving Credit Exposure and (ii) if the Aggregate Revolving Credit Exposure would exceed the available Total Commitment after giving effect to such reduction, the Borrower shall, on the date of such reduction, repay or prepay Revolving Credit Borrowings in an amount sufficient to eliminate such excess.

(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing by the amount stated therein on the date stated therein. All prepayments under this Section 2.12 shall be subject to Section 2.15 but otherwise without premium or penalty. All prepayments of Eurodollar Loans under this Section 2.12 shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

SECTION 2.13. Reserve Requirements; Change in Circumstances. (a) Notwithstanding any other provision of this Agreement, if after the date of this Agreement the adoption of, or any change in, applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender or shall impose on such Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or Fixed Rate Loan, or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the Borrower will pay to such Lender upon demand such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender shall have determined that the adoption after the date hereof of any law, rule, regulation, agreement or guideline regarding capital adequacy, or any change after the date hereof in any such law, rule, regulation, agreement or guideline (whether such law, rule, regulation, agreement or guideline has been adopted) or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any Governmental Authority has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company (including the calculation thereof) as specified in paragraph (a) or (b) above shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay to such Lender the amount shown as due on any such certificate delivered by it within 10 days after its receipt of the same.

(d) Failure or delay on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital shall not constitute a waiver of such Lender's right to demand such compensation. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, agreement, guideline or other change or condition that shall have occurred or been imposed. Notwithstanding any other provision of this Section, no Lender shall be entitled to demand compensation hereunder in respect of any Competitive Loan if it shall have been aware of the event or

circumstance giving rise to such demand at the time it submitted the Competitive Bid pursuant to which such Loan was made.

SECTION 2.14. Change in Legality. (a) Notwithstanding any other provision of this Agreement, if, after the date hereof, any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent:

(i) such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods and ABR Loans will not thereafter (for such duration) be converted into Eurodollar Loans), whereupon such Lender shall not submit a Competitive Bid in response to a request for a Eurodollar Competitive Loan and any request for a Eurodollar Borrowing (or to convert an ABR Borrowing to a Eurodollar Borrowing or to continue a Eurodollar Borrowing for an additional Interest Period) shall, as to such Lender only, be deemed a request for an ABR Loan unless such declaration shall be subsequently withdrawn (or a request to continue an ABR Loan as such for an additional Interest Period or to convert a Eurodollar Loan into an ABR Loan, as the case may be); and

(ii) such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.14, a notice to the Borrower by any Lender shall be effective as to each Eurodollar Loan made by such Lender, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

SECTION 2.15. Indemnity. The Borrower shall indemnify each Lender against any loss or expense that such Lender may sustain or incur as a consequence of any event, other than a default by such Lender in the performance of its obligations hereunder, that results in (i) such Lender receiving or being deemed to receive any amount on account of the principal of any Fixed Rate Loan or Eurodollar Loan prior to the end of the Interest Period in effect therefor, (ii) the conversion of any Eurodollar Loan to an ABR Loan, or the conversion of the Interest Period with respect to any Eurodollar Loan, in each case prior to the end of the Interest Period in effect therefor or (iii) any Fixed Rate Loan or Eurodollar Loan to be made by such Lender (including any Eurodollar Loan to be made pursuant to a conversion or continuation under Section 2.11) not being made after notice of such Loan shall have been given by the Borrower hereunder (any of the events referred to in this sentence being called a "Breakage Event"). In the case of any Breakage Event, such loss shall include an amount equal to the excess, as reasonably determined by such Lender, of (i) its cost of obtaining funds for the Eurodollar Loan or Fixed Rate Loan that is the subject of such Breakage Event for the period from the date of such Breakage Event to the last day of the Interest Period in effect (or that would have been in effect) for such Loan over (ii) the amount of interest likely to be realized by such Lender in redeploying the funds released or not utilized by reason

of such Breakage Event for such period. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section 2.15 shall be delivered to the Borrower and shall be conclusive absent manifest error.

SECTION 2.16. Pro Rata Treatment. Except as provided in the two succeeding sentences with respect to Competitive Borrowings and as required under Section 2.14, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of the Facility Fees, each reduction of the Commitments and each continuation or conversion of any Borrowing to a Borrowing of any Type shall be allocated pro rata among the Lenders in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans). Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining the available Commitments of the Lenders at any time, each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Lenders (including those Lenders that shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole Dollar amount.

SECTION 2.17. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the Borrower, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Revolving Loan or Loans as a result of which the unpaid principal portion of its Revolving Loans shall be proportionately less than the unpaid principal portion of the Revolving Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Revolving Loans of such other Lender, so that the aggregate unpaid principal amount of the Revolving Loans and participations in Revolving Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Revolving Loans then outstanding as the principal amount of its Revolving Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Revolving Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Revolving Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower to such Lender by reason thereof as fully as if such Lender had made a Revolving Loan directly to the Borrower in the amount of such participation.

SECTION 2.18. Payments. (a) The Borrower shall make each payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder not later than 12:00 (noon), New York City time, on the date when due in immediately available Dollars, without defense, setoff or counterclaim. Each such payment shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.19. Taxes. (a) Any and all payments by the Borrower hereunder shall be made, in accordance with Section 2.18, free and clear of and without deduction for any and all current or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding (i) income taxes imposed on the net income of the Administrative Agent or any Lender (or any transferee or assignee thereof, including a participation holder (any such entity a "Transferee")) and (ii) franchise taxes imposed on the net income of the Administrative Agent or any Lender (or Transferee), in each case by the jurisdiction under the laws of which the Administrative Agent or such Lender (or Transferee) is organized or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, being called "Taxes"). If the Borrower shall be required to deduct any Taxes from or in respect of any sum payable hereunder to the Administrative Agent or any Lender (or any Transferee), (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.19) the Administrative Agent or such Lender (or Transferee), as the case may be, shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay to the relevant Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement ("Other Taxes").

(c) The Borrower will indemnify the Administrative Agent and each Lender (or Transferee) for the full amount of Taxes and Other Taxes paid by the Administrative Agent or such Lender (or Transferee), as the case may be, and any liability (including penalties, interest and expenses (including reasonable attorney's fees and expenses)) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability prepared by the Administrative Agent or a Lender (or Transferee), or the Administrative Agent on its behalf, absent manifest error, shall be final, conclusive and binding for all purposes. Such indemnification shall be made within 30 days after the date the Administrative Agent or any Lender (or Transferee), as the case may be, makes written demand therefor.

(d) If the Administrative Agent or a Lender (or Transferee) receives a refund in respect of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.19, it shall within 30 days from the date of such receipt pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.19 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender (or Transferee) and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund); provided, however, that the Borrower, upon the request of the Administrative Agent or such Lender (or Transferee), shall repay the amount paid over to the Borrower (plus penalties, interest or other charges) to the Administrative Agent or such Lender (or Transferee) in the event the Administrative Agent or such Lender (or Transferee) is required to repay such refund to such Governmental Authority.

(e) As soon as practicable after the date of any payment of Taxes or Other Taxes by the Borrower to the relevant Governmental Authority, the Borrower will deliver to the Administrative Agent, at its address referred to in Section 10.01, the original or a certified copy of a receipt issued by such Governmental Authority evidencing payment thereof.

(f) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.19 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(g) Each Lender (or Transferee) that is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") shall deliver to each of the Borrower and the Administrative Agent two copies of either United States Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8BEN, or any subsequent versions thereof or successors thereto (and, if such Non-U.S. Lender delivers a Form W-8BEN, a certificate representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code)), properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or reduced rate of, U.S. Federal withholding tax on payments by the Borrower under this Agreement. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a participation holder, on or before the date such participation holder becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S. Lender changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this Section 2.19(g), a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.19(g) that such Non-U.S. Lender is not legally able to deliver.

(h) The Borrower shall not be required to indemnify any Non-U.S. Lender or to pay any additional amounts to any Non-U.S. Lender, in respect of United States Federal withholding tax pursuant to paragraph (a) or (c) above to the extent that (i) the obligation to withhold amounts with respect to United States Federal withholding tax existed under applicable laws and regulations on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a Transferee that is a participation holder, on the date such participation holder became a Transferee hereunder) or, with respect to payments to a New Lending Office, the date such Non-U.S. Lender designated such New Lending Office with respect to a Loan; provided, however, that this paragraph (h) shall not apply (x) to any Transferee or New Lending Office that becomes a Transferee or New Lending Office as a result of an assignment, participation, transfer or designation made at the request of the Borrower and (y) to the extent the indemnity payment or additional amounts any Transferee, or any Lender (or Transferee), acting through a New Lending Office, would be entitled to receive (without regard to this paragraph (h)) do not exceed the indemnity payment or additional amounts that the person making the assignment, participation or transfer to such Transferee, or Lender (or Transferee) making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation or (ii) the obligation to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Lender to comply with the provisions of paragraph (g) above.

(i) Nothing contained in this Section 2.19 shall require any Lender (or any Transferee) or the Administrative Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

SECTION 2.20. Assignment of Commitments Under Certain Circumstances; Duty to Mitigate. (a) In the event (i) any Lender delivers a certificate requesting compensation pursuant to Section 2.13, (ii) any Lender delivers a notice described in Section 2.14 or (iii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender pursuant to Section 2.19, the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to transfer and assign, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all of its interests, rights and obligations under this Agreement to an assignee which shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (x) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority having jurisdiction, (y) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, and (z) the Borrower or such assignee shall have paid to the affected Lender in immediately available funds an amount equal to the sum of the principal of and interest accrued to the date of such payment on the outstanding Loans of such Lender plus all Fees and other amounts accrued for the account of such Lender hereunder (including any amounts under Section 2.13 and Section 2.15); provided further that if prior to any such transfer and assignment the circumstances or event that resulted in such Lender's claim for compensation under Section 2.13 or notice under Section 2.14 or the amounts paid pursuant to Section 2.19, as the case may be, cease to cause such Lender to suffer increased costs or reductions in amounts received or receivable or reduction in return on capital, or cease to have the consequences specified in Section 2.14, or cease to result in amounts being payable under Section 2.19, as the case may be (including as a result of any action taken by such Lender pursuant to paragraph (b) below), or if such Lender shall waive its right to claim further compensation under Section 2.13 in respect of such circumstances or event or shall withdraw its notice under Section 2.14 or shall waive its right to further payments under Section 2.19 in respect of such circumstances or event, as the case may be, then such Lender shall not thereafter be required to make any such transfer and assignment hereunder.

(b) If (i) any Lender shall request compensation under Section 2.13, (ii) any Lender delivers a notice described in Section 2.14 or (iii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender, pursuant to Section 2.19, then, such Lender shall use reasonable efforts (which shall not require such Lender to incur an unreimbursed loss or unreimbursed cost or expense or otherwise take any action inconsistent with its internal policies or legal or regulatory restrictions or suffer any disadvantage or burden deemed by it to be significant) (x) to file any certificate or document reasonably requested in writing by the Borrower or (y) to assign its rights and delegate and transfer its obligations hereunder to another of its offices, branches or affiliates, if such filing or assignment would reduce its claims for compensation under Section 2.13 or enable it to withdraw its notice pursuant to Section 2.14 or would reduce amounts payable pursuant to Section 2.19, as the case may be, in the future. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such filing, assignment, delegation and transfer.

ARTICLE III

Representations And Warranties

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans, the Borrower represents and warrants to the Administrative Agent and each of the Lenders that:

SECTION 3.01. Organization; Powers. The Borrower and each of the Significant Subsidiaries (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted and (c) is qualified to do

business in, and is in good standing in, every jurisdiction where such qualification is required, except where the failure so to qualify could not reasonably be expected to result in a Material Adverse Effect. The Borrower has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and to borrow hereunder. Schedule 3.01 sets forth each Significant Subsidiary of the Borrower in existence on the Closing Date.

SECTION 3.02. Authorization. The execution, delivery and performance by the Borrower of this Agreement and the borrowings hereunder (collectively, the "Transactions") (a) have been duly authorized by all requisite corporate and, if required, stockholder action and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, or of the certificate or articles of incorporation or other constitutive documents or by-laws of the Borrower or any Significant Subsidiary, (B) any order of any Governmental Authority or (C) any material provision of any material indenture, agreement or other instrument to which the Borrower or any Significant Subsidiary is a party or by which any of them or any of their property is or may be bound, (ii) be in material conflict with, result in a material breach of or constitute (alone or with notice or lapse of time or both) a material default under, or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under any such material indenture, agreement or other instrument or (iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by the Borrower or any Significant Subsidiary.

SECTION 3.03. Enforceability. This Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

SECTION 3.04. Governmental Approvals. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Transactions, except those which have been made or obtained.

SECTION 3.05. Financial Statements. The Borrower has heretofore furnished to the Lenders the consolidated balance sheet, statement of income and statement of cash flows of the Borrower and its Subsidiaries as of and for the fiscal year ended December 31, 2000, audited by and accompanied by the opinion of PricewaterhouseCoopers LLP, independent public accountants. Such financial statements present fairly the financial condition and results of operations of the Borrower and its Subsidiaries as of such date and for such period and were prepared in accordance with GAAP applied on a consistent basis. The unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at April 1, 2001, July 1, 2001 and September 30, 2001, and the related unaudited consolidated statements of income and cash flows for the three-month periods ended on such dates, present fairly the consolidated financial condition of the Borrower and its Subsidiaries as at such dates, and the consolidated results of its operations and its consolidated cash flows for the three-month periods then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as disclosed therein). Such financial statements and the notes thereto, and Schedule 3.05, when taken together, disclose all material liabilities, direct or contingent, of the Borrower and its consolidated Subsidiaries as of the date thereof.

SECTION 3.06. No Material Adverse Change. There has been no material adverse change in the business, assets, operations or condition, financial or otherwise, of the Borrower and the Subsidiaries, taken as a whole, since December 31, 2000.

SECTION 3.07. Litigation; Compliance with Laws. (a) Except as set forth on Schedule 3.07, there are not any actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of the Borrower, threatened against or affecting the

Borrower or any Subsidiary or any business, property or rights of any such person (i) that involve this Agreement or the Transactions or (ii) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(b) None of the Borrower or any of the Subsidiaries or any of their respective material properties or assets is in violation of, nor will the continued operation of their material properties and assets as currently conducted violate, any law, rule or regulation, or is in default with respect to any judgment, writ, injunction, decree or order of any Governmental Authority (including any of the foregoing relating to the environment), where such violation or default could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.08. Federal Reserve Regulations. (a) Neither the Borrower nor any of the Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately for any purpose that entails a violation of, or that is inconsistent with, the provisions of the Regulations of the Board, including Regulation U or X. Margin Stocks do not constitute 25% or more of the fair market value of the assets of the Borrower and the Subsidiaries subject to the restrictions of Section 6.01.

SECTION 3.09. Investment Company Act; Public Utility Holding Company Act. Neither the Borrower nor any Subsidiary is (a) an "investment company", or a company "controlled" by an "investment company", as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.10. Tax Returns. Each of the Borrower and the Subsidiaries has filed or caused to be filed all Federal and all material state, local and foreign tax returns or materials required to have been filed by it and has paid or caused to be paid all taxes shown to be due and payable by it on such returns and all assessments received by it, except taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiaries, as applicable, shall have set aside on its books adequate reserves in accordance with GAAP.

SECTION 3.11. No Material Misstatements. Neither (a) the Confidential Information Memorandum nor (b) any other information, report, financial statement, exhibit or schedule furnished in writing by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or included herein or delivered pursuant hereto contained, contains or will contain any material misstatement of fact or omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading; provided that to the extent any such information, report, financial statement, exhibit or schedule was based upon or constitutes a forecast or projection, the Borrower represents only that it acted in good faith and utilized reasonable assumptions and due care in the preparation of such information, report, financial statement, exhibit or schedule.

SECTION 3.12. Employee Benefit Plans. Each of the Borrower and its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect. The present value of all benefit liabilities under all Plans

(based on those assumptions used to fund each such Plan) did not, as of the last annual valuation date applicable thereto before the Closing Date, exceed the fair market value of the assets of all Plans as of such date, and the present value of all benefit liabilities of all underfunded Plans (based on those assumptions used to fund each such Plan) did not, as of the last annual valuation dates applicable thereto before the Closing Date, exceed by more than \$280 million the fair market value of the assets of all such underfunded Plans as of such dates.

SECTION 3.13. No Default. Neither the Borrower nor any Subsidiary is in default under or with respect to any of its Contractual Obligations in any respect that has had or would reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

SECTION 3.14. Ownership of Property; Liens; Insurance. The Borrower and each of its Significant Subsidiaries has title in fee simple to, or a valid leasehold interest in, all its material real property, and good title to, or a valid leasehold interest in, all its other material property, and none of such property is subject to any Lien except as permitted by Section 6.01. The Borrower and each of its Subsidiaries maintains with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business, provided that nothing in this Section 3.14 shall preclude the Borrower or any Subsidiary from being self-insured (to the extent deemed prudent by the Borrower or such Subsidiary and customary with companies in the same or similar business).

SECTION 3.15. Intellectual Property. The Borrower and each of its Subsidiaries owns, is licensed to use or otherwise has the right to use all Intellectual Property necessary for the conduct of its business as currently conducted, except where the failure of the Borrower and its Subsidiaries to have any such rights has had or would reasonably be expected to have a Material Adverse Effect. To the knowledge of the Borrower, no material claim that would reasonably be expected to have a Material Adverse Effect if adversely decided, has been asserted and is currently active and pending by any person (i) alleging that the business of the Borrower or its Subsidiaries as currently conducted infringes the Intellectual Property rights of a third party or (ii) challenging or questioning the use of any Intellectual Property of the Borrower or its Subsidiaries or the validity or effectiveness of any Intellectual Property of the Borrower or its Subsidiaries. Except for such activities as may be subject to authorization and consent pursuant to 28 U.S.C. Section 1498 or substantially equivalent law or regulation, to the Borrower's knowledge, the operation of the businesses of the Borrower and its Subsidiaries as currently conducted do not infringe any valid and enforceable Intellectual Property rights of any third party where a finding of such infringement would reasonably be expected to have a Material Adverse Effect.

SECTION 3.16. Labor Matters. Except as, in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against the Borrower or any of its Subsidiaries pending or, to the knowledge of the Borrower, threatened; (b) hours worked by and payment made to employees of the Borrower and each of its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable law or regulation dealing with such matters; and (c) all payments due from the Borrower or any of its Subsidiaries on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the Borrower or the relevant Subsidiary, as applicable.

SECTION 3.17. Environmental Matters. Except as, in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect:

(a) the facilities and properties owned, leased or operated by the Borrower or any Subsidiary (the "Properties") do not contain, and have not previously

contained, any Materials of Environmental

Concern in amounts or concentrations or under circumstances that constitute or constituted a violation of, or could give rise to liability under, any Environmental Law;

(b) neither the Borrower nor any Subsidiary has received or is aware of any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the business operated by the Borrower or any Subsidiary (the "Business"), nor does any Responsible Officer of the Borrower have actual knowledge or a reasonable basis to believe that any such notice will be received or is being threatened;

(c) Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location that could give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could give rise to liability under, any applicable Environmental Law;

(d) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of any Responsible Officer of the Borrower, threatened, under any Environmental Law to which the Borrower or any Subsidiary is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business;

(e) there has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of the Borrower or any Subsidiary in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws;

(f) the Properties and all operations at the Properties are in compliance, and have in the last five years been in compliance, with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any Environmental Law with respect to the Properties or the Business; and

(g) neither the Borrower nor any Subsidiary has assumed any liability of any other person under Environmental Laws.

SECTION 3.18. Solvency. The Borrower is, and after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith will be and will continue to be, Solvent.

ARTICLE IV

Conditions Of Effectiveness and Lending

The obligations of the Lenders to make Loans (including the initial Borrowing) hereunder are subject to the satisfaction of the following conditions:

SECTION 4.01. All Borrowings. On the date of each Borrowing (other than, in the case of paragraph (b) below, a Borrowing that does not increase the aggregate principal amount of Loans outstanding of any Lender) and on the date of the conversion of Revolving Loans to Term-out Loans in accordance with Section 2.05(a):

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03 or 2.04, as applicable, or conversion as required by Section 2.05, as the case may be.

(b) The representations and warranties set forth in Article III hereof shall be true and correct in all material respects on and as of the date of such Borrowing or conversion, as the case may be, with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) At the time of and immediately after such Borrowing or conversion, as the case may be, no Event of Default or Default shall have occurred and be continuing.

Each Borrowing and the conversion of Revolving Loans to Term-out Loans pursuant to Section 2.05(a) by the Borrower shall be deemed to constitute a representation and warranty by the Borrower on the date of such Borrowing or conversion as to the matters specified in paragraphs (b) (except as aforesaid) and (c) of this Section 4.01.

SECTION 4.02. Effectiveness. On the date of effectiveness (which may or may not be the date of the initial Borrowing):

(a) Credit Agreement. The Administrative Agent shall have received this Agreement, executed and delivered by the Administrative Agent, the Borrower, each Guarantor and each person listed on Schedule 2.01.

(b) Legal Opinions. The Administrative Agent shall have received, on behalf of itself and the Lenders and the Agents, the favorable written opinions of (i) Neal E. Minahan, Senior Vice President, Secretary and General Counsel of the Borrower and other appropriate in-house counsel with respect to the Guarantors and (ii) Bingham Dana LLP, special counsel for the Borrower, substantially to the effect set forth in Exhibits E and F, respectively, each (A) dated the date of the initial Borrowing, (B) addressed to the Administrative Agent, the Lenders and the Agents, and (C) covering such other matters relating to this Agreement and the transactions contemplated hereby as the Administrative Agent and the Syndication Agent may reasonably request as a result of any change in law or regulation after the Closing Date relating to such transactions or any material change in facts previously disclosed to the Lenders, or disclosure of facts not previously disclosed to the Lenders, and the Borrower hereby requests such counsel deliver such opinions.

(c) Legal Matters. All legal matters incident to this Agreement, the Borrowings and extensions of credit hereunder shall be reasonably satisfactory to the Lenders and to Simpson Thacher & Bartlett, counsel for the Administrative Agent and the Syndication Agent.

(d) Closing Certificates. The Administrative Agent and the Syndication Agent shall have received (i) a copy of the certificate of incorporation, including all amendments thereto, of the Borrower and each Guarantor, each certified by the relevant authority of the jurisdiction of organization, and a certificate as to the good standing of the Borrower and each Guarantor as of a recent date, from such relevant authority; (ii) a certificate of the Secretary or Assistant Secretary of the Borrower and each Guarantor, each dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Borrower or the relevant Guarantor, as applicable, as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Borrower or the relevant Guarantor, as

applicable, authorizing the execution, delivery and performance of this Agreement and, in the case of the Borrower, the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate of incorporation of the Borrower or the relevant Guarantor, as applicable, has not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of the Borrower or the relevant Guarantor, as applicable; (iii) a certificate of another officer of the Borrower or the relevant Guarantor, as applicable, as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or Simpson Thacher & Bartlett, counsel for the Administrative Agent and the Syndication Agent, may reasonably request.

(e) Financial Officer's Certificate. The Administrative Agent and the Syndication Agent shall each have received (i) a certificate, dated the date of the initial Borrowing and signed by a Financial Officer of the Borrower, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.01 and (ii) a Ratio Certificate, setting forth the calculations, in reasonable detail, required to determine compliance with all covenants set forth in Sections 6.05(a) and (b) on the Closing Date and on the date of the initial Borrowing.

(f) Fees and Expenses. The Administrative Agent and the other Agents and their Affiliates shall have received all Fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(g) Five-Year Credit Agreement. The Five-Year Credit Agreement shall have been, or shall simultaneously be, executed and delivered by the parties thereto and shall be in full force and effect.

(h) Existing Credit Agreement. The Borrower shall have prepaid the Loans and permanently reduced the amount of the Commitments (as defined under the Existing Credit Agreement) under the Existing Credit Agreement to an aggregate amount of no more than \$140,000,000.

ARTICLE V

Affirmative Covenants

The Borrower covenants and agrees with each Lender that so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement shall have been paid in full, unless the Required Lenders shall otherwise consent in writing, the Borrower will, and will cause each of the Subsidiaries to:

SECTION 5.01. Existence; Businesses and Properties. In the case of the Borrower and the Significant Subsidiaries:

(a) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises, except as otherwise expressly permitted under Section 6.03;

(b) comply in all material respects with all applicable laws, rules, regulations and decrees and orders of any Governmental Authority, whether now in effect or hereafter enacted; and at all times maintain, preserve and protect all property material to the conduct of its business; and

(c) comply with all Contractual Obligations except to the extent that failure to comply therewith, in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect.

SECTION 5.02. Insurance. Keep its insurable properties adequately insured at all times by financially sound and reputable insurers; and maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses, provided that nothing in this Section 5.02 shall preclude the Borrower or any Subsidiary from being self-insured (to the extent deemed prudent by the Borrower or such Subsidiary and customary with companies in the same or similar business).

SECTION 5.03. Payment of Obligations; Taxes(a) . (a) Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations (which , with respect to payment obligations, shall be any obligation of \$50,000,000 or greater) of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and adequate reserves with respect thereto shall, to the extent required by GAAP, have been set aside; and

(b) Pay and discharge promptly when due all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise that, if unpaid, might give rise to a Lien upon such properties or any part thereof unless and to the extent the same are being contested in good faith by appropriate proceedings and adequate reserves with respect thereto shall, to the extent required by GAAP, have been set aside.

SECTION 5.04. Financial Statements, Reports, etc. In the case of the Borrower, furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year, a consolidated balance sheet, statement of income and statement of cash flows showing the financial condition and results of operations of the Borrower and its consolidated Subsidiaries as of and for the fiscal year then ended, all audited by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing and accompanied by an opinion of such accountants (which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of the Borrower and its consolidated Subsidiaries, as the case may be, on a consolidated basis in accordance with GAAP;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, a consolidated balance sheet, statement of income and statement of cash flows showing the financial condition and results of operations of the Borrower and its consolidated Subsidiaries as of and for the fiscal quarter then ended and the then elapsed portion of the fiscal year, all certified by a Financial Officer of the Borrower as fairly presenting the financial condition and results of operations of the Borrower, as the case may be, on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments;

(c) concurrently with any delivery of financial statements under paragraph (a) or (b) above, (i) a Ratio Certificate and (ii) a certificate of a Financial Officer of the Borrower certifying that no Event of Default or Default has occurred or, if such an Event of Default or Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto;

(d) promptly, after their becoming available, copies of all financial statements, stockholders reports and proxy statements that the Borrower shall have sent to its stockholders generally, and copies of all registration statements filed by the Borrower under the Securities Act of 1933, as amended (other than registration statements on Form S-8 or any registration statement filed in connection with a dividend reinvestment plan), and regular and periodic reports, if any, which the Borrower shall have filed with the Securities and Exchange Commission (or any governmental agency or agencies substituted therefor) under Section 13 or Section 15(d) of the Securities and Exchange Act of 1934, as amended, or with any national securities exchange (other than those on Form 11-K or any successor form); provided, that documents required to be delivered under this clause (d) which are made available on the internet via the EDGAR, or any successor, system of the Securities and Exchange Commission shall be deemed delivered; and

(e) promptly, from time to time, such other information regarding the Borrower or any Significant Subsidiary (including the operations, business affairs and financial condition of the Borrower or any Significant Subsidiary), or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.05. Litigation and Other Notices. Promptly upon any Responsible Officer of the Borrower obtaining knowledge of any of the following, furnish to the Administrative Agent and each Lender written notice of the following:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto;

(b) the filing or commencement of, or any notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Borrower or any Affiliate thereof that could reasonably be expected to result in a Material Adverse Effect or materially impair the Borrower's ability to perform its obligations under this Agreement;

(c) any change in the ratings by S&P or Moody's of the Index Debt; and

(d) any development that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect.

SECTION 5.06. Employee Benefits. (a) Comply in all material respects with the applicable provisions of ERISA and the Code and (b) furnish to the Administrative Agent and each Lender as soon as possible after, and in any event within 30 days after any Responsible Officer of the Borrower or any ERISA Affiliate knows that, any ERISA Event has occurred that, alone or together with any other ERISA Event known to have occurred, could reasonably be expected to result in liability of the Borrower in an aggregate amount exceeding \$75,000,000 in any year, a statement of a Financial Officer of the Borrower setting forth details as to such ERISA Event and the action, if any, that the Borrower proposes to take with respect thereto

SECTION 5.07. Maintaining Records; Access to Properties and Inspections. Maintain financial records in accordance with GAAP and, upon reasonable notice, permit any representatives designated by the Administrative Agent or any Lender to visit and inspect the financial records and the properties of the Borrower or any Significant Subsidiary during normal business hours and to discuss the affairs, finances and condition of the Borrower or any Significant Subsidiary with the officers thereof and independent accountants therefor.

SECTION 5.08. Use of Proceeds. Use the proceeds of the Loans only for the purposes set forth in the preamble to this Agreement.

SECTION 5.09. Environmental Laws. Except as, in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect:

(a) Comply in all material respects with, and undertake all reasonable efforts to ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and comply as required in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

SECTION 5.10. Termination of Existing Credit Agreement. On or before May 30, 2002, pay the Loans (as defined under the Existing Credit Agreement), liabilities and other obligations under the Existing Credit Agreement in full and terminate the Commitments (as defined under the Existing Credit Agreement) thereunder.

ARTICLE VI

Negative Covenants

The Borrower covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement have been paid in full, unless the Required Lenders shall otherwise consent in writing, the Borrower will not, and will not cause or permit any of the Subsidiaries to:

SECTION 6.01. Liens. Create, incur, assume or permit to exist any Lien on any property or assets (including stock or other securities of any person, including any Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except:

(a) Liens on property or assets of the Borrower or any of its Subsidiaries existing on the date hereof except, in the case of the Borrower, any such Lien securing Indebtedness for borrowed money in excess of \$5,000,000 that is not set forth in Schedule 6.01, provided that all Liens permitted by this paragraph (a) shall secure only those obligations which they secure on the date hereof;

(b) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary, provided that (i) such Lien is not created in contemplation of or in

connection with such acquisition and (ii) such Lien does not apply to any other property or assets of the Borrower or any Subsidiary;

(c) Liens for taxes not yet past due or which are being contested in compliance with Section 5.03;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business and securing obligations that are not due and payable or which are being contested in compliance with Section 5.03;

(e) pledges and deposits made in the ordinary course of business in compliance with workmen's compensation, unemployment insurance and other social security laws or regulations;

(f) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases (other than capital leases), statutory obligations, surety and appeal bonds, advance payment bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) zoning restrictions, easements, rights-of-way, restrictions on use of real property and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(h) Liens upon any property acquired, constructed or improved by the Borrower or any Subsidiary which are created or incurred within 360 days of such acquisition, construction or improvement to secure or provide for the payment of any part of the purchase price of such property or the cost of such construction or improvement, including carrying costs (but no other amounts), provided that any such Lien shall not apply to any other property of the Borrower or any Subsidiary;

(i) Liens on the property or assets of any Subsidiary in favor of the Borrower;

(j) extensions, renewals and replacements of Liens referred to in paragraphs (a) through (i) of this Section 6.01, provided that any such extension, renewal or replacement Lien shall be limited to the property or assets covered by the Lien extended, renewed or replaced and that the obligations secured by any such extension, renewal or replacement Lien shall be in an amount not greater than the amount of the obligations secured by the Lien extended, renewed or replaced;

(k) any Lien of the type described in clause (c) of the definition of the term "Lien" on securities imposed pursuant to an agreement entered into for the sale or disposition of such securities pending the closing of such sale or disposition; provided such sale or disposition is otherwise permitted hereunder;

(l) Liens arising in connection with any Permitted Receivables Program (to the extent the sale by the Borrower or the applicable Subsidiary of its accounts receivable is deemed to give rise to a Lien in favor of the purchaser thereof in such accounts receivable or the proceeds thereof); and

(m) Liens to secure Indebtedness if, immediately after the grant thereof, the aggregate amount of all Indebtedness secured by Liens that would not be permitted but for this clause (m), when aggregated with the amount of Indebtedness permitted by Section 6.04(h), does not exceed the greater of (i) \$100,000,000 or (ii) 15% of Consolidated Net Tangible Assets as shown on the most recent consolidated balance sheet delivered pursuant to Section 3.05 or 5.04(a) or (b), as the case may be.

SECTION 6.02. Sale and Lease-Back Transactions. Enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease back such property; provided, however, that the Borrower and the Subsidiaries may enter into any such transaction to the extent the Lien on any such property would be permitted by Section 6.01(m).

SECTION 6.03. Mergers, Consolidations and Sales of Assets. In the case of the Borrower, merge into or consolidate with any other person, or permit any other person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of, or permit the sale, transfer, lease or other disposition of (in one transaction or in a series of transactions) all or substantially all of its assets (including any Subsidiary), or agree to do any of the foregoing; provided, however, that any person may merge into or consolidate with the Borrower in a transaction in which the Borrower is the surviving corporation if no Event of Default or Default shall have occurred and be continuing or would occur immediately after giving effect thereto; provided, further, that nothing in this Section 6.03 shall prohibit the sale of the capital stock or assets of either or both Guarantors.

SECTION 6.04. Subsidiary Indebtedness. Permit any Subsidiary to create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness existing on the date hereof and set forth in Schedule 6.04 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(b) Indebtedness issued to the Borrower or any other Subsidiary;

(c) Indebtedness incurred to finance the acquisition, construction or improvement of any fixed or capital assets, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement;

(d) Indebtedness of any person that becomes a Subsidiary after the date hereof; provided that such Indebtedness exists at the time such person becomes a Subsidiary and is not created in contemplation of or in connection with such person becoming a Subsidiary;

(e) Indebtedness as an account party in respect of trade letters of credit;

(f) Indebtedness arising in connection with any Permitted Receivables Program (to the extent the sale by the applicable Subsidiary of its accounts receivable is deemed to be Indebtedness of such Subsidiary);

(g) performance, advance payment, warranty and bid guarantees and other similar guarantees of payment (other than in respect of Indebtedness for borrowed money) made by a Subsidiary in the ordinary course of business; and

(h) other Indebtedness in an aggregate principal amount, when aggregated with the amount of all Indebtedness secured by Liens permitted by Section 6.01(m), not exceeding the greater of (i) \$100,000,000 or (ii) 15% of Consolidated Net Tangible Assets as shown on the most recent consolidated balance sheet delivered pursuant to Section 3.05 or 5.04(a) or (b), as the case may be.

SECTION 6.05. Financial Covenants. (a) Debt to Capitalization. Permit Total Debt to exceed (i) 60% of Total Capitalization at any time to and including December 31, 2001, (ii) 55% of Total Capitalization at any time from and including January 1, 2002 to, but excluding, June 28, 2004 and (iii) 50% of Total Capitalization at any time from June 28, 2004 and thereafter.

(b) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower ending with any fiscal quarter (i) after the Closing Date until, but excluding, June 28, 2004 to be less than 2.5 to 1.0 and (ii) commencing June 28, 2004 and thereafter to be less than 3.0 to 1.0.

ARTICLE VII

Events Of Default

In case of the happening of any of the following events ("Events of Default"):

(a) any representation or warranty made or deemed made in or in connection with this Agreement or the borrowings hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to this Agreement, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(b) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or any Fee or any other amount (other than an amount referred to in (b) above) due under this Agreement, when and as the same shall become due and payable, and such default shall continue unremedied for a period of three Business Days following notice thereof;

(d) default shall be made in the due observance or performance by the Borrower or any Subsidiary of any covenant, condition or agreement contained in Section 5.01(a), 5.05(a) or 5.08 or in Article VI;

(e) default shall be made in the due observance or performance by the Borrower or any Subsidiary of any covenant, condition or agreement contained in this Agreement (other than those specified in (b), (c) or (d) above) and such default shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent or any Lender to the Borrower;

(f) the Borrower or any Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness in a principal amount in excess of \$50,000,000, when and as the same shall become due and payable, or (ii) fail to make any payment under any guarantee, if the aggregate amount of the guaranteed obligations is in excess of \$50,000,000, except to the extent the Borrower or such Subsidiary is contesting in good faith

the requirement to make such payment, or (iii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Indebtedness if the effect of any failure referred to in this clause (iii) is to cause such Indebtedness to become due prior to its stated maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Borrower or any Significant Subsidiary, or of a substantial part of the property or assets of the Borrower or a Significant Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Significant Subsidiary or for a substantial part of the property or assets of the Borrower or a Significant Subsidiary or (iii) the winding-up or liquidation of the Borrower or any Significant Subsidiary; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the Borrower or any Significant Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Significant Subsidiary or for a substantial part of the property or assets of the Borrower or any Significant Subsidiary, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more judgments for the payment of money in an aggregate amount in excess of \$50,000,000 (to the extent not adequately covered by insurance as to which the insurance company has acknowledged coverage in writing) shall be rendered against the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of the Borrower or any Subsidiary to enforce any such judgment;

(j) an ERISA Event shall have occurred that, in the reasonable opinion of the Required Lenders, when taken together with all other such ERISA Events that have occurred could reasonably be expected to result in a Material Adverse Effect;

(k) there shall have occurred a Change in Control; or

(l) the Guarantee contained in Article IX of this Agreement shall cease, for any reason (other than in accordance with Section 10.17), to be in full force and effect with respect to any Guarantor or the Borrower or any Guarantor or any Affiliate of the Borrower or any Guarantor shall so assert;

then, and in every such event (other than an event with respect to the Borrower described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent

may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding; and in any event with respect to the Borrower described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding.

ARTICLE VIII

The Administrative Agent

In order to expedite the transactions contemplated by this Agreement, JPMorgan Chase Bank is hereby appointed to act as Administrative Agent on behalf of the Lenders. Each of the Lenders and each assignee of any such Lender hereby irrevocably authorizes the Administrative Agent to take such actions on behalf of such Lender or assignee and to exercise such powers as are specifically delegated to the Administrative Agent by the terms and provisions hereof, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders all payments of principal of and interest on the Loans and all other amounts due to the Lenders hereunder, and promptly to distribute to each Lender its proper share of each payment so received; (b) to give notice on behalf of each of the Lenders to the Borrower of any Event of Default specified in this Agreement of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices, financial statements and other materials delivered by the Borrower pursuant to this Agreement as received by the Administrative Agent.

Neither the Administrative Agent nor any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its or his own gross negligence or wilful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower of any of the terms, conditions, covenants or agreements contained in this Agreement. The Administrative Agent shall not be responsible to the Lenders for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement or any other instruments or agreements. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders (or, when expressly required hereunder, all the Lenders) and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall have any responsibility to the Borrower on account of the failure of or delay in performance or breach by any Lender of any of its obligations hereunder or to any Lender on account of the failure of or delay in performance or breach by any other Lender or the Borrower of any of their respective obligations hereunder or in connection herewith. The Administrative Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of

legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (which consent shall not be unreasonably withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, having a combined capital and surplus of at least \$500,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans made by it hereunder, the Administrative Agent in its individual capacity and not as Administrative Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not the Administrative Agent, and the Administrative Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent.

Each Lender agrees (a) to reimburse the Administrative Agent, on demand, in the amount of its pro rata share (based on its Commitment hereunder) of any expenses incurred for the benefit of the Lenders by the Administrative Agent, including counsel fees, that shall not have been reimbursed by the Borrower and (b) to indemnify and hold harmless the Administrative Agent and any of its directors, officers, employees or agents, on demand, in the amount of such pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against it in its capacity as the Administrative Agent or any of them in any way relating to or arising out of this Agreement or any action taken or omitted by it or any of them under this Agreement, to the extent the same shall not have been reimbursed by the Borrower, provided that no Lender shall be liable to the Administrative Agent or any such other indemnified person for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of the Administrative Agent or any of its directors, officers, employees or agents.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder. Each Lender further acknowledges that (i)

the Syndication Agent and the Documentation Agents have no duties or obligations as such under this Agreement and (ii) with respect to its Loans made or renewed by it, the Syndication Agent and each Documentation Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include the Syndication Agent and each Documentation Agent in its individual capacity.

ARTICLE IX

Guarantee

In order to induce the Lenders to extend credit hereunder and in consideration therefor, each Guarantor hereby, jointly and severally, unconditionally and irrevocably guarantees, as a primary obligor and not merely as a surety, the Obligations. Each Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its Guarantee hereunder notwithstanding any such extension or renewal of any Obligation.

Each Guarantor waives presentment to, demand of payment from and protest to the Borrower of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of each Guarantor hereunder shall not be affected by the failure of any Lender or the Administrative Agent to assert any claim or demand or to enforce any right or remedy against the Borrower under the provisions of this Agreement or otherwise, or, except as specifically provided therein, by any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement or any other agreement.

Each Guarantor further agrees that its Guarantee hereunder constitutes a promise of payment when due and not merely of collection, and waives any right to require that any resort be had by any Lender to any balance of any deposit account or credit on the books of any Lender in favor of the Borrower or any other person.

The obligations of either Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of the Obligations, any impossibility in the performance of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of either Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any remedy under this Agreement or any other agreement, by any waiver or modification in respect of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Obligations, or by any other act or omission which may or might in any manner or to any extent vary the risk of either Guarantor or otherwise operate as a discharge of either Guarantor as a matter of law or equity.

Each Guarantor further agrees that its obligations hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Obligation is rescinded or must otherwise be restored by the Administrative Agent or any Lender upon the bankruptcy or reorganization of the Borrower or otherwise.

In furtherance of the foregoing and not in limitation of any other right which the Administrative Agent or any Lender may have at law or in equity against either Guarantor by virtue hereof, upon the failure of the Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and

will, upon receipt of written demand by the Administrative Agent, forthwith pay, or cause to be paid, in immediately available Dollars the amount of such unpaid Obligation.

Anything herein to the contrary notwithstanding, the maximum liability of each Guarantor hereunder shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in the paragraph below).

Each Guarantor hereby agrees that to the extent that either Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against the other Guarantor hereunder which has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of the following paragraph. The provisions of this paragraph shall in no respect limit the obligations and liabilities of either Guarantor to the Administrative Agent and the Lenders, and each Guarantor shall remain liable to the Administrative Agent and the Lenders for the full amount guaranteed by such Guarantor hereunder.

Upon payment by either Guarantor of any sums as provided above, all rights of either Guarantor against the Borrower arising as a result thereof by way of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full of all the Obligations.

ARTICLE X

Miscellaneous

SECTION 10.01. Notices. Unless otherwise specified herein, notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower or the Guarantors, at 141 Spring Street, Lexington, Massachusetts 02421 Attention of Cheryl Norden (Telecopy No. (781) 860-2505); with a copy to Stephen J. Iglowski at the same address;

(b) if to the Administrative Agent, to JPMorgan Chase Bank, One Chase Manhattan Plaza, 8th Floor, New York, New York 10017, Attention of Doris Mesa (Telecopy No. (212) 552-5650), with a copy to JPMorgan Chase Bank, at 270 Park Avenue, New York, New York 10017, Attention of Mr. Jack Riordan (Telecopy No. (212) 270-5100);and

(c) if to a Lender, to it at its address (or telecopy number) set forth in Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy or on the date five Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 10.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 10.01.

SECTION 10.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not been terminated. The provisions of Sections 2.13, 2.15, 2.19 and 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement, or any investigation made by or on behalf of the Administrative Agent or any Lender.

SECTION 10.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

SECTION 10.04. Successors and Assigns. (a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower, the Administrative Agent or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, however, that (i) except in the case of an assignment to a Lender or a Lender Affiliate, (x) the Administrative Agent and (unless an Event of Default shall have occurred and be continuing) the Borrower must give their prior written consent to such assignment (which consent shall not be unreasonably withheld) and (y) unless the Borrower and the Administrative Agent shall otherwise agree to a lower dollar amount, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$10,000,000 (or the entire remaining amount of the assigning Lender's Commitment), unless such Lender is making a substantially simultaneous assignment to the same assignee pursuant to Section 10.04(b) of the Five-Year Credit Agreement in which case the aggregate of the amount of the Commitment of the assigning Lender subject to the assignment under this Agreement and the amount of the commitment of the assigning Lender subject to the assignment under the Five-Year Credit Agreement shall not be less than \$10,000,000, (ii) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500 and (iii) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (e) of this Section 10.04, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.15, 2.19 and 10.05, as well as to

any Fees accrued for its account and not yet paid). Any assignment by a Lender of rights and/or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and/or obligations, as the case may be, in accordance with paragraph (f) of this Section 10.04.

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Commitment, and the outstanding balances of its Revolving Loans and Competitive Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto, or the financial condition of the Borrower or any Subsidiary or the performance or observance by the Borrower or any Subsidiary of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in Section 3.05 or delivered pursuant to Section 5.04 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The Borrower, the Administrative Agent and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary, and such entries in the Register shall be conclusive absent manifest error. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of the Borrower and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Lenders and the Borrower. No assignment shall be effective unless it has been recorded in the Register as provided in this paragraph (e).

(f) Each Lender may without the consent of the Borrower or the Administrative Agent sell participations to one or more banks or other entities in all or a portion of its rights and/or obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.13, 2.15 and 2.19 (and shall have the duty to mitigate under Section 2.20) to the same extent as if they were Lenders (provided, that unless such participation was consented to by the Borrower, each participating bank or other entity shall only be entitled to the benefit of the cost protection provisions contained in Sections 2.13, 2.15 and 2.19 to the same extent as its participating Lender) and (iv) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any fees payable hereunder or the amount of principal or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans or increasing or extending the Commitments).

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure of information designated by the Borrower as confidential, "Company Private" or "Proprietary", each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information on terms no less restrictive than those applicable to the Lenders pursuant to Section 10.16.

(h) Any Lender may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank without the consent of the Borrower or the Administrative Agent to secure extensions of credit by such Federal Reserve Bank to such Lender; provided that no such assignment shall release a Lender from any of its obligations hereunder or substitute any such Bank for such Lender as a party hereto. In order to facilitate such an assignment to a Federal Reserve Bank, the Borrower shall, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing the Loans made to the Borrower by the assigning Lender hereunder.

(i) The Borrower shall not assign or delegate any of its rights or duties hereunder without the prior written consent of the Administrative Agent and each Lender, and any attempted assignment without such consent shall be null and void.

(j) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") of such Granting Lender, identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to Section 2.01 or 2.03(e), provided that (i) nothing herein shall constitute a commitment to make any Loan by any SPC and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender (and, if such Loan is a Competitive Loan, shall be deemed to utilize the Commitments of all the Lenders) to the same extent, and as if, such Loan were made by the Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with

the related Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 10.04 or in Section 10.16, any SPC may (i) with notice to, but without the prior written consent of, the Borrower or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to its Granting Lender or to any financial institutions providing liquidity and/or credit facilities to or for the account of such SPC to fund the Loans made by such SPC or to support the securities (if any) issued by such SPC to fund such Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit or liquidity enhancement to such SPC.

SECTION 10.05. Expenses; Indemnity. (a) The Borrower agrees (i) to pay all reasonable out-of-pocket expenses incurred by the Agents and the Arrangers in connection with the syndication of the credit facilities provided for herein and the preparation and administration of this Agreement or in connection with any amendments, modifications or waivers of the provisions hereof (whether or not the transactions hereby or thereby contemplated shall be consummated), including the reasonable fees, charges and disbursements of Simpson Thacher & Bartlett, counsel for the Agents and (ii) to pay all out-of-pocket expenses incurred by any Agent, either Arranger or any Lender in connection with the enforcement or protection of its rights in connection with this Agreement or in connection with the Loans made hereunder, including the fees, charges and disbursements of Simpson Thacher & Bartlett, counsel for the Agents, and, in connection with any such enforcement or protection, the fees, charges and disbursements of any other counsel (including the allocated charges of in-house counsel) for any Agent or any Lender. The Borrower shall not be obligated to reimburse out-of-pocket legal expenses pursuant to the preceding sentence for more than one law firm for the Agents incurred in connection with the preparation of this Agreement or in connection with any particular amendment, modification or waiver of the provisions hereof.

(b) The Borrower agrees to indemnify each Agent, each Arranger and each Lender, each Affiliate of any of the foregoing persons and each of their respective directors, officers, employees, advisors and agents (each such person being called an "Indemnitee") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated hereby, (ii) the use of the proceeds of the Loans or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses result from the gross negligence or wilful misconduct of such Indemnitee.

(c) The provisions of this Section 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement, or any investigation made by or on behalf of any Agent or any Lender. All amounts due under this Section 10.05 shall be payable on written demand therefor.

SECTION 10.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or any affiliate, branch or agency thereof to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmaturred. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.07. APPLICABLE LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 10.08. Waivers; Amendment. (a) No failure or delay of the Administrative Agent or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan or the payment of any Facility Fee, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan, without the prior written consent of each Lender affected thereby, (ii) change or extend the Commitment or decrease the Facility Fees or Utilization Fees of any Lender without the prior written consent of such Lender, (iii) except in accordance with Section 10.17, reduce or terminate the obligations of either Guarantor, without the prior written consent of each Lender or (iv) amend or modify the provisions of Section 2.16, the provisions of Section 10.04(i), the provisions of this Section or the definition of the term "Required Lenders", without the prior written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

SECTION 10.09. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount,

together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 10.10. Entire Agreement. This Agreement and the Fee Letter constitute the entire contract among the parties relative to the subject matter hereof. Any other previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement. Nothing in this Agreement, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 10.11. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.11.

SECTION 10.12. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 10.13. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 10.03. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually signed counterpart of this Agreement.

SECTION 10.14. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 10.15. Jurisdiction; Consent to Service of Process. (a) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(b) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(d) The Administrative Agent, each Lender, the Borrower and each Guarantor hereby irrevocably and unconditionally waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

SECTION 10.16. Confidentiality. The Administrative Agent and each of the Lenders agrees to keep confidential (and to use its best efforts to cause its respective agents and representatives to keep confidential) the Information (as defined below) and all copies thereof, extracts therefrom and analyses or other materials based thereon, except that the Administrative Agent, any Lender or any Lender Affiliate shall be permitted to disclose Information (a) to such of its respective officers, directors, employees, agents, affiliates and representatives as need to know such Information, (b) to the extent requested by any regulatory authority or examining authority, (c) to the extent otherwise required by applicable laws and regulations or by any subpoena or similar legal process, (d) in connection with any suit, action or proceeding relating to the enforcement of its rights hereunder, (e) to the extent permitted by Section 10.04(g), or (f) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Agreement or (ii) becomes available to the Administrative Agent or any Lender on a non-confidential basis from a source other than the Borrower. For the purposes of this Section, "Information" shall mean all financial statements, certificates, reports, agreements and information (including all analyses, compilations and studies prepared by the Administrative Agent or any Lender based on any of the foregoing) that are received from the Borrower or any Subsidiary and related to the Borrower, any Subsidiary or any employee, customer or supplier of the Borrower, other than any of the foregoing that were available to the Administrative Agent or any Lender on a non-confidential basis prior to its disclosure thereto by the Borrower, and which are in the case of Information provided after the date hereof, clearly identified at the time of delivery as confidential, "Company Private" or "Proprietary". The provisions of this Section 10.16 shall remain operative and in full force and effect regardless of the expiration and term of this Agreement.

SECTION 10.17. Release of Guarantees. (a) Notwithstanding anything to the contrary contained herein, , so long as no Default or Event of Default shall have occurred and be continuing, the Guarantees created by Article IX of this Agreement automatically shall be terminated and be of no further force or effect and the Administrative Agent is hereby irrevocably authorized by each Lender (without requirement of notice to or consent of any Lender) to take any action reasonably requested by the Borrower (it being understood that the Administrative Agent shall not refuse to take any reasonable action) to further evidence or document such automatic release of the Guarantees created by Article IX of this Agreement, but in each case only (i) to the extent necessary to permit the sale of all or substantially all of the stock or of all or substantially all of the assets of either Guarantor, (ii) to the extent necessary to permit the consummation of any transaction that has been consented to in accordance with Section 10.08 or (iii) under the circumstances described in paragraph (b) below.

(b) So long as no Default or Event of Default shall have occurred and be continuing, on the first date after the Closing Date on which the Borrower has Index Debt of BBB or better from S&P

and Baa2 or better from Moody's, in each case on "stable watch" or the equivalent, the Guarantees created by Article IX of this Agreement automatically shall be terminated and be of no further force or effect and the Administrative Agent is hereby irrevocably authorized by each Lender (without requirement of notice to or consent of any Lender) to take any action reasonably requested by the Borrower (it being understood that the Administrative Agent shall not refuse to take any reasonable action) to further evidence or document such automatic release of the Guarantees created by Article IX of this Agreement.

SECTION 10.18. Waiver and Consent of the Existing Credit Agreement. Each Lender which is a Lender (as defined under the Existing Credit Agreement) under the Existing Credit Agreement hereby (i) waives the requirement of Section 2.12 of the Existing Credit Agreement that prepayments of Loans (as defined under the Existing Credit Agreement) and reductions of Commitments (as defined under the Existing Credit Agreement) may only be made upon at least 3 Business Days' prior irrevocable written notice and (ii) consents to the Borrower prepaying the Loans (as defined under the Existing Credit Agreement) and permanently reducing the amount of the Commitments (as defined under the Existing Credit Agreement) under the Existing Credit Agreement to an aggregate amount of no more than \$140,000,000 on the date hereof.

[Remainder of page left blank intentionally; Signature page to follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

RAYTHEON COMPANY,
as the Borrower

By: _____
Name:
Title:

RAYTHEON TECHNICAL SERVICES COMPANY,
as a Guarantor

By: _____
Name:
Title:

RAYTHEON AIRCRAFT COMPANY,
as a Guarantor

By: _____
Name:
Title:

JPMORGAN CHASE BANK,
as a Lender and as Administrative Agent,

By: _____
Name:
Title:

J.P. MORGAN SECURITIES, INC.,
as a Joint Lead Arranger and a Joint Bookrunner,

By: _____
Name:
Title:

BANC OF AMERICA SECURITIES LLC,
as a Joint Lead Arranger and a Joint Bookrunner,

By: _____
Name:
Title:

BANK OF AMERICA, N.A.,
as Syndication Agent and as a Lender

By: _____
Name:
Title:

CITICORP USA, INC.,
as Documentation Agent and as a Lender

By:

Name:
Title:

CREDIT SUISSE FIRST BOSTON,
as Documentation Agent and as a Lender

By:

Name:
Title:

MIZUHO FINANCIAL GROUP,
as Documentation Agent and as a Lender

By:

Name:
Title:

[Form of]
RAYTHEON COMPANY
ADMINISTRATIVE QUESTIONNAIRE*

(*Lenders party to both the Five-Year Credit Agreement and the 364-Day Credit Agreement need complete this form and submit the completed form as indicated below in respect of the Five-Year Credit Agreement only, unless the Administrative Questionnaire for the 364-Day Credit Agreement would be completed differently.)

Please provide the following details:

A) FULL LEGAL BANK NAME: -----

B) FULL LEGAL DOMESTIC LENDING OFFICE NAME AND ADDRESS:

FAX NUMBER: -----

TELEX NUMBER: -----

C) FULL LEGAL EURODOLLAR LENDING OFFICE NAME AND ADDRESS:

FAX NUMBER: -----

TELEX NUMBER: -----

D) FULL LEGAL COMPETITIVE LOAN LENDING OFFICE NAME AND ADDRESS:

FAX NUMBER: -----

TELEX NUMBER: -----

E) WHERE EXECUTION COPIES SHOULD BE SENT FOR SIGNATURE(S)**:

ADDRESS: -----

ATTN: -----

ELECTRONIC MAIL ADDRESS: -----; or

* The Lender hereby acknowledges that, in the Administrative Agent's discretion, documents for execution may be sent by electronic mail or posted to a web site designated by the Administrative Agent.

Please fax your completed questionnaire to Doris Mesa at
JPMorgan Chase Bank; fax (212) 552-5650.

F) WHERE CONFORMED (FINAL) COPIES SHOULD BE SENT:

ADDRESS:

ATTN:

G) FOR BUSINESS AND/OR CREDIT MATTERS:

CONTACT NAME/DEPT:

TELEPHONE NUMBER:

FAX NUMBER:

ELECTRONIC MAIL ADDRESS:

H) FOR ADMINISTRATIVE/OPERATIONS MATTERS:

CONTACT NAME/DEPT:

TELEPHONE NUMBER:

FAX NUMBER:

ELECTRONIC MAIL ADDRESS:

I) FOR COMPETITIVE BID REQUESTS:

CONTACT NAME/DEPT:

TELEPHONE NUMBER:

FAX NUMBER:

ELECTRONIC MAIL ADDRESS:

J) PAYMENT INSTRUCTIONS (PLEASE SPECIFY WHERE FUNDS, I.E. INTEREST, FEES, LOAN REPAYMENTS SHOULD BE WIRED):

BANK NAME:

ABA, CHIPS #:

ACCOUNT #:

CREDIT TO (if applicable):

REFERENCE:

ATTENTION:

[Form of]
ASSIGNMENT AND ACCEPTANCE

Reference is made to the 364-Day Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among Raytheon Company, as the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

1. The Assignor hereby sells and assigns, without recourse, to the Assignee, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Effective Date set forth below (but not prior to the registration of the information contained herein in the Register pursuant to Section 10.04(e) of the Credit Agreement), the interests set forth below (the "Assigned Interests") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the amounts and percentages set forth below of (i) the Commitments of the Assignor on the Effective Date and (ii) the Loans owing to the Assignor which are outstanding on the Effective Date. Each of the Assignor and the Assignee hereby makes and agrees to be bound by all the representations, warranties and agreements set forth in Section 10.04(c) of the Credit Agreement, a copy of which has been received by each such party. From and after the Effective Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interests, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interests, relinquish its rights and be released from its obligations under the Credit Agreement.

2. This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) if the Assignee is organized under the laws of a jurisdiction outside the United States, the forms specified in Section 2.19(g) of the Credit Agreement, duly completed and executed by such Assignee, (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form of Exhibit A to the Credit Agreement and (iii) a processing and recordation fee of \$3,500.

3. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment
(may not be fewer than 5 Business
Days after the Date of Assignment):

Facility/Commitment	Amount Assigned Principal Amount Assigned and Identifying information as individual Competitive Loans)	Percentage Assigned of Applicable Facility/Commitment (set forth, to at least 8 decimals, as a percentage of the Total Commitments)
Commitment	\$ _____ %	_____ %
Competitive Loans	\$ _____ %	_____ %

Accepted: */
-

The terms set forth above
are hereby agreed to:

JPMORGAN CHASE BANK,
as Administrative Agent

_____, as
Assignor

By: _____
Name:
Title:

By: _____
Name:
Title:

_____, as
Assignor

Raytheon Company, as the
Borrower

By: _____
Name:
Title:

By: _____
Name:
Title:

* To be completed to the extent consents are required under Section 11.04(b)
of the Credit Agreement.

[Form of]
BORROWING REQUEST

JPMorgan Chase Bank, as Administrative Agent for
the Lenders referred to below,
270 Park Avenue
New York, NY 10017

Attention of [_____]

[Date]

Ladies and Gentlemen:

The undersigned, Raytheon Company, a Delaware corporation (the "Borrower"), refers to the 364-Day Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower hereby gives you notice pursuant to Section 2.04 of the Credit Agreement that it requests a Revolving Borrowing under the Credit Agreement, and in that connection sets forth below the terms on which such Borrowing is requested to be made:

- (A) Date of Borrowing (which is a Business Day) -----
(B) Principal Amount of Borrowing */ -----
(C) Interest rate basis **/ -----
(D) Interest Period and the last day thereof ***/ -----
(E) Funds are requested to be disbursed to the Borrower's account with JPMorgan Chase Bank (Account No. _____)

*/ Not less than \$10,000,000 and in an integral multiple of \$1,000,000, but in

any event not exceeding the Total Commitment then available.

**/ Specify Eurodollar Borrowing or ABR Borrowing.

***/ Which shall be subject to the definition of "Interest Period" and end not

later than the Maturity Date.

Upon acceptance of any or all of the Loans offered by the Lenders in response to this request, the Borrower shall be deemed to have represented and warranted that the applicable conditions to lending specified in Sections 4.01(b) and 4.01(c) of the Credit Agreement have been satisfied.

RAYTHEON COMPANY,

By: -----
Name:
Title: [Responsible Officer]

[Form of]
COMPETITIVE BID REQUEST

JPMorgan Chase Bank, as Administrative Agent for
the Lenders referred to below,
270 Park Avenue
New York, N.Y. 10017

[Date]

Attention: [_____]

Dear Sirs:

The undersigned, Raytheon Company, a Delaware corporation (the "Borrower"), refers to the 364-Day Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower hereby gives you notice pursuant to Section 2.03(a) of the Credit Agreement that it requests a Competitive Borrowing under the Credit Agreement, and in that connection sets forth below the terms on which such Competitive Borrowing is requested to be made:

- (A) Date of Competitive Borrowing
(which is a Business Day) -----
- (B) Principal Amount of
Competitive Borrowing 1/

- (C) Interest rate basis 2/

- (D) Interest Period and the last
day thereof 3/

-
- 1 Not less than \$10,000,000 (and in integral multiples of \$1,000,000) and not greater than the Total Commitment then available.
- 2 Eurodollar Loan or Fixed Rate Loan.
- 3 Which shall be subject to the definition of "Interest Period" and end not later than the Maturity Date.

Upon acceptance of any or all of the Loans offered by the Lenders in response to this request, the Borrower shall be deemed to have represented and warranted that the conditions to lending specified in Sections 4.01(b) and 4.01(c) of the Credit Agreement have been satisfied.

Very truly yours,

RAYTHEON COMPANY,

By: -----
Name:
Title: [Responsible Officer]

[Form of]
NOTICE OF COMPETITIVE BID REQUEST

[Name of Lender]
[Address]

Attention:

[Date]

Dear Sirs:

Reference is made to the 364-Day Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among Raytheon Company, as the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower made a Competitive Bid Request on [____], [____], pursuant to Section 2.03(a) of the Credit Agreement, and in that connection you are invited to submit a Competitive Bid by [Date]/[Time].¹ Your Competitive Bid must comply with Section 2.03(b) of the Credit Agreement and the terms set forth below on which the Competitive Bid Request is made:

- (E) Date of Competitive Borrowing -----
- (F) Principal amount of Competitive Borrowing -----
- (G) Interest rate basis -----
- (H) Interest Period and the last day thereof -----

Very truly yours,

JPMORGAN CHASE BANK, as Administrative Agent,

by -----

Name:
Title:

1 The Competitive Bid must be received by the Administrative Agent (i) in the case of Eurodollar Loans, not later than 9:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing, and (ii) in the case of Fixed Rate Loans, not later than 9:30 a.m., New York City time, on the Business Day of a proposed Competitive Borrowing.

[Form of]
COMPETITIVE BID

JPMorgan Chase Bank, as Administrative Agent for
the Lenders referred to below,
270 Park Avenue
New York, N.Y. 10017

[Date]

Attention: [_____]

Dear Sirs:

The undersigned, [Name of Lender], refers to the 364-Day Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among Raytheon Company, as the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The undersigned hereby makes a Competitive Bid pursuant to Section 2.03(b) of the Credit Agreement, in response to the Competitive Bid Request made by the Borrower on [_____], [____], and in that connection sets forth below the terms on which such Competitive Bid is made:

- (I) Principal Amount 1/ -----
(J) Competitive Bid Rate 2/ -----
(K) Interest Period and last day thereof -----

- -----
1 Not less than \$5,000,000 or greater than the requested Competitive Borrowing and in integral multiples of \$1,000,000. Multiple bids will be accepted by the Administrative Agent.
2 I.e., Eurodollar Rate + or - %, in the case of Eurodollar Loans, or %, in the case of Fixed Rate Loans.

The undersigned hereby confirms that it is prepared, subject to the conditions set forth in the Credit Agreement, to extend credit to the Borrower upon acceptance by the Borrower of this bid in accordance with Section 2.03(d) of the Credit Agreement.

Very truly yours,
[Name of Lender],

By: -----
Name:
Title:

[Form of]
COMPETITIVE BID ACCEPT/REJECT LETTER

JPMorgan Chase Bank, as Administrative Agent for
the Lenders referred to below,
270 Park Avenue
New York, N.Y. 10017

[Date]

Attention: [_____]

Dear Sirs:

The undersigned, Raytheon Company (the "Borrower"), refers to the 364-Day Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders (in such capacity, the "Administrative Agent").

In accordance with Section 2.03(c) of the Credit Agreement, we have received a summary of bids in connection with our Competitive Bid Request dated and in accordance with Section 2.03(d) of the Credit

Agreement, we hereby accept the following bids for maturity on [date]:

Principal Amount	Fixed Rate/Margin	Lender
\$	[%]/[+/- . %]	
\$		

We hereby reject the following bids:

Principal Amount	Fixed Rate/Margin	Lender
\$	[%]/[+/- . %]	
\$		

The \$ _____ should be deposited in JPMorgan Chase Bank account number

[_____] on [date].

Very truly yours,

RAYTHEON COMPANY,

By: _____

Name:

Title:

[Form of]

Opinion of Neal E. Minahan*

1. The Borrower and each Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the state of its organization. The Borrower and each Guarantor is duly qualified and in good standing as a foreign corporation and is authorized to do business in every jurisdiction where such qualification or authorization is required, except where the failure to be so qualified would not be reasonably likely to have a Material Adverse Effect. The Borrower and each Guarantor has the corporate power and authority to execute, deliver, perform its obligations and, in the case if the Borrower, borrow under the Credit Agreement.

2. The execution and delivery of the Credit Agreement, the performance of the Credit Agreement and the transactions contemplated thereby by the Borrower and each Guarantor, the borrowings by the Borrower under the Credit Agreement and the use of the proceeds thereof pursuant to the Credit Agreement (a) have been duly authorized by all requisite corporate, and, if required, stockholder action and (b) will not (i) violate (A) the certificate of incorporation or by-laws of the Borrower or the relevant Guarantor, as applicable, or (B) any order of any Governmental Authority binding upon the Borrower or the relevant Guarantor, as applicable, or (ii) be in material conflict with, result in a material breach of or constitute (alone or with notice or lapse of time or both) a material default under, any material indenture, material agreement or other material instrument to which the Borrower or the relevant Guarantor, as applicable, or any of the Borrower's or the relevant Guarantor's properties or assets, are bound or (iii) result in or require the creation or imposition of any lien on any property or assets of the Borrower or the relevant Guarantor, as applicable,.

3. The Credit Agreement has been duly executed and delivered by the Borrower and each Guarantor.

4. Except as set forth on Schedule 3.07 to the Credit Agreement, there is no litigation, proceeding or governmental investigation pending or, to my knowledge, threatened against the Borrower or any of its Subsidiaries (including each Guarantor) or their respective businesses, assets or properties (a) that relates to the Credit Agreement or any agreement or instrument contemplated thereby or (b) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, would be likely to result in a Material Adverse Effect.

5. No consent, registration with, approval, waiver, license or authorization or other action by any Governmental Authority under the laws of the State of New York, the Delaware General Corporation Law, [Insert appropriate Kansas law] or the Federal laws of the United States is required for the due execution, delivery and performance of the Credit Agreement by the Borrower or either Guarantor.

6. Neither Guarantor is, the Borrower is not and none of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940.

- -----
* Opinions may be divided between one or more in-house counsel to the Borrower and each Guarantor, as deemed appropriate by the Borrower.

7. Neither Guarantor is, the Borrower is not and none of its Subsidiaries is a "holding company" or a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935.

8. Assuming the proceeds of the Loans are used solely for the purposes set forth in the preamble to the Credit Agreement, the execution, delivery and performance of the Credit Agreement by the Borrower and each Guarantor and the borrowings by the Borrower under the Credit Agreement will not violate (i) applicable New York law, (ii) Delaware General Corporation law, (iii) [Insert appropriate Kansas law] or (iv) the federal laws of the United States (other than federal and state securities or blue sky laws, as to which we express no opinion, but including Regulation T, U or X of the Board of Governors of the Federal Reserve System of the United States).

[Form of]

Opinion of Bingham Dana LLP for the Borrower

The Credit Agreement constitutes the legal, valid and binding obligation of the Borrower and each Guarantor enforceable against it in accordance with its terms, except as may be limited by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors generally and (ii) the application of general principles of equity (regardless of whether enforcement is considered in proceedings at law or in equity).

SCHEDULE 2.01
to the 364-Day Credit Agreement

COMMITMENTS AND LENDER INFORMATION

Lender -----	Amount of Commitment at Effective Date -----	Commitment Percentage at Effective Date -----
JPMorgan Chase Bank 270 Park Avenue, 38th Floor New York, NY 10017 Attention: Jack Riordan Tel: (212) 270-4768 Fax: (212) 270-5100	\$81,521,739.13	8.15%
Bank of America, N.A. 555 So. Flower St., CA9-706-11-07 Los Angeles, CA 90071 Attn: Charles Lilygren Tel: (213) 228-2636 Fax: (213) 623-1959	\$81,521,739.13	8.15%
Citicorp USA, Inc. 399 Park Ave., 8th Floor New York, NY 10043 Attn: Prakash Chonkar Tel: (212) 816-5711 Fax: (212) 816-5323	\$76,086,956.52	7.61%
Credit Suisse First Boston, 11 Madison Avenue New York, NY 10010-3629 Attention: David Kratovil/Janko Gogolja Tel: (212) 325-9155 Fax: (212) 325-8615	\$76,086,956.52	7.61%
The Industrial Bank of Japan, Limited, on behalf of Mizuho Financial Group 1251 Avenue of the Americas New York, NY 10020-1104 Attn: Betty Aziz Tel: (212) 282-3482 Fax: (212) 282-4488	\$76,086,956.52	7.61%

Lender -----	Amount of Commitment at Effective Date -----	Commitment Percentage at Effective Date -----
Societe Generale 181 W. Madison Ste 3400 Chicago, IL 60602 Attn: John Root Tel: (312) 578-5158 Fax: (312) 578-5099	\$76,086,956.52	7.61%
The Bank of Nova Scotia 2700 Peachtree St. NE Atlanta, GA 30308 Attn: Terry Pitcher Tel: (617) 624-7609 Fax: (617) 624-7607	\$52,173,913.05	5.22%
Barclays Bank PLC 222 Broadway, 8th Floor New York, NY 10019 Attn: Russell Johnson Tel: (212) 412-3728 Fax: (212) 412-7511	\$52,173,913.05	5.22%
BNP Paribas 787 Seventh Avenue New York, NY 10019 Attention: Richard pace Tel: (212) 841-3266 Fax: (212) 841-3049	\$52,173,913.05	5.22%
Commerzbank AG, New York and Grand Cayman Branches 1251 Avenue of the Americas New York, NY 10020 Attention: Peter Doyle Tel: (212) 400-5854 Fax: (212) 703-4725	\$52,173,913.05	5.22%
Fleet National Bank MA DE 100 11F 100 Federal Street Boston, MA 02110 Attention: Jorge Schwartz Tel: (617) 434-6629 Fax: (617) 434-1574	\$52,173,913.05	5.22%

Lender -----	Amount of Commitment at Effective Date -----	Commitment Percentage at Effective Date -----
Wachovia Bank, N.A. MC GA-423 191 Peachtree Street, N.E. Atlanta, GA 30303 Attention: Christa Holland/ Kathryn Mays Tel: (803) 765-3052 Fax: (803) 765-3363	\$43,478,260.87	4.35%
Lehman Commercial Paper Inc. 101 Hudson Street Jersey City, NJ 07302 Attn: Michele Swanson Tel: (212) 455-7500 Fax: (212) 455-7241	\$43,478,260.87	4.35%
Bank of Tokyo-Mitsubishi Trust Company 1251 Avenue of the Americas, 12th Floor New York, NY 10020 Attention: Thomas Fennessey Tel: (212) 782-4221 Fax: (212) 782-6440	\$32,608,695.65	3.26%
Bank One, NA (Main Office Chicago) One Bank One Plaza Chicago, IL 60670 Attention: Randall Faust Tel: (212) 373-1276 Fax: (212) 373-1403	\$21,739,130.43	2.17%
Bayerische Landesbank Girozentrale, Cayman Islands Branch 560 Lexington Avenue, 17th Floor New York, NY 10022 Attention: James H. Boyle Tel: (212) 310-9817 Fax: (212) 310-9868	\$21,739,130.43	2.17%
Credit Lyonnais New York Branch 1301 Avenue of the Americas New York, NY 10019 Attention: Scott Chappelka Tel: (212) 261-7362 Fax: (212) 459-3179	\$21,739,130.43	2.17%

Lender -----	Amount of Commitment at Effective Date -----	Commitment Percentage at Effective Date -----
Mellon Bank, N.A. 1735 Market Street, 4th Floor Philadelphia, PA 19103 Attn: J. Wade Bell Tel: (215) 553-3875 Fax: (215) 553-4899	\$21,739,130.43	2.17%
UBS AG, Stamford Branch 677 Washington Boulevard- 8N Stamford, CT 06901 Attn: Johnny Villard Tel: (203) 719-3845 Fax: (203) 719-3888	\$21,739,130.43	2.17%
Westdeutsche Landesbank Girozentrale, New York Branch 1211 Avenue of the Americas New York, NY 10036 Attention: Walter T. Duffy Tel: (212) 852-6095 Fax: (212) 852-6148	\$21,739,130.43	2.17%
The Bank of New York One Wall Street, 22nd Floor New York, NY 10286 Attention: Ken Sneider Tel: (212) 635-6863 Fax: (212) 635-1480	\$10,869,565.22	1.09%
Banca Nazionale Del Lavoro, S.p.A., New York Branch 25 West 51st Street New York, NY 10019 Attention: Frederic W. Hall Tel: (212) 314-0605 Fax: (212) 581-2149	\$10,869,565.22	1.09%

SCHEDULE 2.01
to the 364-Day Credit Agreement

[TO BE ATTACHED]

SCHEDULE 3.01
to the 364-Day Credit Agreement

Significant Subsidiaries

Raytheon Technical Services Company
Raytheon Aircraft Company
Raytheon International Trade Limited
Raytheon E-Systems, Inc.
Thornwood Trust

SCHEDULE 3.05
to the 364-Day Credit Agreement

Financial Statements/Material Liabilities

None.

SCHEDULE 3.07
to the 364-Day Credit Agreement

Litigation

As disclosed in public filings and announcements made, in each case, on or before November 16, 2001, via the EDGAR system of the Securities and Exchange Commission.

SCHEDULE 6.01
to the 364-Day Credit Agreement

Existing Liens

None.

SCHEDULE 6.04
to the 364-Day Credit Agreement

Existing Subsidiary Indebtedness

None.

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\$1,300,000,000

FIVE-YEAR COMPETITIVE ADVANCE AND
REVOLVING CREDIT FACILITY

among

RAYTHEON COMPANY

as the Borrower,

RAYTHEON TECHNICAL SERVICES COMPANY and

RAYTHEON AIRCRAFT COMPANY,

each as a Guarantor,

THE LENDERS NAMED HEREIN,

BANK OF AMERICA, N.A.,

as Syndication Agent,

CITICORP USA, INC., CREDIT SUISSE FIRST BOSTON and MIZUHO FINANCIAL
GROUP,

as Documentation Agents,

and

JPMORGAN CHASE BANK,

as Administrative Agent,

Dated as of November 28, 2001

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J.P. MORGAN SECURITIES INC. and

BANC of AMERICA SECURITIES LLC

as Joint Lead Arrangers and Joint Bookrunners

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Exhibit A	Administrative Questionnaire
Exhibit B	Form of Assignment and Acceptance
Exhibit C	Form of Borrowing Request
Exhibit D-1	Form of Competitive Bid Request
Exhibit D-2	Form of Notice of Competitive Bid Request
Exhibit D-3	Form of Competitive Bid
Exhibit D-4	Form of Competitive Bid Accept/Reject Letter
Exhibit E	Form of Opinion of Neal E. Minahan
Exhibit F	Form of Opinion of Bingham Dana LLP
Exhibit G	Form of Issuing Lender Agreement

SCHEDULES

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Schedule 2.01	Lenders and Commitments
Schedule 4.01	Significant Subsidiaries
Schedule 4.05	Financial Statements/Material Liabilities
Schedule 4.07	Litigation
Schedule 7.01	Existing Liens
Schedule 7.04	Existing Subsidiary Indebtedness

FIVE-YEAR COMPETITIVE ADVANCE AND REVOLVING CREDIT FACILITY, dated as of November 28, 2001, among Raytheon Company, a Delaware corporation (the "Borrower"), Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor (in such capacity, each a "Guarantor" and, collectively, the "Guarantors"), the Lenders (as defined in Article I), J.P. Morgan SECURITIES, INC. and BANC OF AMERICA SECURITIES LLC., as joint lead arrangers and joint bookrunners (in such capacity, the "Arrangers"), Bank of America, N.A, as syndication agent (in such capacity, the "Syndication Agent"), Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, as documentation agents (in such capacity, each a "Documentation Agent" and, collectively, the "Documentation Agents"), and JPMORGAN CHASE BANK, a New York banking corporation, as administrative agent (in such capacity, the "Administrative Agent", and, collectively with the Syndication Agent and the Documentation Agents, the "Agents") for the Lenders.

The Borrower has requested the Lenders, and the Lenders have agreed, to extend credit in the form of Revolving Loans at any time and from time to time prior to the Maturity Date, in an aggregate principal amount at any time outstanding not in excess of \$1,300,000,000. The Borrower also has requested the Lenders to provide a procedure pursuant to which the Borrower may invite the Lenders to bid on an uncommitted basis on short-term borrowings by the Borrower. The proceeds of the Loans are to be used by the Borrower for working capital and general corporate purposes of the Borrower and its Subsidiaries.

The Lenders are willing to extend such credit to the Borrower on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"ABR Borrowing" shall mean a Borrowing comprised of ABR Loans.

"ABR Loan" shall mean any Loan bearing interest at the Alternate Base Rate in accordance with the provisions of Article II.

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit A.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"Agents" shall have the meaning assigned to such term in the preamble.

"Agents' Fees" shall have the meaning assigned to such term in Section 2.06(b).

"Aggregate Revolving Credit Exposure" shall mean the aggregate amount of the Lenders' Revolving Credit Exposures.

"Agreement" shall mean this Five-Year Competitive Advance and Revolving Credit Facility, as amended, supplemented or otherwise modified from time to time.

"Alternate Base Rate" shall mean, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate or both for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), or both, of the preceding sentence, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" shall mean, with respect to any Eurodollar Loan (other than any Eurodollar Competitive Loan), with respect to any ABR Loan or with respect to the Facility Fees, as the case may be, with respect to the day of, and any day after, the Closing Date, the applicable percentage set forth below under the caption "Eurodollar Spread", "ABR Spread" or "Fee Percentage", as the case may be, based upon the ratings by S&P and Moody's, respectively, applicable on such date to the Index Debt:

	Eurodollar Spread -----	ABR Spread -----	Fee Percentage -----
Category 1 -----			
BBB+ or higher by S&P or Baa1 or higher by Moody's	0.600%	0.000%	0.150%
Category 2 -----			
BBB by S&P or Baa2 by Moody's	0.700%	0.000%	0.175%
Category 3 -----			
BBB- by S&P or Baa3 by Moody's	0.900%	0.000%	0.225%
Category 4 -----			
BB+ by S&P or Ba1 by Moody's	1.225%	0.500%	0.275%
Category 5 -----			
BB or lower by S&P or Ba2 or lower by Moody's	1.625%	1.000%	0.375%

For purposes of this definition, (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this paragraph), then such rating agency shall be deemed to have established a rating in Category 5; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories, the Applicable Percentage shall be based on the higher of the two ratings unless the ratings differ by more than one category, in which case the governing rating shall be the rating next below the higher of the two; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating

system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the non-availability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Percentage shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"Application" shall mean an application, in such form as the relevant Issuing Lender may specify from time to time, requesting such Issuing Lender to open or amend a Letter of Credit.

"Arrangers" shall have the meaning assigned to such term in the preamble.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee, and accepted by the Administrative Agent, in the form of Exhibit B or such other form as shall be approved by the Administrative Agent.

"Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) Statutory Reserves and (b) the Assessment Rate. The term "Statutory Reserves" shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board and any other domestic banking authority to which the Administrative Agent or any Lender (including any branch, Affiliate, or other fronting office making or holding a Loan) is subject with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in Dollars of over \$100,000 with maturities approximately equal to three months. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage. The term "Assessment Rate" shall mean for any date the annual rate (rounded upwards, if necessary, to the next 1/100 of 1%) most recently estimated by the Administrative Agent as the then current net annual assessment rate that will be employed in determining amounts payable by the Administrative Agent to the Federal Deposit Insurance Corporation (or any successor) for insurance by such Corporation (or such successor) of time deposits made in Dollars at the Administrative Agent's domestic offices.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States.

"Borrowing" shall mean a group of Loans of a single Type made by the Lenders (or, in the case of a Competitive Borrowing, by the Lender or Lenders whose Competitive Bids have been accepted pursuant to Section 2.03) on a single date and as to which a single Interest Period is in effect.

"Borrowing Request" shall mean a request by the Borrower in accordance with the terms of Section 2.04 and substantially in the form of Exhibit C.

"Business" shall have the meaning assigned to such term in Section 4.17.

"Business Day" shall mean any day other than a Saturday, Sunday or day on which banks in New York City are authorized or required by law to close; provided, however, that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market.

"Capital Lease Obligations" shall mean as to any person, the obligations of such person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

A "Change in Control" shall be deemed to have occurred if (a) any "person" or "group" as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") shall become the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding common stock of the Borrower, or (b) a majority of the seats (other than vacant seats) on the board of directors of the Borrower shall at any time have been occupied by persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated.

"Closing Date" shall mean November 28, 2001.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time.

"Commitment" shall mean, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder and participate in Letters of Credit in an aggregate principal and/or face amount not to exceed the amount set forth opposite such Lender's name on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be (a) reduced from time to time pursuant to Section 2.10 or pursuant to Section 2.16, and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 11.04. The aggregate initial Commitments shall be \$1,300,000,000.

"Competitive Bid" shall mean an offer by a Lender to make a Competitive Loan pursuant to Section 2.03.

"Competitive Bid Accept/Reject Letter" shall mean a notification made by the Borrower pursuant to Section 2.03(d) in the form of Exhibit D-4.

"Competitive Bid Rate" shall mean, as to any Competitive Bid made by a Lender pursuant to Section 2.03(b), (i) in the case of a Eurodollar Competitive Loan, the Margin, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Lender making such Competitive Bid.

"Competitive Bid Request" shall mean a request made pursuant to Section 2.03 in the form of Exhibit D-1.

"Competitive Borrowing" shall mean a Borrowing consisting of a Competitive Loan or concurrent Competitive Loans from the Lender or Lenders whose Competitive Bids for such Borrowing have been accepted by the Borrower under the bidding procedure described in Section 2.03.

"Competitive Loan" shall mean a Loan from a Lender to the Borrower pursuant to the bidding procedure described in Section 2.03. Each Competitive Loan shall be a Eurodollar Competitive Loan or a Fixed Rate Loan.

"Confidential Information Memorandum" shall mean the Confidential Information Memorandum of the Borrower dated October 2001, as revised, amended, modified or otherwise supplemented prior to the date hereof.

"Consolidated EBITDA" shall mean, for any period, the sum of (a) Consolidated Net Income for such period and (b) the aggregate amounts deducted in determining Consolidated Net Income in respect of (i) Consolidated Net Interest Expense for such period, (ii) income taxes, depreciation and amortization of the Borrower and its consolidated Subsidiaries for such period determined in accordance with GAAP and (iii) write-offs of goodwill as required, or as would be required in the next succeeding fiscal year of the Borrower, by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

"Consolidated Interest Coverage Ratio" shall mean for any period, the ratio of (a) Consolidated EBITDA for such period to (b) Consolidated Net Interest Expense for such period.

"Consolidated Net Income": for any period, the consolidated net income (or deficit) of the Borrower and its consolidated Subsidiaries for such period, determined in accordance with GAAP; provided that (i) for the fiscal quarter of the Borrower and its consolidated Subsidiaries ending April 1, 2001, such Consolidated Net Income shall be increased by \$325,000,000 representing one-time charges recorded in connection with the discontinued operations of Raytheon Engineers and Constructors, (ii) for the fiscal quarter of the Borrower and its consolidated Subsidiaries ending July 1, 2001, such Consolidated Net Income shall be increased by an aggregate amount not to exceed \$272,000,000 for such fiscal quarter, representing additional one-time charges to the extent recorded in connection with the discontinued operations of Raytheon Engineers and Constructors during such fiscal quarter and (iii) for the fiscal quarter of the Borrower and its consolidated Subsidiaries ending September 30, 2001, such Consolidated Net Income shall be increased by an aggregate amount not to exceed \$750,000,000 representing one-time charges recorded in connection with the inventory write-down and valuation reserve related to various aircraft.

"Consolidated Net Interest Expense" shall mean, for any period, net interest expense of the Borrower and its consolidated Subsidiaries for such period, determined in accordance with GAAP.

"Consolidated Net Tangible Assets" shall mean, as at any date of determination, the total amount of assets of the Borrower and the Subsidiaries (less applicable depreciation, amortization and other valuation reserves) at such date, after deducting therefrom (a) all current liabilities of the Borrower and the Subsidiaries at such date and (b) all goodwill, trade names, trademarks, patents, unamortized debt issuance fees and expenses and other like intangibles at such date.

"Contractual Obligations" shall mean, as to any person, any provision of any security issued by such person or of any agreement, instrument or other undertaking to which such person is a party or by which it or any of its property is bound.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"Dollars" or "\$" shall mean lawful money of the United States of America.

"Environmental Laws" shall mean any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other applicable laws or regulations (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" shall mean (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan; (b) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (c) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (d) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Borrower or any of its ERISA Affiliates from any Plan or Multiemployer Plan; (f) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (g) the receipt by the Borrower or any ERISA Affiliate of any notice that Withdrawal Liability is being imposed or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; and (h) the occurrence of a non-exempt "prohibited transaction" with respect to which the Borrower or any of its Subsidiaries is a "disqualified person" (within the meaning of Section 4975) of the Code, or with respect to which the Borrower or any such Subsidiary could otherwise be liable.

"Eurocurrency Reserve Requirements" shall mean for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including basic, supplemental, marginal and emergency reserves) under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

"Eurodollar Base Rate" shall mean with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the "Eurodollar Base Rate" shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

"Eurodollar Borrowing" shall mean a Borrowing comprised of Eurodollar Loans.

"Eurodollar Competitive Borrowing" shall mean a Borrowing comprised of Eurodollar Competitive Loans.

"Eurodollar Competitive Loan" shall mean any Competitive Loan bearing interest at a rate determined by reference to the Eurodollar Rate in accordance with the provisions of Article II.

"Eurodollar Loan" shall mean any Eurodollar Revolving Loan or Eurodollar Competitive Loan.

"Eurodollar Rate" shall mean with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{\text{1.00 - Eurocurrency Reserve Requirements}}$$

"Eurodollar Revolving Credit Borrowing" shall mean a Borrowing comprised of Eurodollar Revolving Loans.

"Eurodollar Revolving Loan" shall mean any Revolving Loan bearing interest at a rate determined by reference to the Eurodollar Rate in accordance with the provisions of Article II.

"Event of Default" shall have the meaning assigned to such term in Article VIII.

"Excess Utilization Day" shall mean each day on which the Utilization Percentage exceeds 33.3%.

"Existing Credit Agreement" shall mean the Five-Year Competitive Advance and Revolving Credit Facility Credit Agreement, dated as of May 30, 1997 (as amended, supplemented or otherwise modified through the date hereof), among HE Holdings, Inc, as the borrower, Hughes Aircraft Company, as the guarantor, the lenders from time to time parties thereto, Bank of America, N.A., as syndication agent, and The Chase Manhattan Bank (now known as JPMorgan Chase Bank), as administrative agent.

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Letter" shall mean the Fee Letter, dated October 4, 2001, between the Borrower, the Administrative Agent, the Syndication Agent and the Arrangers.

"Fees" shall mean the Facility Fees and the Agents' Fees.

"Financial Officer" of any corporation shall mean the chief financial officer, principal accounting officer, Treasurer, Assistant Treasurer or Controller of such corporation.

"Fixed Rate Borrowing" shall mean a Borrowing comprised of Fixed Rate Loans.

"Fixed Rate Loan" shall mean any Competitive Loan bearing interest at a fixed percentage rate per annum (expressed in the form of a decimal to no more than four decimal places) specified by the Lender making such Loan in its Competitive Bid.

"GAAP" shall mean generally accepted accounting principles applied on a consistent basis.

"Governmental Authority" shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Guarantee" of or by any person shall mean any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other liability of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligations of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or liability or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness or liability, (b) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness or liability of the payment of such Indebtedness or liability or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or liability.

"Guarantor" shall have the meaning assigned to such term in the preamble.

"Hedge Agreements" shall mean all interest rate swaps, caps or collar agreements or similar arrangements dealing with interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

"Indebtedness" of any person shall mean, as at any date of determination, all indebtedness (including capitalized lease obligations) of such person and its consolidated subsidiaries at such date that would be required to be included as a liability on a consolidated balance sheet (excluding the footnotes thereto) of such person prepared in accordance with GAAP applied on a basis consistent with the application used in the financial statements referred to in Section 4.05.

"Index Debt" shall mean the senior, unsecured, non-credit enhanced, long-term indebtedness for borrowed money of the Borrower.

"Interest Payment Date" shall mean, with respect to any Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months' duration been applicable to such Borrowing, and, in addition, except with respect to any ABR Loan, the date of any prepayment of such Loan or conversion of such Loan to a Loan of a different Type.

"Interest Period" shall mean (a) as to any Eurodollar Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the Borrower may elect, (b) as to any ABR Borrowing, the period commencing on the date of such Borrowing or on the last day of the immediately preceding Interest Period applicable to such Borrowing, as the case may be, and ending on the earlier of (i) the next succeeding March 31, June 30,

September 30 or December 31 and (ii) the Maturity Date and (c) as to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offer to make the Fixed Rate Loans comprising such Borrowing was extended, which shall not be earlier than seven days after the date of such Borrowing or later than 360 days after the date of such Borrowing; provided, however, that, if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period. Notwithstanding anything to the contrary in this definition of "Interest Period", any Interest Period that would otherwise extend beyond the Maturity Date shall end on the Maturity Date.

"Issuing Lender" shall mean JPMorgan Chase Bank, any of its Affiliates or any other Lender (designated as an Issuing Lender in an Issuing Lender Agreement executed by such Lender, the Borrower and the Administrative Agent), in each case in its capacity as issuer of any Letter of Credit.

"Issuing Lender Agreement" shall mean an agreement, substantially in the form of Exhibit G, executed by a Lender, the Borrower, and the Administrative Agent pursuant to which such Lender agrees to become an Issuing Lender hereunder.

"L/C Commitment" shall mean the lesser of (i) \$300,000,000 and (ii) the Total Commitment.

"L/C Fee Applicable Percentage" shall mean, with respect to any Performance Letter of Credit or with respect to any other Letter of Credit, as the case may be, with respect to the day of, and any day after, the Closing Date, the applicable percentage set forth below under the caption "Performance Letter of Credit L/C Fee" or "Other Letter of Credit L/C Fee", as the case may be, based upon the ratings by S&P and Moody's, respectively, applicable on such date to the Index Debt:

	Performance Letter of Credit L/C Fee	Other Letter of Credit L/C Fee
Category 1 -----		
BBB+ or higher by S&P or Baa1 or higher by Moody's	0.45000%	0.60000%
Category 2 -----		
BBB by S&P or Baa2 by Moody's	0.52500%	0.70000%
Category 3 -----		
BBB- by S&P or Baa3 by Moody's	0.67500%	0.90000%
Category 4 -----		
BB+ by S&P or Ba1 by Moody's	0.91875%	1.22500%
Category 5 -----		
BB or lower by S&P or Ba2 or lower by Moody's	1.21875%	1.62500%

For purposes of this definition, (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this paragraph), then such rating agency shall be deemed to have established a rating in Category 5; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories, the L/C Fee Applicable Percentage shall be based on the higher of the two ratings unless the ratings differ by more than one category, in which case the governing rating shall be the rating next below the higher of the two; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the L/C Fee Applicable Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the non-availability of ratings from such rating agency and, pending the effectiveness of any such amendment, the L/C Fee Applicable Percentage shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"L/C Fee Payment Date" shall mean the last day of each March, June, September and December and the Maturity Date.

"L/C Obligations" shall mean, at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 3.05.

"L/C Participants" shall mean the collective reference to all the Lenders other than the relevant Issuing Lender.

"Lender Affiliate" shall mean (a) any Affiliate of any Lender, (b) any person that is administered or managed by any Lender or any Affiliate of any Lender and that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and (c) with respect to any Lender which is a fund that invests in commercial loans and similar extensions of credit, any other fund that invests in commercial loans and similar extensions of credit and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such Lender or investment advisor.

"Lenders" shall mean (a) the financial institutions listed on Schedule 2.01 (other than any such financial institution that has ceased to be a party hereto pursuant to an Assignment and Acceptance) and (b) any financial institution that has become a party hereto pursuant to an Assignment and Acceptance.

"Letters of Credit" shall have the meaning assigned to such term in Section 3.01(a).

"Lien" shall mean, with respect to any asset of any person, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities that constitute assets of such person, any purchase option, call or similar right of a third party with respect to such securities.

"Loans" shall mean the Revolving Loans and the Competitive Loans.

"Mandatorily Redeemable Equity Securities" shall mean the 17,250,000 equity security units, including any remarketed securities, issued by the Borrower in May 2001. Each equity security unit consists of a contract to purchase shares of the Borrower's common stock on May 15, 2004, and a mandatorily redeemable equity security, with a stated liquidation amount of \$50.00 due on May 15, 2004. The mandatorily redeemable equity security represents an undivided interest in the assets of RC Trust I, a Delaware business trust, formed for the purpose of issuing these securities and whose assets consist solely of subordinated notes issued by the Borrower.

"Margin" shall mean, as to any Eurodollar Competitive Loan, the margin (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) to be added to or subtracted from the Eurodollar Rate in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"Margin Stock" shall have the meaning assigned to such term in Regulation U.

"Material Adverse Effect" shall mean a materially adverse effect on the business, assets, operations or condition, financial or otherwise, of the Borrower and the Subsidiaries taken as a whole.

"Materials of Environmental Concern" shall mean all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, urea-formaldehyde insulation, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Maturity Date" shall mean the fifth anniversary of the Closing Date.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Obligations" shall mean (a) the due and punctual payment of (i) the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (ii) all other monetary obligations, including Fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) of the Borrower to the Lenders under this Agreement or any Letter of Credit and (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Borrower under or pursuant to this Agreement.

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Performance Letter of Credit" shall mean any Letter of Credit issued to support contractual obligations for supply, service or construction contracts, including, but not limited to, bid, performance, advance payment, warranty, retention, availability and defects liability obligations.

"Permitted Receivables Program" shall mean any receivables securitization program pursuant to which the Borrower or any of the Subsidiaries sells accounts receivable and related receivables to any non-Affiliate in a "true sale" transaction; provided, however, that any related indebtedness incurred to

finance the purchase of such accounts receivable is not includible on the balance sheet of the Borrower or any Subsidiary in accordance with GAAP and applicable regulations of the Securities and Exchange Commission.

"person" shall mean any natural person, corporation, limited liability company, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

"Plan" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 307 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as being effective.

"Property" shall have the meaning assigned to such term in Section 4.17.

"Ratio Certificate" shall mean a certificate, signed on behalf of the Borrower by a Financial Officer of the Borrower, delivered to the Administrative Agent on the Closing Date and as may be required by Section 6.04(c), and setting forth the calculations, in reasonable detail, required to determine compliance with all covenants set forth in Sections 7.05 (a) and (b) on the Closing Date or on the last day of any fiscal quarter, as the case may be.

"Register" shall have the meaning given such term in Section 11.04(d).

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Reimbursement Obligation" shall mean the obligation of the Borrower to reimburse the relevant Issuing Lender pursuant to Section 3.05 for amounts drawn under Letters of Credit.

"Required Lenders" shall mean, at any time, the holders of more than 50% of the Commitments then in effect or, if the Commitments have been terminated, the Aggregate Revolving Credit Exposure then outstanding.

"Responsible Officer" of any corporation shall mean any executive officer or Financial Officer of such corporation and any other officer or similar official thereof responsible for the administration of the obligations of such corporation in respect of this Agreement.

"Revolving Credit Borrowing" shall mean a Borrowing comprised of Revolving Loans.

"Revolving Credit Exposure" shall mean, as to any Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Loans held by such Lender then outstanding and (b) such Lender's pro rata share (determined in accordance with such Lender's Commitment as compared to the aggregate Commitments or, if such Commitment has expired or been terminated, in

accordance with the Lender's Commitments in effect immediately prior to such termination as compared to the Total Commitment at such time) of the L/C Obligations then outstanding.

"Revolving Loans" shall mean the revolving loans made by the Lenders to the Borrower pursuant to Section 2.01. Each Revolving Loan shall be a Eurodollar Revolving Loan or an ABR Loan.

"S&P" shall mean Standard & Poor's Ratings Service.

"Significant Subsidiary" shall mean any Subsidiary that would be a "Significant Subsidiary" at such time, as such term is defined in Regulation S-X promulgated by the Securities and Exchange Commission as in effect on the Closing Date. Notwithstanding Regulation S-X, each Guarantor will at all times be deemed to be a Significant Subsidiary.

"Solvent" when used with respect to any person, shall mean that, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such person will, as of such date, exceed the amount of all "liabilities of such person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such person will, as of such date, be greater than the amount that will be required to pay the liability of such person on its debts as such debts become absolute and matured, (c) such person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such person will be able to pay its debts as they mature. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"Stockholders' Equity" shall mean, as at any date of determination, the stockholders' equity of the Borrower and its consolidated Subsidiaries as of such date, as determined in accordance with GAAP.

"subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, owned, controlled or held or (b) that is, at the time any determination is made, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" shall mean any subsidiary of the Borrower.

"364-Day Credit Agreement" shall mean the 364-Day Credit Agreement, dated as of the date hereof, among the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto, J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A., as the syndication agent, and JPMorgan Chase Bank, as the administrative agent.

"Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a

Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Administrative Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it. "Total Capitalization" shall mean, as at any date of determination, the sum of Total Debt at such date and Mandatorily Redeemable Equity Securities and Stockholders' Equity at such date.

"Total Commitment" shall mean, at any time, the aggregate amount of the Commitments, as in effect at such time.

"Total Debt" shall mean, at a particular date, all amounts which would be included as indebtedness (including capitalized leases) on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries, determined in accordance with GAAP.

"Transactions" shall have the meaning assigned to such term in Section 4.02.

"Type", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, the term "Rate" shall include the Eurodollar Rate and the Alternate Base Rate.

"Utilization Fee" shall have the meaning assigned to such term in Section 2.06(b).

"Utilization Percentage" shall mean on any day the percentage equivalent to a fraction (a) the numerator of which is the sum of the aggregate outstanding principal amount of (i) the Loans, (ii) the Loans (as defined under the 364-Day Credit Agreement) and (iii) the L/C Obligations; and (b) the denominator of which is the sum of (y) the aggregate Commitments (or, on any day after termination of the Commitments, the aggregate Commitments in effect immediately preceding such termination) and (z) the aggregate Commitments (as defined under the 364-Day Credit Agreement) (or, on any day after termination of the Commitments (as defined under the 364-Day Credit Agreement), the aggregate Commitments (as defined under the 364-Day Credit Agreement) in effect immediately preceding such termination).

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, (a) any reference to this Agreement shall mean this Agreement as amended, restated, supplemented or otherwise modified from time to time and (b) all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided, however, that for purposes of determining compliance with the covenants contained in Article VII, all

accounting terms herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP as in effect on the date of this Agreement and applied on a basis consistent with the application used in the financial statements referred to in Section 4.05.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Revolving Loans to the Borrower, at any time and from time to time on or after the Closing Date, and until the earlier of the Maturity Date and the termination of the Commitment of such Lender in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in (a)(i) such Lender's Revolving Credit Exposure exceeding (ii) such Lender's Commitment minus, until the Existing Credit Agreement is terminated in accordance with Section 6.10, such Lender's pro rata share of the Total Commitments (as defined under the Existing Credit Agreement) under the Existing Credit Agreement based upon its Commitment hereunder or (b)(i) the aggregate amount of outstanding Loans and L/C Obligations exceeding (ii) the Total Commitment minus, until the Existing Credit Agreement is terminated in accordance with Section 6.10, the Total Commitment (as defined under the Existing Credit Agreement) under the Existing Credit Agreement. Within the limits set forth in the preceding sentence, the Borrower may borrow, pay or prepay and reborrow Revolving Loans on or after the Closing Date and prior to the Maturity Date, subject to the terms, conditions and limitations set forth herein.

SECTION 2.02. Loans. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments; provided, however, that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.03. The Loans comprising any Borrowing shall be in an aggregate principal amount that is (i) an integral multiple of \$1,000,000 and not less than \$10,000,000 or (ii) equal to the remaining available balance of the Total Commitment.

(b) Subject to Sections 2.09 and 2.14, each Competitive Borrowing shall be comprised entirely of Eurodollar Competitive Loans or Fixed Rate Loans, and each Revolving Credit Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request pursuant to Section 2.03 or 2.04, as applicable. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; provided, however, that the Borrower shall not be entitled to request any Borrowing that, if made, would result in more than 15 Eurodollar Borrowings outstanding hereunder at any time. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to such account in New York City as the Administrative Agent may designate not later than 11:00 a.m., New York City time, and the Administrative Agent shall by 12:00 (noon), New York City time, credit the amounts so received to an account with the Administrative Agent designated by the Borrower in the applicable Borrowing Request

or Competitive Bid Request, which account must be in the name of the Borrower or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with paragraph (c) above and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If the Administrative Agent shall have so made funds available then, to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent within one Business Day of demand therefor such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds (which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(e) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Competitive Bid Procedure. (a) In order to request Competitive Bids, the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Competitive Bid Request (i) in the case of a Eurodollar Competitive Borrowing, not later than 10:00 a.m., New York City time, four Business Days before the proposed date of such Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the proposed date of such Borrowing. A Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request. No ABR Loan shall be requested in, or made pursuant to, a Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit D-1 may be rejected by the Administrative Agent and the Administrative Agent shall notify the Borrower of such rejection as promptly as practicable. Each Competitive Bid Request shall refer to this Agreement and specify (i) whether the Borrowing being requested is to be a Eurodollar Competitive Borrowing or a Fixed Rate Borrowing; (ii) the date of such Borrowing (which shall be a Business Day); (iii) the number and the location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the aggregate principal amount of such Borrowing, which shall be a minimum of \$10,000,000 and an integral multiple of \$1,000,000 and not greater than the Total Commitment then available; and (v) the Interest Period with respect thereto (which may not end after the Maturity Date. Promptly after its receipt of a Competitive Bid Request that is not rejected, the Administrative Agent shall by telecopy in the form set forth in Exhibit D-2 invite the Lenders to bid to make Competitive Loans pursuant to the Competitive Bid Request.

(b) Each Lender may make one or more Competitive Bids to the Borrower responsive to a Competitive Bid Request. Each Competitive Bid by a Lender must be received by the Administrative Agent by telecopy in the form of Exhibit D-3, (i) in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not

conform substantially to the format of Exhibit D-3 may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall refer to this Agreement and specify (x) the principal amount (which shall be a minimum of \$5,000,000 and an integral multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (y) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans and (z) the Interest Period applicable to such Loan or Loans and the last day thereof.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount of each Competitive Loan in respect of which a Competitive Bid shall have been made and the identity of the Lender that shall have made each bid.

(d) The Borrower may, subject only to the provisions of this paragraph (d), accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in the form of a Competitive Bid Accept/Reject Letter, whether and to what extent it has decided to accept or reject each Competitive Bid, (x) in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing and (y) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided, however, that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower has decided to reject a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed (but may be less than) the principal amount specified in the Competitive Bid Request, (iv) if the Borrower shall accept a Competitive Bid or Bids made at a particular Competitive Bid Rate but the amount of such Competitive Bid or Bids would cause the total amount to be accepted by the Borrower to exceed the amount specified in the Competitive Bid Request, then the Borrower shall accept a portion of such Competitive Bid or Bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids so accepted, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Bid and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and an integral multiple of \$1,000,000; provided further, however, that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph (d) shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, in what amount and at what Competitive Bid Rate), and each successful bidder will thereupon become bound, upon the terms and subject to the conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) above.

SECTION 2.04. Borrowing Procedure. In order to request a Borrowing (other than a Competitive Borrowing, as to which this Section 2.04 shall not apply), the Borrower shall hand deliver or telecopy to the Administrative Agent a duly completed Borrowing Request (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before a proposed Borrowing and (b) in the case of an ABR Borrowing, not later than 10:00 a.m., New York City time, on the day of a proposed Borrowing. Each Borrowing Request shall be irrevocable, signed by or on behalf of the Borrower, and shall specify the following information: (i) whether the Borrowing then being requested is to be a Eurodollar Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day); (iii) the number and location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the amount of such Borrowing; and (v) if such Borrowing is to be a Eurodollar Borrowing, the Interest Period with respect thereto; provided, however, that, notwithstanding any contrary specification in any Borrowing Request, each requested Borrowing shall comply with the requirements set forth in Section 2.02. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.04 (and the contents thereof), and of each Lender's portion of the requested Borrowing.

SECTION 2.05. Evidence of Debt; Repayment of Loans. (a) The Borrower hereby agrees that the outstanding principal balance of each Revolving Loan shall be payable on the Maturity Date and the outstanding principal balance of each Competitive Loan shall be payable on the last day of the Interest Period applicable thereto. Each Loan shall bear interest from and including the date of such Loan on the outstanding principal balance thereof as set forth in Section 2.07.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid by such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) of this Section 2.05 shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with their terms.

(e) Notwithstanding any other provision of this Agreement, in the event any Lender shall request and receive a promissory note payable to such Lender and its registered assigns, the interests represented by such note shall at all times (including after any assignment of all or part of such interests pursuant to Section 11.04) be represented by one or more promissory notes payable to the payee named therein or its registered assigns.

SECTION 2.06. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee (a "Facility Fee") for the period from and including the Closing Date to the later of (i) the Maturity Date and (ii) the date the Commitments have been terminated and the

principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement shall have been paid in full, computed at the Applicable Percentage on the average daily amount of the Commitments (whether used or unused) or, after the Maturity Date or after the Commitments have been otherwise terminated hereunder, the average daily amount of the Loans and L/C Obligations outstanding, of such Lender during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December and on the later of (i) the Maturity Date and (ii) the date the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement shall have been paid in full, commencing on the first of such dates to occur after the date hereof. All Facility Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(b) The Borrower agrees to pay to the Administrative Agent for the ratable account of each Lender, a utilization fee (a "Utilization Fee") at a rate per annum equal to 0.125% for each Excess Utilization Day during the period for which payment is made on the outstanding Loans of such Lender on such Excess Utilization Day. Such Utilization Fees shall be payable quarterly in arrears on the last day of each March, June, September and December and on the later of (i) the Maturity Date and (ii) the date the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement shall have been paid in full, commencing on the first of such dates to occur after the Closing Date.

(c) The Borrower agrees to pay to each of the Agents or their Affiliates, for their own account, the fees set forth in the Fee Letter at the times and in the amounts specified therein (the "Agents' Fees").

(d) All Fees shall be paid on the dates due, in immediately available funds. Once paid, none of the Fees shall be refundable under any circumstances.

SECTION 2.07. Interest on Loans. (a) Subject to the provisions of Section 2.08, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when the Alternate Base Rate is determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate plus the Applicable Percentage in effect from time to time.

(b) Subject to the provisions of Section 2.08, the Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to (i) in the case of each Revolving Loan, the Eurodollar Rate for the Interest Period in effect for such Borrowing plus the Applicable Percentage in effect from time to time and (ii) in the case of each Competitive Loan, the Eurodollar Rate for the Interest Period in effect for such Borrowing plus the Margin offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(c) Subject to the provisions of Section 2.08, each Fixed Rate Loan shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the fixed rate of interest offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(d) Interest on each Loan shall be payable on the Interest Payment Dates applicable to such Loan except as otherwise provided in this Agreement. Any change in the interest rate on a Loan resulting from a change in the Alternate Base Rate or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The applicable Alternate Base Rate or Eurodollar Rate for each Interest Period or day within an Interest

Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.08. Default Interest. If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, by acceleration or otherwise, the Borrower shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount to but excluding the date of actual payment (after as well as before judgment) (a) in the case of overdue principal, at the rate otherwise applicable to such Loan pursuant to Section 2.07 plus 2.00% per annum and (b) in all other cases, at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate and over a year of 360 days at all other times) equal to the sum of the Alternate Base Rate plus 2.00%.

SECTION 2.09. Alternate Rate of Interest. In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Borrowing the Administrative Agent shall have determined that (a) Dollar deposits in the principal amounts of the Loans comprising such Borrowing are not generally available in the London interbank market, or (b) the rates at which such Dollar deposits are being offered will not adequately and fairly reflect the cost to Lenders having Commitments representing at least 20% of the Total Commitment of making or maintaining Eurodollar Loans during such Interest Period, or (c) reasonable means do not exist for ascertaining the Eurodollar Rate, the Administrative Agent shall, as soon as practicable thereafter, give written or telecopy notice of such determination to the Borrower and the Lenders. In the event of any such determination (other than any such determination pursuant to clause (b) of the preceding sentence, to the extent the circumstances giving rise to such determination would also give Lenders the right to demand additional amounts pursuant to Section 2.13), until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any request by the Borrower for a Eurodollar Revolving Credit Borrowing pursuant to Section 2.04 shall be deemed to be a request for an ABR Borrowing and (ii) any request by the Borrower for a Eurodollar Competitive Borrowing pursuant to Section 2.03 shall be of no force and effect and shall be denied by the Administrative Agent. Each determination by the Administrative Agent hereunder shall be conclusive absent manifest error.

SECTION 2.10. Termination and Reduction of Commitments. (a) The Commitments shall automatically terminate on the Maturity Date.

(b) Upon at least three Business Days' prior irrevocable written or telecopy notice to the Administrative Agent, the Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Commitments; provided, however, that (i) each partial reduction of the Commitments shall be in an integral multiple of \$1,000,000 and in a minimum amount of \$10,000,000 and (ii) the Total Commitment shall not be reduced to an amount that is less than the sum of the Aggregate Revolving Credit Exposure and the aggregate outstanding principal amount of the Competitive Loans at the time.

(c) Each reduction in the Commitments hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Borrower shall pay to the Administrative Agent for the account of the applicable Lenders, on the date of each termination or reduction, the Facility Fees on the amount of the Commitments so terminated or reduced accrued to but excluding the date of such termination or reduction.

SECTION 2.11. Conversion and Continuation of Revolving Credit Borrowings. The Borrower shall have the right at any time upon prior irrevocable notice to the Administrative Agent (a) not later than

10:00 a.m., New York City time, on the day of conversion, to convert any Eurodollar Borrowing into an ABR Borrowing, (b) not later than 10:00 a.m., New York City time, three Business Days prior to conversion or continuation, to convert any ABR Borrowing into a Eurodollar Borrowing or to continue any Eurodollar Borrowing as a Eurodollar Borrowing for an additional Interest Period, and (c) not later than 10:00 a.m., New York City time, three Business Days prior to conversion, to convert the Interest Period with respect to any Eurodollar Borrowing to another permissible Interest Period, subject in each case to the following:

- (i) each conversion or continuation shall be made pro rata among the Lenders in accordance with the respective principal amounts of the Loans comprising the converted or continued Borrowing;
- (ii) if less than all the outstanding principal amount of any Borrowing shall be converted or continued, then each resulting Borrowing shall satisfy the limitations specified in Sections 2.02(a) and 2.02(b) regarding the principal amount and maximum number of Borrowings of the relevant Type;
- (iii) each conversion shall be effected by each Lender by recording for the account of such Lender the new Loan of such Lender resulting from such conversion and reducing the Loan (or portion thereof) of such Lender being converted by an equivalent principal amount; accrued interest on any Eurodollar Loan (or portion thereof) being converted shall be paid by the Borrower at the time of conversion;
- (iv) if any Eurodollar Borrowing is converted at a time other than the end of the Interest Period applicable thereto, the Borrower shall pay, upon demand, any amounts due to the Lenders pursuant to Section 2.15;
- (v) any portion of a Borrowing maturing or required to be repaid in less than one month may not be converted into or continued as a Eurodollar Borrowing; and
- (vi) any portion of a Eurodollar Borrowing that cannot be converted into or continued as a Eurodollar Borrowing by reason of the immediately preceding clause shall be automatically converted at the end of the Interest Period in effect for such Borrowing into an ABR Borrowing.

Each notice pursuant to this Section 2.11 shall be irrevocable and shall refer to this Agreement and specify (i) the identity and amount of the Borrowing that the Borrower requests be converted or continued, (ii) whether such Borrowing is to be converted into or continued as a Eurodollar Borrowing or an ABR Borrowing, (iii) if such notice requests a conversion, the date of such conversion (which shall be a Business Day) and (iv) if such Borrowing is to be converted into or continued as a Eurodollar Borrowing, the Interest Period with respect thereto (which may not end after the Maturity Date). If no Interest Period is specified in any such notice with respect to any conversion into or continuation as a Eurodollar Borrowing, the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall advise the other Lenders of any notice given pursuant to this Section 2.11 and of each Lender's portion of any converted or continued Borrowing. If the Borrower shall not have given notice in accordance with this Section 2.11 to continue any Borrowing into a subsequent Interest Period (and shall not otherwise have given notice in accordance with this Section 2.11 to convert such Borrowing), such Borrowing shall, at the end of the Interest Period applicable thereto (unless repaid pursuant to the terms hereof), automatically be continued into a new Interest Period as an ABR Borrowing. The Borrower shall not have the right to continue or convert the Interest Period with respect to any Competitive Borrowing pursuant to this Section 2.11.

SECTION 2.12. Prepayment. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing (other than a Competitive Borrowing), in whole or in part, upon at least three Business Days' prior written or telecopy notice (or telephone notice promptly confirmed by written or telecopy notice) to the Administrative Agent before 11:00 a.m., New York City time; provided, however, that each partial prepayment shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$10,000,000. The Borrower shall not have the right to prepay any Competitive Borrowing without the prior written consent of the relevant Lender.

(b) In the event of any termination of the Commitments, the Borrower shall repay or prepay all its outstanding Revolving Credit Borrowings on the date of such termination. In the event of any partial reduction of the Commitments, then (i) at or prior to the effective date of such reduction, the Administrative Agent shall notify the Borrower and the Lenders of the Aggregate Revolving Credit Exposure and (ii) if the Aggregate Revolving Credit Exposure would exceed the available Total Commitment after giving effect to such reduction, the Borrower shall, on the date of such reduction, repay or prepay Revolving Credit Borrowings in an amount sufficient to eliminate such excess.

(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing by the amount stated therein on the date stated therein. All prepayments under this Section 2.12 shall be subject to Section 2.15 but otherwise without premium or penalty. All prepayments of Eurodollar Loans under this Section 2.12 shall be accompanied by accrued interest on the principal amount being prepaid to the date of payment.

SECTION 2.13. Reserve Requirements; Change in Circumstances. (a) Notwithstanding any other provision of this Agreement, if after the date of this Agreement the adoption of, or any change in, applicable law or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender or shall impose on such Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans, Fixed Rate Loans, Letter of Credit or Application made by such Lender, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or Fixed Rate Loan, or issuing or participating in any Letter of Credit or Application, or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the Borrower will pay to such Lender upon demand such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender shall have determined that the adoption after the date hereof of any law, rule, regulation, agreement or guideline regarding capital adequacy, or any change after the date hereof in any such law, rule, regulation, agreement or guideline (whether such law, rule, regulation, agreement or guideline has been adopted) or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Lender (or any lending office of such Lender) or any Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) of any Governmental Authority has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender pursuant hereto, or under or in respect of any Letter of Credit, to a level below that which such Lender or such Lender's holding company could have achieved but for such applicability, adoption, change or compliance (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then

from time to time the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company (including the calculation thereof) as specified in paragraph (a) or (b) above shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay to such Lender the amount shown as due on any such certificate delivered by it within 10 days after its receipt of the same.

(d) Failure or delay on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital shall not constitute a waiver of such Lender's right to demand such compensation. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, rule, regulation, agreement, guideline or other change or condition that shall have occurred or been imposed. Notwithstanding any other provision of this Section, no Lender shall be entitled to demand compensation hereunder in respect of any Competitive Loan if it shall have been aware of the event or circumstance giving rise to such demand at the time it submitted the Competitive Bid pursuant to which such Loan was made.

SECTION 2.14. Change in Legality. (a) Notwithstanding any other provision of this Agreement, if, after the date hereof, any change in any law or regulation or in the interpretation thereof by any Governmental Authority charged with the administration or interpretation thereof shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent:

(i) such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods and ABR Loans will not thereafter (for such duration) be converted into Eurodollar Loans), whereupon such Lender shall not submit a Competitive Bid in response to a request for a Eurodollar Competitive Loan and any request for a Eurodollar Borrowing (or to convert an ABR Borrowing to a Eurodollar Borrowing or to continue a Eurodollar Borrowing for an additional Interest Period) shall, as to such Lender only, be deemed a request for an ABR Loan unless such declaration shall be subsequently withdrawn (or a request to continue an ABR Loan as such for an additional Interest Period or to convert a Eurodollar Loan into an ABR Loan, as the case may be); and

(ii) such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.14, a notice to the Borrower by any Lender shall be effective as to each Eurodollar Loan made by such Lender, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

SECTION 2.15. Indemnity. The Borrower shall indemnify each Lender against any loss or expense that such Lender may sustain or incur as a consequence of any event, other than a default by such Lender in the performance of its obligations hereunder, that results in (i) such Lender receiving or being deemed to receive any amount on account of the principal of any Fixed Rate Loan or Eurodollar Loan prior to the end of the Interest Period in effect therefor, (ii) the conversion of any Eurodollar Loan to an ABR Loan, or the conversion of the Interest Period with respect to any Eurodollar Loan, in each case prior to the end of the Interest Period in effect therefor or (iii) any Fixed Rate Loan or Eurodollar Loan to be made by such Lender (including any Eurodollar Loan to be made pursuant to a conversion or continuation under Section 2.11) not being made after notice of such Loan shall have been given by the Borrower hereunder (any of the events referred to in this sentence being called a "Breakage Event"). In the case of any Breakage Event, such loss shall include an amount equal to the excess, as reasonably determined by such Lender, of (i) its cost of obtaining funds for the Eurodollar Loan or Fixed Rate Loan that is the subject of such Breakage Event for the period from the date of such Breakage Event to the last day of the Interest Period in effect (or that would have been in effect) for such Loan over (ii) the amount of interest likely to be realized by such Lender in redeploying the funds released or not utilized by reason of such Breakage Event for such period. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section 2.15 shall be delivered to the Borrower and shall be conclusive absent manifest error.

SECTION 2.16. Pro Rata Treatment. Except as provided in the two succeeding sentences with respect to Competitive Borrowings and as required under Section 2.14, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of the Facility Fees, each reduction of the Commitments and each continuation or conversion of any Borrowing to a Borrowing of any Type shall be allocated pro rata among the Lenders in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans). Each payment of principal of any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. Each payment of interest on any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective amounts of accrued and unpaid interest on their outstanding Competitive Loans comprising such Borrowing. For purposes of determining the available Commitments of the Lenders at any time, each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Lenders (including those Lenders that shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole Dollar amount.

SECTION 2.17. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the Borrower, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Revolving Loan or Loans as a result of which the unpaid principal portion of its Revolving Loans shall be proportionately less than the unpaid principal portion of the Revolving Loans of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Revolving Loans of such other Lender, so that the aggregate unpaid principal amount of the Revolving Loans and participations in Revolving Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Revolving Loans then outstanding as the principal amount of its Revolving Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all

Revolving Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that, if any such purchase or purchases or adjustments shall be made pursuant to this Section and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Revolving Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower to such Lender by reason thereof as fully as if such Lender had made a Revolving Loan directly to the Borrower in the amount of such participation.

SECTION 2.18. Payments. (a) The Borrower shall make each payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder not later than 12:00 (noon), New York City time, on the date when due in immediately available Dollars, without defense, setoff or counterclaim. Each such payment shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York.

(b) Whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.19. Taxes. (a) Any and all payments by the Borrower hereunder shall be made, in accordance with Section 2.18, free and clear of and without deduction for any and all current or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding (i) income taxes imposed on the net income of the Administrative Agent or any Lender (or any transferee or assignee thereof, including a participation holder (any such entity a "Transferee")) and (ii) franchise taxes imposed on the net income of the Administrative Agent or any Lender (or Transferee), in each case by the jurisdiction under the laws of which the Administrative Agent or such Lender (or Transferee) is organized or any political subdivision thereof (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities, collectively or individually, being called "Taxes"). If the Borrower shall be required to deduct any Taxes from or in respect of any sum payable hereunder to the Administrative Agent or any Lender (or any Transferee), (i) the sum payable shall be increased by the amount (an "additional amount") necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.19) the Administrative Agent or such Lender (or Transferee), as the case may be, shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay to the relevant Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement ("Other Taxes").

(c) The Borrower will indemnify the Administrative Agent and each Lender (or Transferee) for the full amount of Taxes and Other Taxes paid by the Administrative Agent or such Lender (or Transferee), as the case may be, and any liability (including penalties, interest and expenses (including reasonable attorney's fees and expenses)) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability prepared by the Administrative Agent or a Lender (or Transferee), or the Administrative Agent on its behalf, absent manifest error, shall be final, conclusive

and binding for all purposes. Such indemnification shall be made within 30 days after the date the Administrative Agent or any Lender (or Transferee), as the case may be, makes written demand therefor.

(d) If the Administrative Agent or a Lender (or Transferee) receives a refund in respect of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.19, it shall within 30 days from the date of such receipt pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.19 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender (or Transferee) and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund); provided, however, that the Borrower, upon the request of the Administrative Agent or such Lender (or Transferee), shall repay the amount paid over to the Borrower (plus penalties, interest or other charges) to the Administrative Agent or such Lender (or Transferee) in the event the Administrative Agent or such Lender (or Transferee) is required to repay such refund to such Governmental Authority.

(e) As soon as practicable after the date of any payment of Taxes or Other Taxes by the Borrower to the relevant Governmental Authority, the Borrower will deliver to the Administrative Agent, at its address referred to in Section 11.01, the original or a certified copy of a receipt issued by such Governmental Authority evidencing payment thereof.

(f) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section 2.19 shall survive the payment in full of the principal of and interest on all Loans made hereunder.

(g) Each Lender (or Transferee) that is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (a "Non-U.S. Lender") shall deliver to each of the Borrower and the Administrative Agent two copies of either United States Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. Federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a Form W-8BEN, or any subsequent versions thereof or successors thereto (and, if such Non-U.S. Lender delivers a Form W-8BEN, a certificate representing that such Non-U.S. Lender is not a bank for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code)), properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or reduced rate of, U.S. Federal withholding tax on payments by the Borrower under this Agreement. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of a Transferee that is a participation holder, on or before the date such participation holder becomes a Transferee hereunder) and on or before the date, if any, such Non-U.S. Lender changes its applicable lending office by designating a different lending office (a "New Lending Office"). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this Section 2.19(g), a Non-U.S. Lender shall not be required to deliver any form pursuant to this Section 2.19(g) that such Non-U.S. Lender is not legally able to deliver.

(h) The Borrower shall not be required to indemnify any Non-U.S. Lender or to pay any additional amounts to any Non-U.S. Lender, in respect of United States Federal withholding tax pursuant to paragraph (a) or (c) above to the extent that (i) the obligation to withhold amounts with respect to United States Federal withholding tax existed under applicable laws and regulations on the date such Non-U.S. Lender became a party to this Agreement (or, in the case of a Transferee that is a participation

holder, on the date such participation holder became a Transferee hereunder) or, with respect to payments to a New Lending Office, the date such Non-U.S. Lender designated such New Lending Office with respect to a Loan; provided, however, that this paragraph (h) shall not apply (x) to any Transferee or New Lending Office that becomes a Transferee or New Lending Office as a result of an assignment, participation, transfer or designation made at the request of the Borrower and (y) to the extent the indemnity payment or additional amounts any Transferee, or any Lender (or Transferee), acting through a New Lending Office, would be entitled to receive (without regard to this paragraph (h)) do not exceed the indemnity payment or additional amounts that the person making the assignment, participation or transfer to such Transferee, or Lender (or Transferee) making the designation of such New Lending Office, would have been entitled to receive in the absence of such assignment, participation, transfer or designation or (ii) the obligation to pay such additional amounts would not have arisen but for a failure by such Non-U.S. Lender to comply with the provisions of paragraph (g) above.

(i) Nothing contained in this Section 2.19 shall require any Lender (or any Transferee) or the Administrative Agent to make available any of its tax returns (or any other information that it deems to be confidential or proprietary).

SECTION 2.20. Assignment of Commitments Under Certain Circumstances; Duty to Mitigate. (a) In the event (i) any Lender delivers a certificate requesting compensation pursuant to Section 2.13, (ii) any Lender delivers a notice described in Section 2.14 or (iii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender pursuant to Section 2.19, the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to transfer and assign, without recourse (in accordance with and subject to the restrictions contained in Section 11.04), all of its interests, rights and obligations under this Agreement to an assignee which shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (x) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority having jurisdiction, (y) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, and (z) the Borrower or such assignee shall have paid to the affected Lender in immediately available funds an amount equal to the sum of the principal of and interest accrued to the date of such payment on the outstanding Loans of such Lender plus all Fees and other amounts accrued for the account of such Lender hereunder (including any amounts under Section 2.13 and Section 2.15); provided further that if prior to any such transfer and assignment the circumstances or event that resulted in such Lender's claim for compensation under Section 2.13 or notice under Section 2.14 or the amounts paid pursuant to Section 2.19, as the case may be, cease to cause such Lender to suffer increased costs or reductions in amounts received or receivable or reduction in return on capital, or cease to have the consequences specified in Section 2.14, or cease to result in amounts being payable under Section 2.19, as the case may be (including as a result of any action taken by such Lender pursuant to paragraph (b) below), or if such Lender shall waive its right to claim further compensation under Section 2.13 in respect of such circumstances or event or shall withdraw its notice under Section 2.14 or shall waive its right to further payments under Section 2.19 in respect of such circumstances or event, as the case may be, then such Lender shall not thereafter be required to make any such transfer and assignment hereunder.

(b) If (i) any Lender shall request compensation under Section 2.13, (ii) any Lender delivers a notice described in Section 2.14 or (iii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender, pursuant to Section 2.19, then, such Lender shall use reasonable efforts (which shall not require such Lender to incur an unreimbursed loss or unreimbursed cost or expense or otherwise take any action inconsistent with its internal policies or legal or regulatory restrictions or suffer any disadvantage or burden deemed by it to be significant) (x) to file any certificate or document reasonably requested in writing by the Borrower or (y) to assign its rights and

delegate and transfer its obligations hereunder to another of its offices, branches or affiliates, if such filing or assignment would reduce its claims for compensation under Section 2.13 or enable it to withdraw its notice pursuant to Section 2.14 or would reduce amounts payable pursuant to Section 2.19, as the case may be, in the future. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such filing, assignment, delegation and transfer.

ARTICLE III LETTERS OF CREDIT

SECTION 3.01. L/C Commitment(a) . (a) Subject to the terms and conditions hereof, each Issuing Lender, in reliance on the agreements of the other Lenders set forth in Section 3.04(a), agrees to issue letters of credit ("Letters of Credit") for the account of the Borrower on any Business Day until the date that is five Business Days prior to the Maturity Date in such form as may be approved from time to time by such Issuing Lender; provided that no Issuing Lender shall have any obligation to (and no Issuing Lender shall knowingly) issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment, (ii) the aggregate amount of the outstanding Loans and L/C Obligations would exceed the Total Commitment minus, until the Existing Credit Agreement is terminated in accordance with Section 6.10, the Total Commitment (as defined under the Existing Credit Agreement) under the Existing Credit Agreement or (iii) the Revolving Credit Exposure of any Lender would exceed such Lender's Commitment minus, until the Existing Credit Agreement is terminated in accordance with Section 6.10, such Lender's pro rata share of the Total Commitments (as defined under the Existing Credit Agreement) under the Existing Credit Agreement based upon its Commitment hereunder. If the relevant Issuing Lender issues a Letter of Credit at a time when such issuance is prohibited by the immediately preceding sentence and such Issuing Lender at the time of issuance knows such issuance is so prohibited, no Lender shall have any obligation to participate in such Letter of Credit. Each Letter of Credit shall (i) be denominated in Dollars, (ii) have a face amount of at least \$5,000,000 (unless otherwise agreed by the relevant Issuing Lender) and (iii) expire no later than the date that is five Business Days prior to the Maturity Date. Any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (iii) immediately above).

(b) No Issuing Lender shall at any time be obligated to issue any Letter of Credit if such issuance would conflict with, or cause such Issuing Lender or any L/C Participant to exceed any limits imposed by, any organizational documents of the relevant Issuing Lender or any law or regulation applicable to such Issuing Lender.

SECTION 3.02. Procedure for Issuance or Amendment of Letter of Credit. The Borrower may from time to time request that an Issuing Lender issue or amend a Letter of Credit by delivering to such Issuing Lender at its address for notices specified herein an Application therefor, completed to the reasonable satisfaction of such Issuing Lender, and such other certificates, documents and other papers and information as such Issuing Lender may reasonably request. Upon receipt of any Application, the relevant Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall such Issuing Lender be required to issue or amend any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by such Issuing Lender and the Borrower. The relevant Issuing Lender shall furnish a copy of such Letter of Credit to the Borrower promptly following the issuance or amendment thereof. The relevant Issuing Lender shall promptly furnish to the Administrative Agent, which shall in turn promptly furnish to the Lenders, notice of the issuance of each Letter of Credit (including the amount thereof).

SECTION 3.03. Fees and Other Charges(a) . (a) The Borrower will pay a fee (i) on the undrawn and unexpired amount of all outstanding Performance Letters of Credit at a per annum rate equal to the L/C Fee Applicable Percentage for Performance Letters of Credit and (ii) on the undrawn and unexpired amount of all other outstanding Letters of Credit at a per annum rate equal to the L/C Fee Applicable Percentage for other Letters of Credit, in each case, shared ratably among the Lenders and payable quarterly in arrears on each L/C Fee Payment Date after the issuance date. In addition, the Borrower shall pay to each Issuing Lender for its own account a fronting fee at the rate per annum set forth in the relevant Issuing Lender Agreement on the undrawn and unexpired amount of each Letter of Credit issued by such Issuing Lender, payable quarterly in arrears on each L/C Fee Payment Date after the Issuance Date.

(b) In addition to the foregoing fees, the Borrower shall pay or reimburse each Issuing Lender for such normal and customary costs and expenses as are incurred or charged by such Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

SECTION 3.04. L/C Participations(a) . (a) Each Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce each Issuing Lender to issue Letters of Credit, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from each Issuing Lender, on the terms and conditions set forth below, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's pro rata share (based on its Commitment hereunder) in each Issuing Lender's obligations and rights under and in respect of each Letter of Credit and the amount of each draft paid by each Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with each Issuing Lender that, if a draft is paid under any Letter of Credit for which such Issuing Lender is not reimbursed in full by the Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to such Issuing Lender upon demand at such Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's pro rata share (based on its Commitment hereunder or, if the Commitment of such L/C Participant has been terminated in accordance with Section VIII, such L/C Participant's Commitment immediately preceding such termination) of the amount of such draft, or any part thereof, that is not so reimbursed.

(b) If any amount required to be paid by any L/C Participant to an Issuing Lender pursuant to Section 3.04(a) in respect of any unreimbursed portion of any payment made by such Issuing Lender under any Letter of Credit is not paid on the date such payment is due, but is paid to such Issuing Lender within three Business Days after the date such payment is due, such L/C Participant shall pay to such Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal Funds Effective Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to such Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to Section 3.04(a) is not paid to an Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, such Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to ABR Loans. A certificate of the relevant Issuing Lender submitted to any L/C Participant with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after an Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share (based on its Commitment hereunder) of such payment in accordance with Section 3.04(a), such Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of any collateral applied thereto by such Issuing Lender), or any payment of interest on account thereof, such

Issuing Lender will distribute to such L/C Participant its pro rata share (based on its Commitment hereunder) thereof; provided, however, that in the event that any such payment received by such Issuing Lender shall be required to be returned by such Issuing Lender, such L/C Participant shall return to such Issuing Lender the portion thereof previously distributed by such Issuing Lender to it.

SECTION 3.05. Reimbursement Obligation of the Borrower. The Borrower agrees to reimburse each Issuing Lender on the Business Day next succeeding the Business Day on which such Issuing Lender notifies the Borrower of the date and amount of a draft presented under any Letter of Credit and paid by such Issuing Lender for the amount of (a) such draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by such Issuing Lender in connection with such payment. Each such payment shall be made to the relevant Issuing Lender at its address for notices referred to herein in Dollars and in immediately available funds, without set-off, counterclaim or other deduction. Interest shall be payable on any such amounts from the date on which the relevant draft is paid until payment in full at the rate set forth in (i) until the Business Day next succeeding the date of the relevant notice, Section 2.07(a) and (ii) thereafter, Section 2.08.

SECTION 3.06. Obligations Absolute(a) . (a) The Borrower's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances including without limitation the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any person for whom any such beneficiary or any such transferee may be acting), (to the extent permitted by applicable law) the Issuing Lender or any other person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect (provided that the relevant Issuing Lender has acted substantially in accordance with the terms of such Letter of Credit); or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit, in each case, in the absence of gross negligence or willful misconduct of the relevant Issuing Lender;

(iv) any payment in good faith by the Issuing Lender under such Letter of Credit against presentation of a draft or certificate that does not strictly comply (but materially complies) with the terms of such Letter of Credit; or any payment made by the Issuing Lender under such Letter of Credit to any person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any bankruptcy, insolvency, receivership or similar law, in each case, in the absence of gross negligence or willful misconduct of the relevant Issuing Lender; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower, in each case, in the absence of gross negligence or willful misconduct of the relevant Issuing Lender.

(b) No Issuing Lender shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions found to have resulted from the gross negligence or willful misconduct of the relevant Issuing Lender. The Borrower agrees that any action taken or omitted by an Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Borrower and shall not result in any liability of any Issuing Lender to the Borrower.

SECTION 3.07. Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the relevant Issuing Lender shall promptly notify the Borrower of the date and amount thereof. The responsibility of the relevant Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity in all material respects with such Letter of Credit.

SECTION 3.08. Applications. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Article III, the provisions of this Article III shall apply.

ARTICLE IV

Representations And Warranties

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the Borrower represents and warrants to the Administrative Agent and each of the Lenders that:

SECTION 4.01. Organization; Powers. The Borrower and each of the Significant Subsidiaries (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted and (c) is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where the failure so to qualify could not reasonably be expected to result in a Material Adverse Effect. The Borrower has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and to borrow hereunder. Schedule 4.01 sets forth each Significant Subsidiary of the Borrower in existence on the Closing Date.

SECTION 4.02. Authorization. The execution, delivery and performance by the Borrower of this Agreement, the issuance of Letters of Credit, and the borrowings hereunder (collectively, the "Transactions") (a) have been duly authorized by all requisite corporate and, if required, stockholder action and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, or of the certificate or articles of incorporation or other constitutive documents or by-laws of the Borrower or any Significant Subsidiary, (B) any order of any Governmental Authority or (C) any material provision of any material indenture, agreement or other instrument to which the Borrower or any Significant Subsidiary is a party or by which any of them or any of their property is or may be bound, (ii) be in material conflict with, result in a material breach of or constitute (alone or with notice or lapse of time or both) a material default under, or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under any such material indenture, agreement or other instrument or

(iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by the Borrower or any Significant Subsidiary.

SECTION 4.03. Enforceability. This Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

SECTION 4.04. Governmental Approvals. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Transactions, except those which have been made or obtained.

SECTION 4.05. Financial Statements. The Borrower has heretofore furnished to the Lenders the consolidated balance sheet, statement of income and statement of cash flows of the Borrower and its Subsidiaries as of and for the fiscal year ended December 31, 2000, audited by and accompanied by the opinion of PricewaterhouseCoopers LLP, independent public accountants. Such financial statements present fairly the financial condition and results of operations of the Borrower and its Subsidiaries as of such date and for such period and were prepared in accordance with GAAP applied on a consistent basis. The unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at April 1, 2001, July 1, 2001 and September 30, 2001, and the related unaudited consolidated statements of income and cash flows for the three-month periods ended on such dates, present fairly the consolidated financial condition of the Borrower and its Subsidiaries as at such dates, and the consolidated results of its operations and its consolidated cash flows for the three-month periods then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as disclosed therein). Such financial statements and the notes thereto, and Schedule 4.05, when taken together, disclose all material liabilities, direct or contingent, of the Borrower and its consolidated Subsidiaries as of the date thereof.

SECTION 4.06. No Material Adverse Change. There has been no material adverse change in the business, assets, operations or condition, financial or otherwise, of the Borrower and the Subsidiaries, taken as a whole, since December 31, 2000.

SECTION 4.07. Litigation; Compliance with Laws. (a) Except as set forth on Schedule 4.07, there are not any actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any Subsidiary or any business, property or rights of any such person (i) that involve this Agreement or the Transactions or (ii) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(b) None of the Borrower or any of the Subsidiaries or any of their respective material properties or assets is in violation of, nor will the continued operation of their material properties and assets as currently conducted violate, any law, rule or regulation, or is in default with respect to any judgment, writ, injunction, decree or order of any Governmental Authority (including any of the foregoing relating to the environment), where such violation or default could reasonably be expected to result in a Material Adverse Effect.

SECTION 4.08. Federal Reserve Regulations. (a) Neither the Borrower nor any of the Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately for any purpose that entails a violation of, or that is inconsistent with, the provisions of the Regulations of the Board, including Regulation U or X. Margin Stocks do not constitute 25% or more of the fair market value of the assets of the Borrower and the Subsidiaries subject to the restrictions of Section 7.01.

SECTION 4.09. Investment Company Act; Public Utility Holding Company Act. Neither the Borrower nor any Subsidiary is (a) an "investment company", or a company "controlled" by an "investment company", as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 4.10. Tax Returns. Each of the Borrower and the Subsidiaries has filed or caused to be filed all Federal and all material state, local and foreign tax returns or materials required to have been filed by it and has paid or caused to be paid all taxes shown to be due and payable by it on such returns and all assessments received by it, except taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiaries, as applicable, shall have set aside on its books adequate reserves in accordance with GAAP.

SECTION 4.11. No Material Misstatements. Neither (a) the Confidential Information Memorandum nor (b) any other information, report, financial statement, exhibit or schedule furnished in writing by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or included herein or delivered pursuant hereto contained, contains or will contain any material misstatement of fact or omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading; provided that to the extent any such information, report, financial statement, exhibit or schedule was based upon or constitutes a forecast or projection, the Borrower represents only that it acted in good faith and utilized reasonable assumptions and due care in the preparation of such information, report, financial statement, exhibit or schedule.

SECTION 4.12. Employee Benefit Plans. Each of the Borrower and its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect. The present value of all benefit liabilities under all Plans (based on those assumptions used to fund each such Plan) did not, as of the last annual valuation date applicable thereto before the Closing Date, exceed the fair market value of the assets of all Plans as of such date, and the present value of all benefit liabilities of all underfunded Plans (based on those assumptions used to fund each such Plan) did not, as of the last annual valuation dates applicable thereto before the Closing Date, exceed by more than \$280 million the fair market value of the assets of all such underfunded Plans as of such dates.

SECTION 4.13. No Default. Neither the Borrower nor any Subsidiary is in default under or with respect to any of its Contractual Obligations in any respect that has had or would reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

SECTION 4.14. Ownership of Property; Liens; Insurance. The Borrower and each of its Significant Subsidiaries has title in fee simple to, or a valid leasehold interest in, all its material real property, and good title to, or a valid leasehold interest in, all its other material property, and none of such property is subject to any Lien except as permitted by Section 7.01. The Borrower and each of its Subsidiaries maintains with financially sound and reputable insurance companies insurance on all its

property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business, provided that nothing in this Section 4.14 shall preclude the Borrower or any Subsidiary from being self-insured (to the extent deemed prudent by the Borrower or such Subsidiary and customary with companies in the same or similar business).

SECTION 4.15. Intellectual Property. The Borrower and each of its Subsidiaries owns, is licensed to use or otherwise has the right to use all Intellectual Property necessary for the conduct of its business as currently conducted, except where the failure of the Borrower and its Subsidiaries to have any such rights has had or would reasonably be expected to have a Material Adverse Effect. To the knowledge of the Borrower, no material claim that would reasonably be expected to have a Material Adverse Effect if adversely decided, has been asserted and is currently active and pending by any person (i) alleging that the business of the Borrower or its Subsidiaries as currently conducted infringes the Intellectual Property rights of a third party or (ii) challenging or questioning the use of any Intellectual Property of the Borrower or its Subsidiaries or the validity or effectiveness of any Intellectual Property of the Borrower or its Subsidiaries. Except for such activities as may be subject to authorization and consent pursuant to 28 U.S.C. Section 1498 or substantially equivalent law or regulation, to the Borrower's knowledge, the operation of the businesses of the Borrower and its Subsidiaries as currently conducted do not infringe any valid and enforceable Intellectual Property rights of any third party where a finding of such infringement would reasonably be expected to have a Material Adverse Effect.

SECTION 4.16. Labor Matters. Except as, in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against the Borrower or any of its Subsidiaries pending or, to the knowledge of the Borrower, threatened; (b) hours worked by and payment made to employees of the Borrower and each of its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable law or regulation dealing with such matters; and (c) all payments due from the Borrower or any of its Subsidiaries on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the Borrower or the relevant Subsidiary, as applicable.

SECTION 4.17. Environmental Matters. Except as, in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect:

(a) the facilities and properties owned, leased or operated by the Borrower or any Subsidiary (the "Properties") do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations or under circumstances that constitute or constituted a violation of, or could give rise to liability under, any Environmental Law;

(b) neither the Borrower nor any Subsidiary has received or is aware of any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the business operated by the Borrower or any Subsidiary (the "Business"), nor does any Responsible Officer of the

Borrower have actual knowledge or a reasonable basis to believe that any such notice will be received or is being threatened;

(c) Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location that could give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could give rise to liability under, any applicable Environmental Law;

(d) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of any Responsible Officer of the Borrower, threatened, under any Environmental Law to which the Borrower or any Subsidiary is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business;

(e) there has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of the Borrower or any Subsidiary in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws;

(f) the Properties and all operations at the Properties are in compliance, and have in the last five years been in compliance, with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any Environmental Law with respect to the Properties or the Business; and

(g) neither the Borrower nor any Subsidiary has assumed any liability of any other person under Environmental Laws.

SECTION 4.18. Solvency. The Borrower is and after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith will be and will continue to be, Solvent.

ARTICLE V

Conditions Of Effectiveness and Lending

The obligations of the Lenders to make extensions of credit (including the initial extension of credit) hereunder are subject to the satisfaction of the following conditions:

SECTION 5.01. All Borrowings. On the date of each extension of credit (other than, in the case of paragraph (b) below, a Borrowing that does not increase the aggregate principal amount of Loans outstanding of any Lender):

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03 or 2.04, as applicable, or issuance of a Letter of Credit as required by Article III, as the case may be.

(b) The representations and warranties set forth in Article IV hereof shall be true and correct in all material respects on and as of the date of such Borrowing or issuance of a Letter of Credit, as the case may be, with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) At the time of and immediately after such Borrowing or issuance of a Letter of Credit, as the case may be, no Event of Default or Default shall have occurred and be continuing.

Each Borrowing by the Borrower and issuance of a Letter of Credit on behalf of the Borrower shall be deemed to constitute a representation and warranty by the Borrower on the date of such Borrowing or issuance as to the matters specified in paragraphs (b) (except as aforesaid) and (c) of this Section 5.01.

SECTION 5.02. Effectiveness. On the date of effectiveness (which may or may not be the date of the initial extension of credit):

(a) Credit Agreement. The Administrative Agent shall have received this Agreement, executed and delivered by the Administrative Agent, the Borrower, each Guarantor and each person listed on Schedule 2.01.

(b) Legal Opinions. The Administrative Agent shall have received, on behalf of itself and the Lenders and the Agents, the favorable written opinions of (i) Neal E. Minahan, Senior Vice President, Secretary and General Counsel of the Borrower and other appropriate in-house counsel with respect to the Guarantors and (ii) Bingham Dana LLP, special counsel for the Borrower, substantially to the effect set forth in Exhibits E and F, respectively, each (A) dated the date of the initial Borrowing, (B) addressed to the Administrative Agent, the Lenders and the Agents, and (C) covering such other matters relating to this Agreement and the transactions contemplated hereby as the Administrative Agent and the Syndication Agent may reasonably request as a result of any change in law or regulation after the Closing Date relating to such transactions or any material change in facts previously disclosed to the Lenders, or disclosure of facts not previously disclosed to the Lenders, and the Borrower hereby requests such counsel deliver such opinions.

(c) Legal Matters. All legal matters incident to this Agreement, the Borrowings and extensions of credit hereunder shall be reasonably satisfactory to the Lenders and to Simpson Thacher & Bartlett, counsel for the Administrative Agent and the Syndication Agent.

(d) Closing Certificates. The Administrative Agent and the Syndication Agent shall have received (i) a copy of the certificate of incorporation, including all amendments thereto, of the Borrower and each Guarantor, each certified by the relevant authority of the jurisdiction of organization, and a certificate as to the good standing of the Borrower and each Guarantor as of a recent date, from such relevant authority; (ii) a certificate of the Secretary or Assistant Secretary of the Borrower and each Guarantor, each dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Borrower or the relevant Guarantor, as applicable, as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Borrower or the relevant Guarantor, as applicable, authorizing the execution, delivery and performance of this Agreement and, in the case of the Borrower, the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate of incorporation of the Borrower or the relevant Guarantor, as applicable, has not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of the Borrower or the relevant Guarantor, as applicable; (iii) a certificate of another officer of the Borrower or the relevant Guarantor, as applicable, as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to (ii) above; and (iv) such other documents as the Lenders or Simpson Thacher & Bartlett, counsel for the Administrative Agent and the Syndication Agent, may reasonably request.

(e) Financial Officer's Certificate. The Administrative Agent and the Syndication Agent shall each have received (i) a certificate, dated the date of the initial Borrowing and signed by a Financial Officer of the Borrower, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 5.01 and (ii) a Ratio Certificate, setting forth the

calculations, in reasonable detail, required to determine compliance with all covenants set forth in Sections 7.05(a) and (b) on the Closing Date and on the date of the initial Borrowing.

(f) Fees and Expenses. The Administrative Agent and the other Agents and their Affiliates shall have received all Fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(g) 364-Day Credit Agreement. The 364-Day Credit Agreement shall have been, or shall simultaneously be, executed and delivered by the parties thereto and shall be in full force and effect.

(h) Existing Credit Agreement. The Borrower shall have prepaid the Loans (as defined under the Existing Credit Agreement) and permanently reduced the amount of the Commitments (as defined under the Existing Credit Agreement) under the Existing Credit Agreement to an aggregate amount of no more than \$140,000,000.

ARTICLE VI

Affirmative Covenants

The Borrower covenants and agrees with each Lender that so long as this Agreement shall remain in effect and any Letter of Credit remains outstanding and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement shall have been paid in full, unless the Required Lenders shall otherwise consent in writing, the Borrower will, and will cause each of the Subsidiaries to:

SECTION 6.01. Existence; Businesses and Properties. In the case of the Borrower and the Significant Subsidiaries:

(a) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises, except as otherwise expressly permitted under Section 7.03;

(b) comply in all material respects with all applicable laws, rules, regulations and decrees and orders of any Governmental Authority, whether now in effect or hereafter enacted; and at all times maintain, preserve and protect all property material to the conduct of its business; and

(c) comply with all Contractual Obligations except to the extent that failure to comply therewith, in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect.

SECTION 6.02. Insurance. Keep its insurable properties adequately insured at all times by financially sound and reputable insurers; and maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses, provided that nothing in this Section 6.02 shall preclude the Borrower or any Subsidiary from being self-insured (to the extent deemed prudent by the Borrower or such Subsidiary and customary with companies in the same or similar business).

SECTION 6.03. Payment of Obligations; Taxes(a) . (a) Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations (which , with respect to payment obligations, shall be any obligation of \$50,000,000 or greater) of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and adequate reserves with respect thereto shall, to the extent required by GAAP, have been set aside; and

(b) Pay and discharge promptly when due all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise that, if unpaid, might give rise to a Lien upon such properties or any part thereof unless and to the extent the same are being contested in good faith by appropriate proceedings and adequate reserves with respect thereto shall, to the extent required by GAAP, have been set aside.

SECTION 6.04. Financial Statements, Reports, etc. In the case of the Borrower, furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year, a consolidated balance sheet, statement of income and statement of cash flows showing the financial condition and results of operations of the Borrower and its consolidated Subsidiaries as of and for the fiscal year then ended, all audited by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing and accompanied by an opinion of such accountants (which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of the Borrower and its consolidated Subsidiaries, as the case may be, on a consolidated basis in accordance with GAAP;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, a consolidated balance sheet, statement of income and statement of cash flows showing the financial condition and results of operations of the Borrower and its consolidated Subsidiaries as of and for the fiscal quarter then ended and the then elapsed portion of the fiscal year, all certified by a Financial Officer of the Borrower as fairly presenting the financial condition and results of operations of the Borrower, as the case may be, on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments;

(c) concurrently with any delivery of financial statements under paragraph (a) or (b) above, (i) a Ratio Certificate and (ii) a certificate of a Financial Officer of the Borrower certifying that no Event of Default or Default has occurred or, if such an Event of Default or Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto;

(d) promptly, after their becoming available, copies of all financial statements, stockholders reports and proxy statements that the Borrower shall have sent to its stockholders generally, and copies of all registration statements filed by the Borrower under the Securities Act of 1933, as amended (other than registration statements on Form S-8 or any registration statement filed in connection with a dividend reinvestment plan), and regular and periodic reports, if any, which the Borrower shall have filed with the Securities and Exchange Commission (or any governmental agency or agencies substituted therefor) under Section 13 or Section 15(d) of the Securities and Exchange Act of 1934, as amended, or with any national securities exchange (other than those on Form 11-K or any successor form); provided, that documents required to be delivered under this clause (d) which are made available on the internet via the EDGAR, or any successor, system of the Securities and Exchange Commission shall be deemed delivered; and

(e) promptly, from time to time, such other information regarding the Borrower or any Significant Subsidiary (including the operations, business affairs and financial condition of the Borrower or any Significant Subsidiary), or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

SECTION 6.05. Litigation and Other Notices. Promptly upon any Responsible Officer of the Borrower obtaining knowledge of any of the following, furnish to the Administrative Agent and each Lender written notice of the following:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto;

(b) the filing or commencement of, or any notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Borrower or any Affiliate thereof that could reasonably be expected to result in a Material Adverse Effect or materially impair the Borrower's ability to perform its obligations under this Agreement;

(c) any change in the ratings by S&P or Moody's of the Index Debt; and

(d) any development that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect.

SECTION 6.06. Employee Benefits. (a) Comply in all material respects with the applicable provisions of ERISA and the Code and (b) furnish to the Administrative Agent and each Lender as soon as possible after, and in any event within 30 days after any Responsible Officer of the Borrower or any ERISA Affiliate knows that, any ERISA Event has occurred that, alone or together with any other ERISA Event known to have occurred, could reasonably be expected to result in liability of the Borrower in an aggregate amount exceeding \$75,000,000 in any year, a statement of a Financial Officer of the Borrower setting forth details as to such ERISA Event and the action, if any, that the Borrower proposes to take with respect thereto

SECTION 6.07. Maintaining Records; Access to Properties and Inspections. Maintain financial records in accordance with GAAP and, upon reasonable notice, permit any representatives designated by the Administrative Agent or any Lender to visit and inspect the financial records and the properties of the Borrower or any Significant Subsidiary during normal business hours and to discuss the affairs, finances and condition of the Borrower or any Significant Subsidiary with the officers thereof and independent accountants therefor.

SECTION 6.08. Use of Proceeds. Use the proceeds of the Loans only for the purposes set forth in the preamble to this Agreement. SECTION 6.09. Environmental Laws. Except as, in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect:

(a) Comply in all material respects with, and undertake all reasonable efforts to ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and comply as required in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

SECTION 6.10. Termination of Existing Credit Agreement. On or before May 30, 2002, pay the Loans (as defined under the Existing Credit Agreement), liabilities and other obligations under the Existing Credit Agreement in full and terminate the Commitments (as defined under the Existing Credit Agreement) thereunder.

ARTICLE VII

Negative Covenants

The Borrower covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and any Letter of Credit remains outstanding and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under this Agreement have been paid in full, unless the Required Lenders shall otherwise consent in writing, the Borrower will not, and will not cause or permit any of the Subsidiaries to:

SECTION 7.01. Liens. Create, incur, assume or permit to exist any Lien on any property or assets (including stock or other securities of any person, including any Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except:

(a) Liens on property or assets of the Borrower or any of its Subsidiaries existing on the date hereof except, in the case of the Borrower, any such Lien securing Indebtedness for borrowed money in excess of \$5,000,000 that is not set forth in Schedule 7.01, provided that all Liens permitted by this paragraph (a) shall secure only those obligations which they secure on the date hereof;

(b) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary, provided that (i) such Lien is not created in contemplation of or in connection with such acquisition and (ii) such Lien does not apply to any other property or assets of the Borrower or any Subsidiary;

(c) Liens for taxes not yet past due or which are being contested in compliance with Section 6.03;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business and securing obligations that are not due and payable or which are being contested in compliance with Section 6.03;

(e) pledges and deposits made in the ordinary course of business in compliance with workmen's compensation, unemployment insurance and other social security laws or regulations;

(f) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases (other than capital leases), statutory obligations, surety and appeal bonds, advance payment bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) zoning restrictions, easements, rights-of-way, restrictions on use of real property and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(h) Liens upon any property acquired, constructed or improved by the Borrower or any Subsidiary which are created or incurred within 360 days of such acquisition, construction or improvement to secure or provide for the payment of any part of the purchase price of such property or the cost of such construction or improvement, including carrying costs (but no other amounts), provided that any such Lien shall not apply to any other property of the Borrower or any Subsidiary;

(i) Liens on the property or assets of any Subsidiary in favor of the Borrower;

(j) extensions, renewals and replacements of Liens referred to in paragraphs (a) through (i) of this Section 7.01, provided that any such extension, renewal or replacement Lien shall be limited to the property or assets covered by the Lien extended, renewed or replaced and that the obligations secured by any such extension, renewal or replacement Lien shall be in an amount not greater than the amount of the obligations secured by the Lien extended, renewed or replaced;

(k) any Lien of the type described in clause (c) of the definition of the term "Lien" on securities imposed pursuant to an agreement entered into for the sale or disposition of such securities pending the closing of such sale or disposition; provided such sale or disposition is otherwise permitted hereunder;

(l) Liens arising in connection with any Permitted Receivables Program (to the extent the sale by the Borrower or the applicable Subsidiary of its accounts receivable is deemed to give rise to a Lien in favor of the purchaser thereof in such accounts receivable or the proceeds thereof); and

(m) Liens to secure Indebtedness if, immediately after the grant thereof, the aggregate amount of all Indebtedness secured by Liens that would not be permitted but for this clause (m), when aggregated with the amount of Indebtedness permitted by Section 7.04(h), does not exceed the greater of (i) \$100,000,000 or (ii) 15% of Consolidated Net Tangible Assets as shown on the most recent consolidated balance sheet delivered pursuant to Section 4.05 or 6.04(a) or (b), as the case may be.

SECTION 7.02. Sale and Lease-Back Transactions. Enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease back such property; provided, however, that the Borrower and the Subsidiaries may enter into any such transaction to the extent the Lien on any such property would be permitted by Section 7.01(m).

SECTION 7.03. Mergers, Consolidations and Sales of Assets. In the case of the Borrower, merge into or consolidate with any other person, or permit any other person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of, or permit the sale, transfer, lease or other disposition of (in one transaction or in a series of transactions) all or substantially all of its assets (including any Subsidiary), or agree to do any of the foregoing; provided, however, that any person may merge into or consolidate with the Borrower in a transaction in which the Borrower is the surviving corporation if no

Event of Default or Default shall have occurred and be continuing or would occur immediately after giving effect thereto; provided, further, that nothing in this Section 7.03 shall prohibit the sale of the capital stock or assets of either or both Guarantors.

SECTION 7.04. Subsidiary Indebtedness. Permit any Subsidiary to create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness existing on the date hereof and set forth in Schedule 7.04 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(b) Indebtedness issued to the Borrower or any other Subsidiary;

(c) Indebtedness incurred to finance the acquisition, construction or improvement of any fixed or capital assets, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement;

(d) Indebtedness of any person that becomes a Subsidiary after the date hereof; provided that such Indebtedness exists at the time such person becomes a Subsidiary and is not created in contemplation of or in connection with such person becoming a Subsidiary;

(e) Indebtedness as an account party in respect of trade letters of credit;

(f) Indebtedness arising in connection with any Permitted Receivables Program (to the extent the sale by the applicable Subsidiary of its accounts receivable is deemed to be Indebtedness of such Subsidiary);

(g) performance, advance payment, warranty and bid guarantees and other similar guarantees of payment (other than in respect of Indebtedness for borrowed money) made by a Subsidiary in the ordinary course of business; and

(h) other Indebtedness in an aggregate principal amount, when aggregated with the amount of all Indebtedness secured by Liens permitted by Section 7.01(m), not exceeding the greater of (i) \$100,000,000 or (ii) 15% of Consolidated Net Tangible Assets as shown on the most recent consolidated balance sheet delivered pursuant to Section 4.05 or 6.04(a) or (b), as the case may be.

SECTION 7.05. Financial Covenants. (a) Debt to Capitalization. Permit Total Debt to exceed (i) 60% of Total Capitalization at any time to and including December 31, 2001, (ii) 55% of Total Capitalization at any time from and including January 1, 2002 to, but excluding, June 28, 2004 and (iii) 50% of Total Capitalization at any time from June 28, 2004 and thereafter.

(b) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio for any period of four consecutive fiscal quarters of the Borrower ending with any fiscal quarter (i) after the Closing Date until, but excluding, June 28, 2004 to be less than 2.5 to 1.0 and (ii) commencing June 28, 2004 and thereafter to be less than 3.0 to 1.0.

ARTICLE VIII

Events Of Default

In case of the happening of any of the following events ("Events of Default"):

(a) any representation or warranty made or deemed made in or in connection with this Agreement or the borrowings hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to this Agreement, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(b) default shall be made in the payment of any principal of any Loan or Reimbursement Obligation when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or Reimbursement Obligation or any Fee or any other amount (other than an amount referred to in (b) above) due under this Agreement, when and as the same shall become due and payable, and such default shall continue unremedied for a period of three Business Days following notice thereof;

(d) default shall be made in the due observance or performance by the Borrower or any Subsidiary of any covenant, condition or agreement contained in Section 6.01(a), 6.05(a) or 6.08 or in Article VII;

(e) default shall be made in the due observance or performance by the Borrower or any Subsidiary of any covenant, condition or agreement contained in this Agreement (other than those specified in (b), (c) or (d) above) and such default shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent or any Lender to the Borrower;

(f) the Borrower or any Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness in a principal amount in excess of \$50,000,000, when and as the same shall become due and payable, or (ii) fail to make any payment under any guarantee, if the aggregate amount of the guaranteed obligations is in excess of \$50,000,000, except to the extent the Borrower or such Subsidiary is contesting in good faith the requirement to make such payment, or (iii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Indebtedness if the effect of any failure referred to in this clause (iii) is to cause such Indebtedness to become due prior to its stated maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Borrower or any Significant Subsidiary, or of a substantial part of the property or assets of the Borrower or a Significant Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Significant Subsidiary or for a substantial part of the property or assets of the Borrower or a Significant Subsidiary or (iii) the winding-up or liquidation of the Borrower or any Significant Subsidiary; and such proceeding or petition shall continue

undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the Borrower or any Significant Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Significant Subsidiary or for a substantial part of the property or assets of the Borrower or any Significant Subsidiary, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more judgments for the payment of money in an aggregate amount in excess of \$50,000,000 (to the extent not adequately covered by insurance as to which the insurance company has acknowledged coverage in writing) shall be rendered against the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of the Borrower or any Subsidiary to enforce any such judgment;

(j) an ERISA Event shall have occurred that, in the reasonable opinion of the Required Lenders, when taken together with all other such ERISA Events that have occurred could reasonably be expected to result in a Material Adverse Effect;

(k) there shall have occurred a Change in Control; or

(l) the Guarantee contained in Article X of this Agreement shall cease, for any reason (other than in accordance with Section 11.17), to be in full force and effect with respect to any Guarantor or the Borrower or any Guarantor or any Affiliate of the Borrower or any Guarantor shall so assert;

then, and in every such event (other than an event with respect to the Borrower described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder (including all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder), shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding; and in any event with respect to the Borrower described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder (including all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder), shall automatically become due and payable, without presentment,

demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder. After all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder shall have been paid in full, if, at any time the amount of such cash collateral account exceeds the then undrawn and unexpired amount of the Letters of Credit, such excess amount shall be returned to the Borrower (or such other person as may be lawfully entitled thereto).

ARTICLE IX

The Administrative Agent

In order to expedite the transactions contemplated by this Agreement, JPMorgan Chase Bank is hereby appointed to act as Administrative Agent on behalf of the Lenders. Each of the Lenders and each assignee of any such Lender hereby irrevocably authorizes the Administrative Agent to take such actions on behalf of such Lender or assignee and to exercise such powers as are specifically delegated to the Administrative Agent by the terms and provisions hereof, together with such actions and powers as are reasonably incidental thereto. The Administrative Agent is hereby expressly authorized by the Lenders, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders all payments of principal of and interest on the Loans and all other amounts due to the Lenders hereunder, and promptly to distribute to each Lender its proper share of each payment so received; (b) to give notice on behalf of each of the Lenders to the Borrower of any Event of Default specified in this Agreement of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices, financial statements and other materials delivered by the Borrower pursuant to this Agreement as received by the Administrative Agent.

Neither the Administrative Agent nor any of its directors, officers, employees or agents shall be liable as such for any action taken or omitted by any of them except for its or his own gross negligence or wilful misconduct, or be responsible for any statement, warranty or representation herein or the contents of any document delivered in connection herewith, or be required to ascertain or to make any inquiry concerning the performance or observance by the Borrower of any of the terms, conditions, covenants or agreements contained in this Agreement. The Administrative Agent shall not be responsible to the Lenders for the due execution, genuineness, validity, enforceability or effectiveness of this Agreement or any other instruments or agreements. The Administrative Agent shall in all cases be fully protected in acting, or refraining from acting, in accordance with written instructions signed by the Required Lenders (or, when expressly required hereunder, all the Lenders) and, except as otherwise specifically provided herein, such instructions and any action or inaction pursuant thereto shall be binding on all the Lenders. The Administrative Agent shall, in the absence of knowledge to the contrary, be entitled to rely on any instrument or document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons. Neither the Administrative Agent nor any of its directors, officers, employees or agents shall have any responsibility to the Borrower on account of the failure of or delay in performance or breach by any Lender of any of its obligations hereunder or to any Lender on account of the failure of or delay in performance or breach by any other Lender or the Borrower of any of their respective obligations hereunder or in connection herewith. The Administrative Agent may execute any and all duties hereunder by or through agents or employees and shall be entitled to rely upon the advice of

legal counsel selected by it with respect to all matters arising hereunder and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel.

The Lenders hereby acknowledge that the Administrative Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement unless it shall be requested in writing to do so by the Required Lenders.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (which consent shall not be unreasonably withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, having a combined capital and surplus of at least \$500,000,000 or an Affiliate of any such bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor bank, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 11.05 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

With respect to the Loans made by it hereunder and with respect to any Letter of Credit issued or participated in by it, the Administrative Agent in its individual capacity and not as Administrative Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not the Administrative Agent, and the Administrative Agent and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent.

Each Lender agrees (a) to reimburse the Administrative Agent, on demand, in the amount of its pro rata share (based on its Commitment hereunder) of any expenses incurred for the benefit of the Lenders by the Administrative Agent, including counsel fees, that shall not have been reimbursed by the Borrower and (b) to indemnify and hold harmless the Administrative Agent and any of its directors, officers, employees or agents, on demand, in the amount of such pro rata share, from and against any and all liabilities, taxes, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against it in its capacity as the Administrative Agent or any of them in any way relating to or arising out of this Agreement or any action taken or omitted by it or any of them under this Agreement, to the extent the same shall not have been reimbursed by the Borrower, provided that no Lender shall be liable to the Administrative Agent or any such other indemnified person for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or wilful misconduct of the Administrative Agent or any of its directors, officers, employees or agents.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement,

any related agreement or any document furnished hereunder. Each Lender further acknowledges that (i) the Syndication Agent and the Documentation Agents have no duties or obligations as such under this Agreement and (ii) with respect to its Loans made or renewed by it and with respect to any Letter of Credit issued or participated in by it, the Syndication Agent and each Documentation Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include the Syndication Agent and each Documentation Agent in its individual capacity.

ARTICLE X

Guarantee

In order to induce the Lenders to extend credit hereunder and in consideration therefor, each Guarantor hereby, jointly and severally, unconditionally and irrevocably guarantees, as a primary obligor and not merely as a surety, the Obligations. Each Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its Guarantee hereunder notwithstanding any such extension or renewal of any Obligation.

Each Guarantor waives presentment to, demand of payment from and protest to the Borrower of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of each Guarantor hereunder shall not be affected by the failure of any Lender or the Administrative Agent to assert any claim or demand or to enforce any right or remedy against the Borrower under the provisions of this Agreement or otherwise, or, except as specifically provided therein, by any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement or any other agreement.

Each Guarantor further agrees that its Guarantee hereunder constitutes a promise of payment when due and not merely of collection, and waives any right to require that any resort be had by any Lender to any balance of any deposit account or credit on the books of any Lender in favor of the Borrower or any other person.

The obligations of either Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of the Obligations, any impossibility in the performance of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of either Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any remedy under this Agreement or any other agreement, by any waiver or modification in respect of any thereof, by any default, failure or delay, wilful or otherwise, in the performance of the Obligations, or by any other act or omission which may or might in any manner or to any extent vary the risk of either Guarantor or otherwise operate as a discharge of either Guarantor as a matter of law or equity.

Each Guarantor further agrees that its obligations hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Obligation is rescinded or must otherwise be restored by the Administrative Agent or any Lender upon the bankruptcy or reorganization of the Borrower or otherwise.

In furtherance of the foregoing and not in limitation of any other right which the Administrative Agent or any Lender may have at law or in equity against either Guarantor by virtue hereof, upon the

failure of the Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will, upon receipt of written demand by the Administrative Agent, forthwith pay, or cause to be paid, in immediately available Dollars the amount of such unpaid Obligation.

Anything herein to the contrary notwithstanding, the maximum liability of each Guarantor hereunder shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in the paragraph below).

Each Guarantor hereby agrees that to the extent that either Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against the other Guarantor hereunder which has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of the following paragraph. The provisions of this paragraph shall in no respect limit the obligations and liabilities of either Guarantor to the Administrative Agent and the Lenders, and each Guarantor shall remain liable to the Administrative Agent and the Lenders for the full amount guaranteed by such Guarantor hereunder.

Upon payment by either Guarantor of any sums as provided above, all rights of either Guarantor against the Borrower arising as a result thereof by way of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full of all the Obligations.

ARTICLE XI

Miscellaneous

SECTION 11.01. Notices. Unless otherwise specified herein, notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower or the Guarantors, at 141 Spring Street, Lexington, Massachusetts 02421 Attention of Cheryl Norden (Telecopy No. (781) 860-2505); with a copy to Stephen J. Iglowski at the same address;

(b) if to the Administrative Agent, to JPMorgan Chase Bank, One Chase Manhattan Plaza, 8th Floor, New York, New York 10017, Attention of Doris Mesa (Telecopy No. (212) 552-5650), with a copy to JPMorgan Chase Bank, at 270 Park Avenue, New York, New York 10017, Attention of Mr. Jack Riordan (Telecopy No. (212) 270-5100);and

(c) if to a Lender, to it at its address (or telecopy number) set forth in Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by telecopy or on the date five Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 11.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 11.01.

SECTION 11.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not been terminated. The provisions of Sections 2.13, 2.15, 2.19 and 11.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement, or any investigation made by or on behalf of the Administrative Agent or any Lender.

SECTION 11.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

SECTION 11.04. Successors and Assigns. (a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower, the Administrative Agent or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, however, that (i) except in the case of an assignment to a Lender or a Lender Affiliate, (x) the Administrative Agent and (unless an Event of Default shall have occurred and be continuing) the Borrower must give their prior written consent to such assignment (which consent shall not be unreasonably withheld) and (y) unless the Borrower and the Administrative Agent shall otherwise agree to a lower dollar amount, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$10,000,000 (or the entire remaining amount of the assigning Lender's Commitment), unless such Lender is making a substantially simultaneous assignment to the same assignee pursuant to Section 11.04(b) of the 364-Day Credit Agreement in which case the aggregate of the amount of the Commitment of the assigning Lender subject to the assignment under this Agreement and the amount of the commitment of the assigning Lender subject to the assignment under the 364-Day Credit Agreement shall not be less than \$10,000,000, (ii) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500 and (iii) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Upon acceptance and recording pursuant to paragraph (e) of this Section 11.04, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.15, 2.19 and 11.05, as well as to any Fees accrued for its

account and not yet paid). Any assignment by a Lender of rights and/or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and/or obligations, as the case may be, in accordance with paragraph (f) of this Section 11.04.

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Commitment, and the outstanding balances of its Revolving Loans and Competitive Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto, or the financial condition of the Borrower or any Subsidiary or the performance or observance by the Borrower or any Subsidiary of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in Section 4.05 or delivered pursuant to Section 6.04 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The Borrower, the Administrative Agent and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary, and such entries in the Register shall be conclusive absent manifest error. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of the Borrower and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Lenders and the Borrower. No assignment shall be effective unless it has been recorded in the Register as provided in this paragraph (e).

(f) Each Lender may without the consent of the Borrower or the Administrative Agent sell participations to one or more banks or other entities in all or a portion of its rights and/or obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.13, 2.15 and 2.19 (and shall have the duty to mitigate under Section 2.20) to the same extent as if they were Lenders (provided, that unless such participation was consented to by the Borrower, each participating bank or other entity shall only be entitled to the benefit of the cost protection provisions contained in Sections 2.13, 2.15 and 2.19 to the same extent as its participating Lender) and (iv) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any fees payable hereunder or the amount of principal or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans or increasing or extending the Commitments).

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 11.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure of information designated by the Borrower as confidential, "Company Private" or "Proprietary", each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information on terms no less restrictive than those applicable to the Lenders pursuant to Section 11.16.

(h) Any Lender may at any time assign all or any portion of its rights under this Agreement to a Federal Reserve Bank without the consent of the Borrower or the Administrative Agent to secure extensions of credit by such Federal Reserve Bank to such Lender; provided that no such assignment shall release a Lender from any of its obligations hereunder or substitute any such Bank for such Lender as a party hereto. In order to facilitate such an assignment to a Federal Reserve Bank, the Borrower shall, at the request of the assigning Lender, duly execute and deliver to the assigning Lender a promissory note or notes evidencing the Loans made to the Borrower by the assigning Lender hereunder.

(i) The Borrower shall not assign or delegate any of its rights or duties hereunder without the prior written consent of the Administrative Agent and each Lender, and any attempted assignment without such consent shall be null and void.

(j) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC") of such Granting Lender, identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to Section 2.01 or 2.03(e), provided that (i) nothing herein shall constitute a commitment to make any Loan by any SPC and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender (and, if such Loan is a Competitive Loan, shall be deemed to utilize the Commitments of all the Lenders) to the same extent, and as if, such Loan were made by the Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with

the related Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 11.04 or in Section 11.16, any SPC may (i) with notice to, but without the prior written consent of, the Borrower or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to its Granting Lender or to any financial institutions providing liquidity and/or credit facilities to or for the account of such SPC to fund the Loans made by such SPC or to support the securities (if any) issued by such SPC to fund such Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit or liquidity enhancement to such SPC.

SECTION 11.05. Expenses; Indemnity. (a) The Borrower agrees (i) to pay all reasonable out-of-pocket expenses incurred by the Agents and the Arrangers in connection with the syndication of the credit facilities provided for herein and the preparation and administration of this Agreement or in connection with any amendments, modifications or waivers of the provisions hereof (whether or not the transactions hereby or thereby contemplated shall be consummated), including the reasonable fees, charges and disbursements of Simpson Thacher & Bartlett, counsel for the Agents and (ii) to pay all out-of-pocket expenses incurred by any Agent, either Arranger or any Lender in connection with the enforcement or protection of its rights in connection with this Agreement or in connection with the Loans made hereunder, including the fees, charges and disbursements of Simpson Thacher & Bartlett, counsel for the Agents, and, in connection with any such enforcement or protection, the fees, charges and disbursements of any other counsel (including the allocated charges of in-house counsel) for any Agent or any Lender. The Borrower shall not be obligated to reimburse out-of-pocket legal expenses pursuant to the preceding sentence for more than one law firm for the Agents incurred in connection with the preparation of this Agreement or in connection with any particular amendment, modification or waiver of the provisions hereof.

(b) The Borrower agrees to indemnify each Agent, each Arranger and each Lender, each Affiliate of any of the foregoing persons and each of their respective directors, officers, employees, advisors and agents (each such person being called an "Indemnitee") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated hereby, (ii) the use of the proceeds of the Loans or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses result from the gross negligence or wilful misconduct of such Indemnitee.

(c) The provisions of this Section 11.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement, or any investigation made by or on behalf of any Agent or any Lender. All amounts due under this Section 11.05 shall be payable on written demand therefor.

SECTION 11.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or any affiliate, branch or agency thereof to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmaturred. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 11.07. APPLICABLE LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 11.08. Waivers; Amendment. (a) No failure or delay of the Administrative Agent or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan or the payment of any Facility Fee, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan, or extend the maturity date of any Letter of Credit to a date after the Maturity Date, without the prior written consent of each Lender affected thereby, (ii) change or extend the Commitment or decrease the Facility Fees or Utilization Fees of any Lender without the prior written consent of such Lender, (iii) except in accordance with Section 11.17, reduce or terminate the obligations of either Guarantor, without the prior written consent of each Lender or (iv) amend or modify the provisions of Section 2.16, the provisions of Section 11.04(i), the provisions of this Section or the definition of the term "Required Lenders", without the prior written consent of each Lender; provided further that no such agreement shall (A) amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent or (B) amend, modify or otherwise affect the rights or duties of any Issuing Lender hereunder without the prior written consent of such Issuing Lender.

SECTION 11.09. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans

or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 11.10. Entire Agreement. This Agreement and the Fee Letter constitute the entire contract among the parties relative to the subject matter hereof. Any other previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement. Nothing in this Agreement, expressed or implied, is intended to confer upon any party other than the parties hereto and thereto any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 11.11. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.11.

SECTION 11.12. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 11.13. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 11.03. Delivery of an executed signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually signed counterpart of this Agreement.

SECTION 11.14. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 11.15. Jurisdiction; Consent to Service of Process. (a) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(b) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 11.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(d) The Administrative Agent, each Lender, the Borrower and each Guarantor hereby irrevocably and unconditionally waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

SECTION 11.16. Confidentiality. The Administrative Agent and each of the Lenders agrees to keep confidential (and to use its best efforts to cause its respective agents and representatives to keep confidential) the Information (as defined below) and all copies thereof, extracts therefrom and analyses or other materials based thereon, except that the Administrative Agent, any Lender or any Lender Affiliate shall be permitted to disclose Information (a) to such of its respective officers, directors, employees, agents, affiliates and representatives as need to know such Information, (b) to the extent requested by any regulatory authority or examining authority, (c) to the extent otherwise required by applicable laws and regulations or by any subpoena or similar legal process, (d) in connection with any suit, action or proceeding relating to the enforcement of its rights hereunder, (e) to the extent permitted by Section 11.04(g), or (f) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Agreement or (ii) becomes available to the Administrative Agent or any Lender on a non-confidential basis from a source other than the Borrower. For the purposes of this Section, "Information" shall mean all financial statements, certificates, reports, agreements and information (including all analyses, compilations and studies prepared by the Administrative Agent or any Lender based on any of the foregoing) that are received from the Borrower or any Subsidiary and related to the Borrower, any Subsidiary or any employee, customer or supplier of the Borrower, other than any of the foregoing that were available to the Administrative Agent or any Lender on a non-confidential basis prior to its disclosure thereto by the Borrower, and which are in the case of Information provided after the date hereof, clearly identified at the time of delivery as confidential, "Company Private" or "Proprietary". The provisions of this Section 11.16 shall remain operative and in full force and effect regardless of the expiration and term of this Agreement.

SECTION 11.17. Release of Guarantees. (a) Notwithstanding anything to the contrary contained herein, so long as no Default or Event of Default shall have occurred and be continuing, the Guarantees created by Article X of this Agreement automatically shall be terminated and be of no further force or effect and the Administrative Agent is hereby irrevocably authorized by each Lender (without requirement of notice to or consent of any Lender) to take any action reasonably requested by the Borrower (it being understood that the Administrative Agent shall not refuse to take any reasonable action) to further evidence or document such automatic release of the Guarantees created by Article X of this Agreement, but in each case only (i) to the extent necessary to permit the sale of all or substantially all of the stock or of all or substantially all of the assets of either Guarantor, (ii) to the extent necessary to permit the consummation of any transaction that has been consented to in accordance with Section 11.08 or (iii) under the circumstances described in paragraph (b) below.

(b) So long as no Default or Event of Default shall have occurred and be continuing, on the first date after the Closing Date on which the Borrower has Index Debt of BBB or better from S&P

and Baa2 or better from Moody's, in each case on "stable watch" or the equivalent, the Guarantees created by Article X of this Agreement automatically shall be terminated and be of no further force or effect and the Administrative Agent is hereby irrevocably authorized by each Lender (without requirement of notice to or consent of any Lender) to take any action reasonably requested by the Borrower (it being understood that the Administrative Agent shall not refuse to take any reasonable action) to further evidence or document such automatic release of the Guarantees created by Article X of this Agreement.

SECTION 11.18. Waiver and Consent of the Existing Credit Agreement. Each Lender which is a Lender (as defined under the Existing Credit Agreement) under the Existing Credit Agreement hereby (i) waives the requirement of Section 2.12 of the Existing Credit Agreement that prepayments of Loans (as defined under the Existing Credit Agreement) and reductions of Commitments (as defined under the Existing Credit Agreement) may only be made upon at least 3 Business Days' prior irrevocable written notice and (ii) consents to the Borrower prepaying the Loans (as defined under the Existing Credit Agreement) and permanently reducing the amount of the Commitments (as defined under the Existing Credit Agreement) under the Existing Credit Agreement to an aggregate amount of no more than \$140,000,000 on the date hereof.

[Remainder of page left blank intentionally; Signature page to follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

RAYTHEON COMPANY,
as the Borrower

By: _____
Name:
Title:

RAYTHEON TECHNICAL SERVICES COMPANY,
as a Guarantor

By: _____
Name:
Title:

RAYTHEON AIRCRAFT COMPANY,
as a Guarantor

By: _____
Name:
Title:

JPMORGAN CHASE BANK,
as a Lender and as Administrative Agent,

By: _____
Name:
Title:

J.P. MORGAN SECURITIES, INC.,
as a Joint Lead Arranger and a Joint Bookrunner,

By: _____
Name:
Title:

BANC OF AMERICA SECURITIES LLC,
as a Joint Lead Arranger and a Joint Bookrunner,

By: _____
Name:
Title:

BANK OF AMERICA, N.A.,
as Syndication Agent and as a Lender

By: _____
Name:
Title:

CITICORP USA, INC.,
as Documentation Agent and as a Lender

By: _____

Name:
Title:

CREDIT SUISSE FIRST BOSTON,
as Documentation Agent and as a Lender

By: _____

Name:
Title:

MIZUHO FINANCIAL GROUP,
as Documentation Agent and as a Lender

By: _____

Name:
Title:

[Form of]
RAYTHEON COMPANY
ADMINISTRATIVE QUESTIONNAIRE*

(*Lenders party to both the Five-Year Credit Agreement and the 364-Day Credit Agreement need complete this form and submit the completed form as indicated below in respect of the Five-Year Credit Agreement only, unless the Administrative Questionnaire for the 364-Day Credit Agreement would be completed differently.)

Please provide the following details:

A) FULL LEGAL BANK NAME: -----

B) FULL LEGAL DOMESTIC LENDING OFFICE NAME AND ADDRESS:

FAX NUMBER: -----

TELEX NUMBER: -----

C) FULL LEGAL EURODOLLAR LENDING OFFICE NAME AND ADDRESS:

FAX NUMBER: -----

TELEX NUMBER: -----

D) FULL LEGAL COMPETITIVE LOAN LENDING OFFICE NAME AND ADDRESS:

FAX NUMBER: -----

TELEX NUMBER: -----

E) WHERE EXECUTION COPIES SHOULD BE SENT FOR SIGNATURE(S)**:

ADDRESS: -----

ATTN: -----

----- ; or

ELECTRONIC MAIL ADDRESS: -----

* The Lender hereby acknowledges that, in the Administrative Agent's discretion, documents for execution may be sent by electronic mail or posted to a web site designated by the Administrative Agent.

Please fax your completed questionnaire to Doris Mesa at
JPMorgan Chase Bank; fax (212) 552-5650.

F) WHERE CONFORMED (FINAL) COPIES SHOULD BE SENT:

ADDRESS:

ATTN:

G) FOR BUSINESS AND/OR CREDIT MATTERS:

CONTACT NAME/DEPT:

TELEPHONE NUMBER:

FAX NUMBER:

ELECTRONIC MAIL ADDRESS:

H) FOR ADMINISTRATIVE/OPERATIONS MATTERS:

CONTACT NAME/DEPT:

TELEPHONE NUMBER:

FAX NUMBER:

ELECTRONIC MAIL ADDRESS:

I) FOR COMPETITIVE BID REQUESTS:

CONTACT NAME/DEPT:

TELEPHONE NUMBER:

FAX NUMBER:

ELECTRONIC MAIL ADDRESS:

J) PAYMENT INSTRUCTIONS (PLEASE SPECIFY WHERE FUNDS, I.E. INTEREST, FEES, LOAN REPAYMENTS SHOULD BE WIRED):

BANK NAME:

ABA, CHIPS #:

ACCOUNT #:

CREDIT TO (if applicable):

REFERENCE:

ATTENTION:

K) FOR LETTER OF CREDIT ADMINISTRATIVE MATTERS:

CONTACT NAME/DEPT:

TELEPHONE NUMBER:

FAX NUMBER:

ELECTRONIC MAIL ADDRESS:

L) PAYMENT INSTRUCTIONS: (PLEASE SPECIFY WHERE LETTER OF CREDIT COMMISSION FEES SHOULD BE WIRED):

BANK NAME:

ABA, CHIPS #:

ACCOUNT #:

CREDIT TO (if applicable):

REFERENCE:

ATTENTION:

[Form of]
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Five-Year Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among Raytheon Company, as the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

1. The Assignor hereby sells and assigns, without recourse, to the Assignee, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Effective Date set forth below (but not prior to the registration of the information contained herein in the Register pursuant to Section 11.04(e) of the Credit Agreement), the interests set forth below (the "Assigned Interests") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the amounts and percentages set forth below of (i) the Commitments of the Assignor on the Effective Date and (ii) the Loans owing to the Assignor which are outstanding on the Effective Date. Each of the Assignor and the Assignee hereby makes and agrees to be bound by all the representations, warranties and agreements set forth in Section 11.04(c) of the Credit Agreement, a copy of which has been received by each such party. From and after the Effective Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interests, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interests, relinquish its rights and be released from its obligations under the Credit Agreement.

2. This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) if the Assignee is organized under the laws of a jurisdiction outside the United States, the forms specified in Section 2.19(g) of the Credit Agreement, duly completed and executed by such Assignee, (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form of Exhibit A to the Credit Agreement and (iii) a processing and recordation fee of \$3,500.

3. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment (may not be fewer than 5 Business Days after the Date of Assignment):

Facility/Commitment -----	Amount Assigned (Principal Amount Assigned and Identifying information as to individual Competitive Loans) -----	Percentage Assigned of Applicable Facility/Commitment (set forth, to at least 8 decimals, as a percentage of the Total Commitments) -----
Commitment	\$ -----	_% -----
Competitive Loans	\$ -----	% -----

Accepted: */
-

The terms set forth above are hereby agreed to:

JPMORGAN CHASE BANK,
as Administrative Agent

-----, as
Assignor

By: -----
Name:
Title:

By: -----
Name:
Title:

-----, as
Assignor

Raytheon Company, as the
Borrower

By: -----
Name:
Title:

By: -----
Name:
Title:

* To be completed to the extent consents are required under Section 11.04(b) of the Credit Agreement

[Form of]
BORROWING REQUEST

JPMorgan Chase Bank, as Administrative Agent for
the Lenders referred to below,
270 Park Avenue
New York, NY 10017

Attention of [_____]

[Date]

Ladies and Gentlemen:

The undersigned, Raytheon Company, a Delaware corporation (the "Borrower"), refers to the Five-Year Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower hereby gives you notice pursuant to Section 2.04 of the Credit Agreement that it requests a Revolving Borrowing under the Credit Agreement, and in that connection sets forth below the terms on which such Borrowing is requested to be made:

- (A) Date of Borrowing (which is a Business Day) -----
- (B) Principal Amount of Borrowing */ -----
- (C) Interest rate basis **/ -----
- (D) Interest Period and the last day thereof ***/ -----
- (E) Funds are requested to be disbursed to the Borrower's account with JPMorgan Chase Bank (Account No. _____)

*/ Not less than \$10,000,000 and in an integral multiple of \$1,000,000, but in
- - any event not exceeding the Total Commitment then available.

**/ Specify Eurodollar Borrowing or ABR Borrowing.
- - -

***/ Which shall be subject to the definition of "Interest Period" and end not
- - - later than the Maturity Date.

Upon acceptance of any or all of the Loans offered by the Lenders in response to this request, the Borrower shall be deemed to have represented and warranted that the applicable conditions to lending specified in Sections 5.01(b) and 5.01(c) of the Credit Agreement have been satisfied.

RAYTHEON COMPANY,

By: -----
Name:
Title: [Responsible Officer]

[Form of]
COMPETITIVE BID REQUEST

JPMorgan Chase Bank, as Administrative Agent for
the Lenders referred to below,
270 Park Avenue
New York, N.Y. 10017

[Date]

Attention: [_____]

Dear Sirs:

The undersigned, Raytheon Company, a Delaware corporation (the "Borrower"), refers to the Five-Year Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower hereby gives you notice pursuant to Section 2.03(a) of the Credit Agreement that it requests a Competitive Borrowing under the Credit Agreement, and in that connection sets forth below the terms on which such Competitive Borrowing is requested to be made:

- | | | |
|-----|--|-------|
| (A) | Date of Competitive Borrowing
(which is a Business Day) | ----- |
| (B) | Principal Amount of
Competitive Borrowing 1/
- | ----- |
| (C) | Interest rate basis 2/ | ----- |
| (D) | Interest Period and the last
day thereof 3/ | ----- |

-
- 1 Not less than \$10,000,000 (and in integral multiples of \$1,000,000) and not greater than the Total Commitment then available.
 - 2 Eurodollar Loan or Fixed Rate Loan.
 - 3 Which shall be subject to the definition of "Interest Period" and end not later than the Maturity Date.

Upon acceptance of any or all of the Loans offered by the Lenders in response to this request, the Borrower shall be deemed to have represented and warranted that the conditions to lending specified in Sections 5.01(b) and 5.01(c) of the Credit Agreement have been satisfied.

Very truly yours,

RAYTHEON COMPANY,

By:

Name:

Title: [Responsible Officer]

[Form of]
NOTICE OF COMPETITIVE BID REQUEST

[Name of Lender]
[Address]

Attention:

[Date]

Dear Sirs:

Reference is made to the Five-Year Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among Raytheon Company, as the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower made a Competitive Bid Request on [____], [____], pursuant to Section 2.03(a) of the Credit Agreement, and in that connection you are invited to submit a Competitive Bid by [Date]/[Time].¹ Your Competitive Bid must comply with Section 2.03(b) of the Credit Agreement and the terms set forth below on which the Competitive Bid Request was made:

- (E) Date of Competitive Borrowing -----
- (F) Principal amount of Competitive Borrowing -----
- (G) Interest rate basis -----
- (H) Interest Period and the last day thereof -----

Very truly yours,

JPMORGAN CHASE BANK, as Administrative Agent,

by -----

Name:

Title:

1 The Competitive Bid must be received by the Administrative Agent (i) in the case of Eurodollar Loans, not later than 9:30 a.m., New York City time, three Business Days before a proposed Competitive Borrowing, and (ii) in the case of Fixed Rate Loans, not later than 9:30 a.m., New York City time, on the Business Day of a proposed Competitive Borrowing.

[Form of]
COMPETITIVE BID

JPMorgan Chase Bank, as Administrative Agent for
the Lenders referred to below,
270 Park Avenue
New York, N.Y. 10017

[Date]

Attention: [_____]

Dear Sirs:

The undersigned, [Name of Lender], refers to the Five-Year Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among Raytheon Company, as the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The undersigned hereby makes a Competitive Bid pursuant to Section 2.03(b) of the Credit Agreement, in response to the Competitive Bid Request made by the Borrower on [_____], [____], and in that connection sets forth below the terms on which such Competitive Bid is made:

- (I) Principal Amount 1/ -----
- (J) Competitive Bid Rate 2/ -----
- (K) Interest Period and last day thereof -----

1 Not less than \$5,000,000 or greater than the requested Competitive Borrowing and in integral multiples of \$1,000,000. Multiple bids will be accepted by the Administrative Agent.

2 I.e., Eurodollar Rate + or - %, in the case of Eurodollar Loans, or %, in the case of Fixed Rate Loans.

The undersigned hereby confirms that it is prepared, subject to the conditions set forth in the Credit Agreement, to extend credit to the Borrower upon acceptance by the Borrower of this bid in accordance with Section 2.03(d) of the Credit Agreement.

Very truly yours,

[Name of Lender],

By:

Name:

Title:

[Form of]
COMPETITIVE BID ACCEPT/REJECT LETTER

JPMorgan Chase Bank, as Administrative Agent for
the Lenders referred to below,
270 Park Avenue
New York, N.Y. 10017

[Date]

Attention: [_____]

Dear Sirs:

The undersigned, Raytheon Company (the "Borrower"), refers to the Five-Year Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders (in such capacity, the "Administrative Agent").

In accordance with Section 2.03(c) of the Credit Agreement, we have received a summary of bids in connection with our Competitive Bid Request dated _____ and in accordance with Section 2.03(d) of the Credit Agreement,

we hereby accept the following bids for maturity on [date]:

Principal Amount	Fixed Rate/Margin	Lender
\$	[%]/[+/- . %]	
\$		

We hereby reject the following bids:

Principal Amount	Fixed Rate/Margin	Lender
\$	[%]/[+/- . %]	
\$		

The \$ _____ should be deposited in JPMorgan Chase Bank account number _____ [_____] on [date].

Very truly yours,

RAYTHEON COMPANY,

By: _____

Name:
Title:

[Form of]

Opinion of Neal E. Minahan*

1. The Borrower and each Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the state of its organization. The Borrower and each Guarantor is duly qualified and in good standing as a foreign corporation and is authorized to do business in every jurisdiction where such qualification or authorization is required, except where the failure to be so qualified would not be reasonably likely to have a Material Adverse Effect. The Borrower and each Guarantor has the corporate power and authority to execute, deliver, perform its obligations and, in the case if the Borrower, borrow under the Credit Agreement.

2. The execution and delivery of the Credit Agreement, the performance of the Credit Agreement and the transactions contemplated thereby by the Borrower and each Guarantor, the borrowings by the Borrower under the Credit Agreement and the use of the proceeds thereof pursuant to the Credit Agreement (a) have been duly authorized by all requisite corporate, and, if required, stockholder action and (b) will not (i) violate (A) the certificate of incorporation or by-laws of the Borrower or the relevant Guarantor, as applicable, or (B) any order of any Governmental Authority binding upon the Borrower or the relevant Guarantor, as applicable, or (ii) be in material conflict with, result in a material breach of or constitute (alone or with notice or lapse of time or both) a material default under, any material indenture, material agreement or other material instrument to which the Borrower or the relevant Guarantor, as applicable, or any of the Borrower's or the relevant Guarantor's properties or assets, are bound or (iii) result in or require the creation or imposition of any lien on any property or assets of the Borrower or the relevant Guarantor, as applicable,.

3. The Credit Agreement has been duly executed and delivered by the Borrower and each Guarantor.

4. Except as set forth on Schedule 4.07 to the Credit Agreement, there is no litigation, proceeding or governmental investigation pending or, to my knowledge, threatened against the Borrower or any of its Subsidiaries (including each Guarantor) or their respective businesses, assets or properties (a) that relates to the Credit Agreement or any agreement or instrument contemplated thereby or (b) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, would be likely to result in a Material Adverse Effect.

5. No consent, registration with, approval, waiver, license or authorization or other action by any Governmental Authority under the laws of the State of New York, the Delaware General Corporation Law, [Insert appropriate Kansas law] or the Federal laws of the United States is required for the due execution, delivery and performance of the Credit Agreement by the Borrower or either Guarantor.

6. Neither Guarantor is, the Borrower is not and none of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940.

- -----
* Opinions may be divided between one or more in-house counsel to the Borrower and each Guarantor, as deemed appropriate by the Borrower.

7. Neither Guarantor is, the Borrower is not and none of its Subsidiaries is a "holding company" or a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935.

8. Assuming the proceeds of the Loans are used solely for the purposes set forth in the preamble to the Credit Agreement, the execution, delivery and performance of the Credit Agreement by the Borrower and each Guarantor and the borrowings by the Borrower under the Credit Agreement will not violate (i) applicable New York law, (ii) Delaware General Corporation law, (iii) [Insert appropriate Kansas law] or (iv) the federal laws of the United States (other than federal and state securities or blue sky laws, as to which we express no opinion, but including Regulation T, U or X of the Board of Governors of the Federal Reserve System of the United States).

[Form of]

Opinion of Bingham Dana LLP for the Borrower

The Credit Agreement constitutes the legal, valid and binding obligation of the Borrower and each Guarantor enforceable against it in accordance with its terms, except as may be limited by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors generally and (ii) the application of general principles of equity (regardless of whether enforcement is considered in proceedings at law or in equity).

[Form of]
ISSUING LENDER AGREEMENT

ISSUING LENDER AGREEMENT dated as of _____, 200__ among the

Borrower (as defined below), [NAME OF ISSUING LENDER], as Issuing Lender (in such capacity, the "Issuing Lender"), and the Administrative Agent (as defined

below) for the lenders (the "Lenders") and the issuing lenders from time to time

party to the Five-Year Competitive Advance and Revolving Credit Facility, dated as of November 28, 2001 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement"), among Raytheon Company, as the Borrower, Raytheon Technical Services Company, a Delaware corporation, and Raytheon Aircraft Company, a Kansas corporation, each as a Guarantor, the several lenders from time to time parties thereto (the "Lenders"), J.P. Morgan Securities Inc. and Banc of America Securities LLC, as joint lead arrangers and joint bookrunners, Citicorp USA, Inc., Credit Suisse First Boston and Mizuho Financial Group, each as a documentation agent, Bank of America, N.A, as the syndication agent, and JPMorgan Chase Bank, as the administrative agent for the Lenders (in such capacity, the "Administrative Agent").

The parties hereto have entered into this Issuing Lender Agreement (this "Agreement") in connection with the Credit Agreement.

SECTION 1. Designation as Issuing Lender. The Issuing Lender is hereby

designated as an "Issuing Lender" as contemplated by the Credit Agreement and the Issuing Lender agrees, subject to the terms and conditions set forth herein and in the Credit Agreement, to become an Issuing Lender under the Credit Agreement pursuant to which the Issuing Lender agrees to issue and deliver for the account of the Borrower Letters of Credit in an aggregate undrawn amount at any one time outstanding which does not exceed [\$_____].

SECTION 2. Letters of Credit. On the terms and conditions set forth in

the Credit Agreement and relying upon the representations and warranties set forth in the Credit Agreement, the Issuing Lender agrees, at any time and from time to time, in accordance with the provisions of Article III of the Credit

Agreement, to issue Letters of Credit pursuant to the procedures set forth in Article III of the Credit Agreement. The Issuing Lender agrees that it shall

comply with the obligations applicable to an Issuing Lender under the Credit Agreement, including the obligation to give written or telecopy notice to the Borrower and the Administrative Agent of the matters specified in Section 3.07

of the Credit Agreement.

SECTION 3. Obligation to Reimburse. The Borrower agrees to reimburse

the Issuing Lender all amounts required to pay all drafts presented under Letters of Credit issued by it in accordance with the provisions of Section 3.05

of the Credit Agreement.

SECTION 4. Payment of Fees. The Borrower agrees to pay the fees on the

undrawn and unexpired amount of all outstanding Letters of Credit pursuant to the terms of Section 3.03 of the Credit Agreement. The Borrower agrees to pay to

the Issuing Lender for its own account a fronting fee at a rate per annum equal to [__%] on the undrawn and unexpired amount of each Letter of Credit issued by

the Issuing Lender, payable quarterly in arrears on each L/C Fee Payment Date after the Issuance Date. In addition, the Borrower shall reimburse the Issuing Lender for customary administrative, issuance, amendment, payment and negotiation charges incurred by the Issuing Lender.

SECTION 5. Documentary Credit Practices. The Borrower agrees that,

except as

otherwise expressly agreed to in writing by the Issuing Lender and the Borrower prior to the Issuing Lender's issuance of any Letter of Credit, to the extent applicable, the terms of the International Standby Practices 1998, ICC Publication No. 590, and International Standby Practices ISP98 and, in each case, all subsequent amendments and revisions thereto are incorporated herein by reference and shall be deemed a part hereof and shall apply to the Letters of Credit and to this Agreement.

SECTION 6. Obligations Absolute. As and to the extent set forth in

Section 3.06 of the Credit Agreement, the obligation of the Borrower to pay the

amounts referred to above in Sections 3 and 4 shall be absolute, unconditional and irrevocable and shall be satisfied strictly in accordance with the terms of the Credit Agreement and this Agreement; provided that the Borrower shall not be liable for any amount under this Agreement to the extent such amount is caused by the gross negligence or willful misconduct of the Issuing Lender or its assignees (if any).

SECTION 7. Notices. All communications and notices hereunder shall be

given as provided in Section 11.01 of the Credit Agreement.

SECTION 8. Binding Agreement: Assignments. This Agreement and the

terms, covenants and conditions hereof shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, except that neither the Borrower nor the Issuing Lender shall be permitted to assign this Agreement or any interest herein without the prior written consent of the other parties to this Agreement.

SECTION 9. Applicable Law. THIS AGREEMENT SHALL BE CONSTRUED IN

ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE WITHIN SUCH STATE.

SECTION 10. Counterparts. This Agreement may be executed in two or

more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract.

SECTION 11. Interpretation. To the extent that the terms and

conditions of this Agreement conflict with the terms and conditions of the Credit Agreement, the terms and conditions of the Credit Agreement shall control. Capitalized terms used herein and not defined herein are used herein as defined in the Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Issuing Lender Agreement as of the day and year first above written.

RAYTHEON COMPANY, as the Borrower

[NAME OF ISSUING LENDER], as the Issuing Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

JPMORGAN CHASE BANK, as the Administrative Agent

By: _____
Name:
Title:

SCHEDULE 2.01
to the Five-Year Credit Agreement

COMMITMENTS AND LENDER INFORMATION

Lender -----	Amount of Commitment at Effective Date -----	Commitment Percentage at Effective Date -----
JPMorgan Chase Bank 270 Park Avenue, 38th Floor New York, NY 10017 Attention: Jack Riordan Tel: (212) 270-4768 Fax: (212) 270-5100	\$105,978,260.87	8.15%
Bank of America, N.A. 555 So. Flower St., CA9-706-11-07 Los Angeles, CA 90071 Attn: Charles Lilygren Tel: (213) 228-2636 Fax: (213) 623-1959	\$105,978,260.87	8.15%
Citicorp USA, Inc. 399 Park Ave., 8th Floor New York, NY 10043 Attn: Prakash Chonkar Tel: (212) 816-5711 Fax: (212) 816-5323	\$ 98,913,043.48	7.61%
Credit Suisse First Boston, 11 Madison Avenue New York, NY 10010-3629 Attention: David Kratovil/Janko Gogolja Tel: (212) 325-9155 Fax: (212) 325-8615	\$ 98,913,043.48	7.61%
The Industrial Bank of Japan, Limited, on behalf of Mizuho Financial Group 1251 Avenue of the Americas New York, NY 10020-1104 Attn: Betty Aziz Tel: (212) 282-3482 Fax: (212) 282-4488	\$ 98,913,043.48	7.61%

Lender -----	Amount of Commitment at Effective Date -----	Commitment Percentage at Effective Date -----
Societe Generale 181 W. Madison Ste 3400 Chicago, IL 60602 Attn: John Root Tel: (312) 578-5158 Fax: (312) 578-5099	\$ 98,913,043.48	7.61%
The Bank of Nova Scotia 2700 Peachtree St. NE Atlanta, GA 30308 Attn: Terry Pitcher Tel: (617) 624-7609 Fax: (617) 624-7607	\$ 67,826,086.95	5.22%
Barclays Bank PLC 222 Broadway, 8th Floor New York, NY 10019 Attn: Russell Johnson Tel: (212) 412-3728 Fax: (212) 412-7511	\$ 67,826,086.95	5.22%
BNP Paribas 787 Seventh Avenue New York, NY 10019 Attention: Richard Pace Tel: (212) 841-3266 Fax: (212) 841-3049	\$ 67,826,086.95	5.22%
Commerzbank AG, New York and Grand Cayman Branches 1251 Avenue of the Americas New York, NY 10020 Attention: Peter Doyle Tel: (212) 400-5854 Fax: (212) 703-4725	\$ 67,826,086.95	5.22%
Fleet National Bank MA DE 100 11F 100 Federal Street Boston, MA 02110 Attention: Jorge Schwartz Tel: (617) 434-6629 Fax: (617) 434-1574	\$ 67,826,086.95	5.22%

Lender -----	Amount of Commitment at Effective Date -----	Commitment Percentage at Effective Date -----
Wachovia Bank, N.A. MC GA-423 191 Peachtree Street, N.E. Atlanta, GA 30303 Attention: Christa Holland/ Kathryn Mays Tel: (803) 765-3052 Fax: (803) 765-3363	\$ 56,521,739.13	4.35%
Lehman Commercial Paper Inc. 101 Hudson Street Jersey City, NJ 07302 Attn: Michele Swanson Tel: (212) 455-7500 Fax: (212) 455-7241	\$ 56,521,739.13	4.35%
Bank of Tokyo-Mitsubishi Trust Company 1251 Avenue of the Americas, 12th Floor New York, NY 10020 Attention: Thomas Fennessey Tel: (212) 782-4221 Fax: (212) 782-6440	\$ 42,391,304.35	3.26%
Bank One, NA (Main Office Chicago) One Bank One Plaza Chicago, IL 60670 Attention: Randall Faust Tel: (212) 373-1276 Fax: (212) 373-1403	\$ 28,260,869.57	2.17%
Bayerische Landesbank Girozentrale, Cayman Islands Branch 560 Lexington Avenue, 17th Floor New York, NY 10022 Attention: James H. Boyle Tel: (212) 310-9817 Fax: (212) 310-9868	\$ 28,260,869.57	2.17%
Credit Lyonnais New York Branch 1301 Avenue of the Americas New York, NY 10019 Attention: Scott Chappelka Tel: (212) 261-7362 Fax: (212) 459-3179	\$ 28,260,869.57	2.17%

Lender -----	Amount of Commitment at Effective Date -----	Commitment Percentage at Effective Date -----
Mellon Bank, N.A. 1735 Market Street, 4th Floor Philadelphia, PA 19103 Attn: J. Wade Bell Tel: (215) 553-3875 Fax: (215) 553-4899	\$ 28,260,869.57	2.17%
UBS AG, Stamford Branch 677 Washington Boulevard- 8N Stamford, CT 06901 Attn: Johnny Villard Tel: (203) 719-3845 Fax: (203) 719-3888	\$ 28,260,869.57	2.17%
Westdeutsche Landesbank Girozentrale, New York Branch 1211 Avenue of the Americas New York, NY 10036 Attention: Walter T. Duffy Tel: (212) 852-6095 Fax: (212) 852-6148	\$ 28,260,869.57	2.17%
The Bank of New York One Wall Street, 22nd Floor New York, NY 10286 Attention: Ken Sneider Tel: (212) 635-6863 Fax: (212) 635-1480	\$ 14,130,434.78	1.09%
Banca Nazionale Del Lavoro, S.p.A., New York Branch 25 West 51st Street New York, NY 10019 Attention: Frederic W. Hall Tel: (212) 314-0605 Fax: (212) 581-2149	\$ 14,130,434.78	1.09%

SCHEDULE 2.01
to the Five-Year Credit Agreement

[TO BE ATTACHED]

SCHEDULE 4.01
to the Five-Year Credit Agreement

Significant Subsidiaries

Raytheon Technical Services Company
Raytheon Aircraft Company
Raytheon International Trade Limited
Raytheon E-Systems, Inc.
Thornwood Trust

SCHEDULE 4.05
to the Five-Year Credit Agreement

Financial Statements/Material Liabilities

None.

SCHEDULE 4.07
to the Five-Year Credit Agreement

Litigation

As disclosed in public filings and announcements made, in each case, on or before November 16, 2001, via the EDGAR system of the Securities and Exchange Commission.

SCHEDULE 7.01
to the Five-Year Credit Agreement

Existing Liens

None.

SCHEDULE 7.04
to the Five-Year Credit Agreement

Existing Subsidiary Indebtedness

None.

RAYTHEON
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

ARTICLE I
NAME, PURPOSE, AND EFFECTIVE DATE

The Raytheon Supplemental Executive Retirement Plan ("Plan") is hereby established effective August 1, 2001. The Plan is a nonqualified, unfunded plan designed to provide supplemental retirement benefits to a select group of management or highly compensated employees within the meaning of Section 201(2) of ERISA.

ARTICLE II
DEFINITIONS

When used herein, the following terms shall have the following meanings unless a different meaning is clearly required by the context of the Plan.

2.1 Affiliate. "Affiliate" shall mean a trade or business that,

together with Raytheon Company, is a member of (i) a controlled group of corporations within the meaning of Section 414(b) of the Code; (ii) a group of trades or businesses (whether or not incorporated) under common control as defined in Section 414(c) of the Code, or (iii) an affiliated service group as defined in Section 414(m) of the Code, or which is an entity otherwise required to be aggregated with Raytheon Company pursuant to Section 414(o) of the Code.

2.2 Applicable Retirement Plan. "Applicable Retirement Plan" shall

mean the qualified defined benefit pension plan maintained by the Employer in which a Participant is accruing benefits at the time he or she terminates employment with the Company and all Affiliates. If a Participant is accruing benefits under more than one qualified defined benefit pension plan at such time, the Applicable Retirement Plan shall be the plan in which the Participant is entitled to the greatest benefit (comparing single life annuities commencing at normal retirement age as computed under the terms of the respective plans).

2.3 Code. The "Code" shall mean the Internal Revenue Code of

1986, as amended from time to time.

2.4 Company. "Company" shall mean Raytheon Company and any

successor thereto by merger, consolidation or reorganization whose board of
directors adopts this Plan.

2.5 Earliest Accrual Date. "Earliest Accrual Date" shall mean the

first day of the month coincident with or immediately following the date an
Eligible Executive both attains at least age 55 and completes at least 10 Years
of Service, provided the Eligible Executive was an Employee at least one month
before such date.

2.6 Eligible Executive. "Eligible Executive" shall mean an

Employee who is a member of the select group of management or highly
compensated provided in Section 201(2) of ERISA and who is selected in writing
to employees as participate in the Plan by the Plan Administrator.

2.7 Employee. "Employee" shall mean any person employed by an

Employer, who is expressly so designated as an employee on the books and records
of the Employer, and who is treated as such by the Employer for federal
employment tax purposes. Any person who, after the close of a Plan Year, is
retroactively treated by an Employer, or any other party as an Employee for such
prior Plan Year, shall not, for purposes of the Plan, be considered an Employee
for such prior Plan Year unless expressly so treated as such by the Employer.

2.8 Employer. "Employer" shall mean the Company and any Affiliate

or division of the Employer or an Affiliate which adopts this Plan with the
consent of the Company.

2.9 ERISA. "ERISA" shall mean the Employee Retirement Income

Security Act of 1974, as amended from time to time.

2.10 Estimated Primary Social Security Benefit. "Estimated

Primary Social Security Benefit" shall mean the Estimated Primary Social
Security Benefit as determined under the Raytheon Company Pension Plan for
Salaried Employees.

2.11 Final Average Earnings. "Final Average Earnings" shall mean

the final average earnings that are taken into account for purposes of computing
the retirement benefit of a Participant under the Applicable Retirement Plan,
determined without application of the limitation on compensation imposed by
Section 401(a)(17) of the Code. If an Applicable Retirement Plan does not use
final average earnings to determine retirement benefits, Final Average Earnings
shall mean the final average earnings as defined under the Raytheon Company
Pension Plan for Salaried Employees, determined

without application of the limitation on compensation imposed by Section 401(a) (17) of the Code.

2.12 Participant. "Participant" shall mean any Employee eligible

to receive benefits under this Plan.

2.13 Plan Administrator. "Plan Administrator" shall mean the Board

of Directors of the Company or its delegate.

2.14 Plan Year. "Plan Year" shall mean the twelve (12) consecutive

month period commencing January 1 and ending December 31, with the exception that the first Plan Year shall be the short year commencing August 1, 2001 and ending December 31, 2001.

2.15 Service. "Service" shall mean the period of time beginning on

the date an Eligible Employee is first credited with an hour of service with the Company or any Affiliate (but including Service only while the Affiliate was an Affiliate of the Company) and ending on the date an Eligible Employee terminates employment with the Company and all Affiliates. If an Eligible Employee terminates employment with the Company and all Affiliates before he or she reaches the Earliest Accrual Date, the Service completed before the termination of employment shall not be taken into account under this Plan if he or she is subsequently re-employed by an Employer and re-designated an Eligible Employee.

2.16 Year of Service. "Year of Service" shall mean twelve (12)

months of Service.

ARTICLE III
ELIGIBILITY

3.1 Eligibility. Subject to the conditions of Section 3.2, an

Employee shall be eligible to participate in this Plan only if he or she is designated by the Plan Administrator in writing as an Eligible Employee.

3.2 Retirement Benefit Information. As a condition precedent to

receiving benefits under this Plan, an Eligible Employee must provide the Plan Administrator or its delegate with all of the information reasonably requested to determine the amount of the Eligible Employee's retirement benefits from all defined benefit pension plans, including both qualified and nonqualified arrangements, maintained by the Company and all Affiliates and all other employers, and the retirement benefits to which the Eligible Employee will be eligible to receive under Social Security. If such information is not fully provided, an Eligible Employee will not be entitled to any benefits under this Plan.

If, after the commencement of benefit payments under this Plan, the Plan Administrator determines that the information provided was not complete or accurate, the Plan Administrator may take all appropriate actions, including, but not limited to, discontinuing benefit payments, adjusting future benefit payments and/or seeking to recover prior benefit payments.

ARTICLE IV
BENEFITS

4.1 Supplemental Retirement Benefit. An Eligible Executive shall be

entitled to a Supplemental Retirement Benefit on his or her Earliest Accrual Date; provided the Eligible Executive was an Employee at least one month before such date. The Supplemental Retirement Benefit shall be an amount equal to the "Initial Retirement Benefit" reduced by the "Offset Amount."

(a) Initial Retirement Benefit: The Initial Retirement Benefit as

of an Eligible Executive's Earliest Accrual Date shall be a single life annuity equal to thirty-five percent (35%) of his or her Final Average Earnings. For each month of Service performed after an Eligible Employee both (i) attains age 55 and (ii) completes at least ten Years of Service, the Initial Retirement Benefit shall be increased by one quarter of one percent (0.25%) (or three percent 3% for each such Year of Service), up to a maximum Initial Retirement Benefit of fifty percent (50%) of Final Average Earnings (for a maximum additional benefit of up to fifteen percent (15%)).

(b) Offset Amount: The Offset Amount is the amount of retirement

benefits the Eligible Executive is entitled to receive or previously received from all defined benefit pension plans, including both qualified and nonqualified arrangements, maintained by the Company and all Affiliates, and all other employers, plus the Estimated Primary Social Security Benefit (collectively, "all other defined benefit pension plans"). For purposes of determining the Offset Amount, the benefits provided by all other defined benefit pension plans shall be converted to an actuarially equivalent single life annuity commencing on the date benefits under this Plan commence using the actuarial assumptions prescribed in the Applicable Retirement Plan. Notwithstanding the other provisions of this subsection (b), if a Participant commences benefits under this Plan before he or she is first eligible to receive Social Security Benefits, the Supplemental Retirement Benefit shall not be reduced by the Estimated Primary Social Security Benefit until the Participant first becomes eligible to receive Social Security Benefits.

4.2 Payment of Benefits. Except as otherwise provided herein, a

Participant's Supplemental Retirement Benefit shall be paid at the same time and in the same form as his or her retirement benefits under the Applicable Retirement Plan. Notwithstanding the

preceding sentence, a Participant's Supplemental Retirement Benefit shall not be paid in the form of a lump sum benefit. If the Participant's retirement benefits under the Applicable Retirement Plan are paid in the form of a lump sum benefit, the Participant's Supplemental Retirement Benefit shall be paid in the normal form of benefit under the Applicable Retirement Plan. In all cases, if the form of payment is other than a single life annuity, the Supplemental Retirement Benefit shall be converted into an actuarially equivalent form using the actuarial assumptions prescribed in the Applicable Retirement Plan.

4.3 Benefits Unfunded. The benefits payable under the Plan shall be

paid solely out of the general assets of the participating Employer that is the employer of the Participant (or was the most recent employer) at the time benefits first become payable and shall not be otherwise specifically funded in any manner. For this purpose, the Plan Administrator shall maintain separate books and records for each participating Employer and its respective Employees who are Participants. Nothing herein contained shall preclude the creation of a bookkeeping or other reserve for benefits payable hereunder.

4.4 ERISA Unwind Provision. Notwithstanding anything to the

contrary contained herein, if a judicial or administrative determination is made or the Plan Administrator has reason to believe that an Employee does not qualify as a Eligible Executive, if required hereunder, the Employee shall cease to be a Participant under this Plan and the Plan Administrator shall pay to such Employee all benefits due him or her from this Plan, if any, as soon as administratively feasible.

ARTICLE V
ADMINISTRATION

5.1 Plan Administration. The Plan shall be administered by the Plan

Administrator in accordance with its terms and purposes. The Plan Administrator shall determine the amount and manner of payment of the benefits due to or on behalf of each Participant from the Plan and shall cause the benefits to be paid in cash by the appropriate participating Employer accordingly.

5.2 Finality of Decisions. Except as otherwise provided in Section

5.3, the Plan Administrator shall have full discretionary authority to determine eligibility for benefits and to construe the terms of the Plan, including all questions of fact and law. In addition, the decisions made by and the actions taken by the Plan Administrator in the administration of the Plan shall be final and conclusive on all persons, and the Plan Administrator shall not be subject to any liability whatsoever with respect to the administration of the Plan.

5.3 Claims Procedures. Any Eligible Employee (such Eligible

Employee being referred to below as a "Claimant") may deliver to the Plan Administrator a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. Any such determination by the Plan Administrator shall be made pursuant to the following procedures, which shall be conducted in a manner designed to comply with Section 503 of ERISA:

(a) Step 1. Claims for a benefit should be filed by a

Claimant as soon as practicable after the Claimant knows or should know that a dispute has arisen with respect to the benefit, but at least thirty (30) days prior to the Claimant's actual retirement date or, if applicable, within sixty (60) days after the termination of employment of the Eligible Employee, by mailing a copy of the claim to the Benefits and Services Department, Raytheon Company, 141 Spring Street, Lexington, Massachusetts 02421.

(b) Step 2. In the event that a claim is wholly or

partially denied by the Plan Administrator, the Plan Administrator shall, within ninety (90) days following receipt of the claim, so advise the Claimant in writing setting forth: the specific reason or reasons for the denial; specific reference to pertinent Plan provisions on which the denial is based; a description of any additional material or information necessary for the Claimant to perfect the claim; an explanation as to why such material or information is necessary; and an explanation of the Plan's claim review procedures.

(c) Step 3. Within sixty (60) days following receipt of the

denial of a claim for a benefit, a Claimant desiring to have the denial appealed shall file a request for review by an officer of Raytheon Company or a review committee, as designated by Raytheon Company, by mailing a copy thereof to the address shown in Section 5.3(a); provided, however, that such officer or any member of such review committee, as applicable, may not be the person who made the initial adverse benefit determination nor a subordinate of such person.

(d) Step 4. Within thirty (30) days following receipt of a

request for review, the designated officer or review committee shall provide the Claimant a further opportunity to present his or her position. At the designated officer or review committee's discretion, such presentation may be through an oral or written presentation. Prior to such presentation, the Claimant shall be permitted the opportunity to review pertinent documents and to submit issues and comments in writing. Within a reasonable time following presentation of the Claimant's position, which usually should not exceed thirty (30) days, the designated officer or review committee shall inform the Claimant in writing of the decision on review setting forth the reasons for such decision and citing pertinent provisions in the Plan.

ARTICLE VI
AMENDMENT AND TERMINATION OF PLAN

6.1 Amendment and Termination. While Raytheon Company intends to

maintain the Plan in conjunction with the Applicable Retirement Plans for as long as necessary, Raytheon Company reserves the right to amend and/or fully or partially terminate the Plan at any time for whatever reasons it may deem appropriate, provided that no amendment or termination of the Plan shall affect any participating Employer's obligation to pay the benefits due to the Participants hereunder but only to the extent of the value of such benefits which have accrued up to the date of the amendment or termination.

ARTICLE VII
MISCELLANEOUS

7.1 No Enlargement of Employee Rights. Nothing contained in the

Plan shall be construed as a contract of employment between any Employer and an Employee or as a right of any Employee to be continued in the employment of any Employer, or as a limitation of the right of any Employer to discharge any Employee at any time, with or without notice and with or without cause.

7.2 Assignment. The benefits payable under this Plan may not be

assigned, alienated, transferred, pledged or otherwise encumbered.

7.3 Governing Law. To the extent not preempted by ERISA, this Plan

shall be governed by the laws of the Commonwealth of Massachusetts.

Executed in Massachusetts this ___ day of _____, 2001.

RAYTHEON COMPANY

By: _____

Title _____

Supplemental Executive Retirement Plan
Appendix A

List of Designated Executives (Plan Section 2.6)

Dan Burnham

Frank Caine

Phil Cheney

Tom Culligan

Bob Drewes

Dick Foley

Philip LePore

Frank Marchilena

Neil Minahan

Keith Peden

Phyllis Piano

Rebecca Rhoads

Don Ronchi

Jim Schuster

Greg Shelton

William Swanson

Jon Wohler

RAYTHEON COMPANY
 STATEMENT REGARDING COMPUTATION OF
 RATIO OF EARNINGS TO COMBINED FIXED CHARGES
 AND PREFERRED STOCK DIVIDENDS
 FOR THE YEAR ENDED DECEMBER 31, 2001
 (dollar amounts in millions except for ratio)
 (excludes RE&C except for interest, which includes RE&C)

	2001

Income from continuing operations before taxes per statements of income	\$ 117
Add:	
Fixed charges	810
Amortization of capitalized interest	2
Less:	
Capitalized interest	1

Income as adjusted	\$ 928
	=====
Fixed charges:	
Portion of rents representative of interest factor	\$ 95
Interest costs	714
Capitalized interest	1

Fixed charges	810

Equity security distributions	163

Combined fixed charges and preferred stock dividends	\$ 973
	=====
Ratio of earnings to combined fixed charges and preferred stock dividends	1.0
	=====

Historical earnings were insufficient to cover fixed charges by \$45 million for the year ended December 31, 2001.

Five-Year Statistical Summary

(In millions except share amounts
and total employees)

	2001	2000	1999	1998	1997
Results of Operations					
Net sales	\$ 16,867	\$ 16,895	\$ 17,201	\$ 17,364	\$ 11,537
Operating income	759 /(1)/	1,625	1,592 /(5)/	2,259 /(8)/	1,040 /(11)/
Interest expense, net	660	736	703	697	343
Income from continuing operations	5 /(1)/	498	502 /(6)/	1,019 /(9)/	507 /(12)/
Net income (loss)	(763)/(2)/	141 /(3)/	404 /(7)/	844 /(10)/	511 /(13)/
Diluted earnings per share from continuing operations	\$ 0.01 /(1)/	\$ 1.46	\$ 1.47 /(6)/	\$ 2.98 /(9)/	\$ 2.10 /(12)/
Diluted earnings (loss) per share	(2.11)/(2)/	0.41 /(3)/	1.19 /(7)/	2.47 /(10)/	2.11 /(12)/
Dividends declared per share	0.80	0.80	0.80	0.80	0.80
Average diluted shares outstanding (in thousands)	361,323	341,118	340,784	341,861	241,886

Financial Position at Year-End

Cash and cash equivalents	\$ 1,214	\$ 871	\$ 230	\$ 421	\$ 296
Current assets	8,362	8,013	8,602	8,464	8,911
Property, plant, and equipment, net	2,353	2,491	2,387	2,237	2,812
Total assets	26,636	26,777	27,289	27,223	27,668
Current liabilities	5,753	4,865	7,133	6,114	10,380
Long-term liabilities (excluding debt)	1,861	2,035	1,899	2,149	2,496
Long-term debt	6,875	9,054	7,298	8,163	4,406
Total debt	8,239	9,931	9,769	8,988	10,050
Mandatorily redeemable equity securities	857	--	--	--	--
Stockholders' equity	11,290	10,823	10,959	10,797	10,386

General Statistics

Total backlog	\$ 26,469	\$ 26,530	\$ 24,978	\$ 20,157 /(14)/	\$ 18,615
U.S. government backlog included above	17,763	17,374	15,239	13,472 /(14)/	12,360
Capital expenditures	486	431	524	468	441
Depreciation and amortization	729	694	699	734	424
Total employees	87,200	93,700	97,600	99,500	109,600

- (1) Includes a charge of \$745 million pretax, \$484 million after-tax, or \$1.34 per diluted share.
- (2) Includes a charge of \$745 million pretax and a loss from discontinued operations of \$1,143 million pretax. The impact of these items combined was a net charge of \$1,236 million after-tax, or \$3.42 per diluted share.
- (3) Includes a loss from discontinued operations of \$513 million pretax, \$357 million after-tax, or \$1.05 per diluted share.
- (4) Includes charges of \$180 million.
- (5) Includes charges of \$195 million and restructuring and special charges of \$197 million, offset by \$65 million of favorable adjustments to restructuring-related reserves.
- (6) Includes charges of \$195 million pretax and restructuring and special charges of \$211 million pretax, offset by favorable adjustments to restructuring-related reserves of \$65 million pretax and a net gain on sales of operating units and investments of \$23 million pretax. The impact of these items combined was a net charge of \$195 million after-tax, or \$0.57 per diluted share.
- (7) Includes charges of \$195 million pretax, restructuring and special charges of \$211 million pretax, and a loss from discontinued operations of \$70 million pretax, offset by favorable adjustments to restructuring related reserves of \$65 million pretax and a net gain on sales of operating units and investments of \$23 million pretax. The impact of these items combined was a net charge of \$240 million after-tax, or \$0.70 per diluted share.
- (8) Includes special charges of \$167 million.
- (9) Includes special charges of \$167 million pretax and a net gain on sales of operating units of \$141 million pretax. The impact of these items combined was a net charge of \$41 million after-tax, or \$0.12 per diluted share.
- (10) Includes special charges of \$167 million pretax and a loss from discontinued operations of \$270 million pretax, offset by a net gain on sales of operating units of \$141 million pretax. The impact of these items combined was a net charge of \$216 million after-tax, or \$0.63 per diluted share.
- (11) Includes restructuring and special charges of \$370 million.
- (12) Includes restructuring and special charges of \$370 million pretax and a net gain on sales of operating units of \$72 million pretax. The impact of these items combined was a net charge of \$194 million after-tax, or \$0.80 per diluted share.
- (13) Includes restructuring and special charges of \$370 million pretax, offset by income from discontinued operations of \$6 million pretax. The impact of these items combined was a net charge of \$190 million after-tax, or \$0.79 per diluted share.
- (14) During 1998, the Company changed its method of reporting backlog at certain locations in order to provide a consistent method of reporting across and within the Company's businesses. Backlog includes the full value of contract awards when received, excluding awards and options expected in future periods. Prior to the change, contract values which were awarded but incrementally funded were excluded from reported backlog for some parts of

the business. The one-time impact of this change was a \$1.1 billion increase to backlog, related principally to U.S. government contracts. Prior periods have not been restated for this change.

Note: The Company acquired Texas Instruments' defense business in July 1997 and merged with the defense business of Hughes Electronics Corporation (Hughes Defense) in December 1997. In December 1997, the Company issued 102.6 million shares of common stock in connection with the merger with Hughes Defense.

Operations

Overview

Raytheon Company ("the Company") is one of the largest defense electronics contractors in the world, serving all branches of the U.S. military and other U.S. government agencies, along with many allied governments including those in NATO. The Company is a leader in defense electronics, including missiles; radar; sensors and electro-optics; intelligence, surveillance, and reconnaissance (ISR); command, control, communication, and information systems; naval systems; air traffic control systems; and technical services. The Company's defense electronics businesses are well positioned to capitalize on emerging opportunities in missile defense; ISR electronics; precision strike systems; and homeland defense. Due to the multi-year defense spending cycle, recent increased budget authorizations in these areas are expected to favorably impact the Company's defense electronics businesses over the next several years.

Raytheon's commercial electronics businesses leverage defense technologies in commercial markets. The Company remains concerned about the overall commercial market outlook for 2002 and expects continuing pressure on the capital available for commercializing defense technologies.

Raytheon Aircraft is one of the leading providers of business and special mission aircraft and delivers a broad line of jet, turboprop, and piston-powered airplanes to corporate and government customers worldwide. The Company continues to see soft demand for new and used aircraft in 2002.

Defense Industry Considerations

Few developments have altered the defense and security environment of the United States as dramatically as the events of September 11. In response, the U.S. has committed itself to a long-term war on terrorism, just as the U.S. and its allies have recognized the need to rebuild aging forces and transform capabilities to match 21st Century demands. The fiscal year 2002 budget reflects America's intentions to replenish ammunition and develop new technologies required to defend the nation. Homeland security has become central to this strategy. The effects are transforming entire organizations, from the Justice Department, the State Department, and the Treasury Department, to the Department of Defense.

Efforts to transform and modernize the military, which had been under review prior to September 11, are expected to move forward. The Quadrennial Defense Review (QDR), which focused on the military challenges of the future, highlighted the need for advanced technology and defense electronics to meet new and emerging threats, from protecting the homeland against terrorism and missile attack, to using information as a distinct battle area advantage, to projecting power globally by using intelligence and long-range missiles.

The Company focuses on key mission enabling technologies, rather than individual platforms, to address these and other requirements. The Company's electronics suites are appropriate to multiple platforms. Defense electronics, which are critical to the development of new weapons systems and to modernize aging platforms, comprise the bulk of the Company's product line.

The Company has several thousand programs. This reduces some of the risk and volatility often inherent in the defense industry. The Company is less sensitive to the funding of a particular platform due to the breadth of the Company's product portfolio and expertise across multiple platforms. This approach helps to position the Company as a likely participant on programs to modernize and upgrade existing weapons platforms with sensors, controls, and weapons.

Systems to combat terrorism, particularly ISR, advanced sensors, and image processing systems, are expected to experience significant growth. Inventories of precision strike weapons, particularly air-to-ground missiles and bombs, are being replenished. The need for sophisticated command, control, and communications systems, used both on the battlefield and at home for recovery operations if disaster strikes, is growing.

In the area of homeland defense, the Company has skills, experience, and technology in areas such as airport security; command, control, and communications; and the integration and fusion of sensory inputs for real-time decision support. This is a new market with significant uncertainty and the ultimate customer and available funding has yet to be determined.

The Company provides significant elements for leading missile defense initiatives. The Company's hit-to-kill weapons, radars, sensors, and software systems provide a significant presence on both national and theater missile defense programs.

The Company generally acts as a prime contractor or subcontractor on its programs. The funding of U.S. government programs is subject to Congressional appropriation. While Congress generally appropriates funds on a fiscal year basis, major defense programs are usually conducted under binding contracts over multiple years, which provides a level of continuity uncommon to many industries.

The termination of funding for a U.S. government program could result in a loss of future revenues, which would have a negative impact on the Company's financial position and results of operations. Failure of the U.S. government to commit additional funds to programs already underway could increase the Company's cost of doing business.

U.S. government contracts are generally subject to oversight audits and

contain provisions for termination. Failure to comply with U.S. government regulations could lead to suspension or debarment from U.S. government contracting.

Sales to the U.S. government may be affected by changes in procurement policies, budget considerations, changing defense requirements, and political developments. The influence of these factors, which are largely beyond the Company's control, could impact the Company's operations. The loss of one or more critical U.S. government contracts could have a negative impact on the Company's financial position and results of operations.

Consolidated Results of Operations

Net sales were \$16.9 billion in 2001 and 2000 and \$17.2 billion in 1999. Sales to the U.S. Department of Defense were 61 percent of sales in 2001, 57 percent in 2000, and 56 percent in 1999. Total sales to the U.S. government, including foreign military sales, were 71 percent of sales in 2001, 66 percent in 2000, and 68 percent in 1999. International sales, including foreign military sales, were 21 percent of sales in 2001 and 2000 and 23 percent in 1999.

Gross margin was \$2.5 billion in 2001, \$3.4 billion in 2000, and \$3.5 billion in 1999, or 14.6 percent of sales in 2001, 19.9 percent in 2000, and 20.4 percent in 1999. In 2001, the Company recorded charges of \$745 million at Raytheon Aircraft, described below. In 2000, the Company recorded \$74 million of favorable adjustments to restructuring-related reserves, described below, that were more than offset by unfavorable contract adjustments. In 1999, the Company recorded restructuring and special charges, described below, of \$123 million, net (\$188 million of restructuring and special charges offset by \$65 million of favorable adjustments to restructuring-related reserves). Excluding the 2001 and 1999 charges, gross margin was \$3.2 billion in 2001, \$3.4 billion in 2000, and \$3.6 billion in 1999 or 19.0 percent of sales in 2001, 19.9 percent in 2000, and 21.2 percent in 1999. The decrease in margin as a percent of sales in 2001 was primarily due to lower margins at Raytheon Aircraft. The decrease in margin as a percent of sales in 2000 was primarily due to a decline in higher margin foreign direct programs, lower volume from missile and missile defense systems, and lower margins at Raytheon Aircraft. Included in gross margin was pension income of \$286 million, \$186 million, and \$15 million in 2001, 2000, and 1999, respectively. Due to recent market conditions, the Company anticipates 2002 pension income to decrease to approximately \$85 million. Subject to market conditions and the impact of changes in actuarial assumptions, including the discount rate and expected return on plan assets, the Company expects to record pension expense of approximately \$145 million in 2003.

Administrative and selling expenses were \$1,232 million or 7.3 percent of sales in 2001, \$1,214 million or 7.2 percent of sales in 2000, and \$1,417 million or 8.2 percent of sales in 1999. In 1999, the Company recorded restructuring charges, described below, of \$9 million. The decrease in administrative and selling expenses in 2000 was the result of the Company's cost reduction initiatives.

Research and development expenses were \$475 million or 2.8 percent of sales in 2001, \$526 million or 3.1 percent of sales in 2000, and \$508 million or 3.0 percent of sales in 1999. The decrease in research and development expenses in 2001 was due primarily to more focused research and development efforts and new program investments made during 2000.

Operating income was \$759 million or 4.5 percent of sales in 2001,

\$1,625 million or 9.6 percent of sales in 2000, and \$1,592 million or 9.3 percent of sales in 1999. In 2001, the Company recorded charges of \$745 million at Raytheon Aircraft, described below. In 2000, the Company recorded \$74 million of favorable adjustments to cost of sales that were more than offset by unfavorable contract adjustments. In 1999, the Company recorded restructuring and special charges, described below, of \$132 million, net (\$197 million of restructuring and special charges offset by \$65 million of favorable adjustments to restructuring-related reserves). Excluding the 2001 and 1999 charges, operating income was \$1,504 million in 2001, \$1,625 million in 2000, and \$1,724 million in 1999, or 8.9 percent of sales in 2001, 9.6 percent of sales in 2000, and 10.0 percent of sales in 1999. The changes in operating income by segment are discussed below.

Interest expense, net was \$660 million in 2001, \$736 million in 2000, and \$703 million in 1999. The decrease in 2001 was due primarily to lower average debt and higher average cash equivalent balances during the year, and lower weighted-average cost of borrowing due in part to various interest rate swaps entered into in 2001, as described below in Capital Structure and Resources. In 2001, the Company allocated \$18 million of interest expense to discontinued operations. The increase in 2000 was primarily due to higher weighted-average interest rates resulting from the Company's issuance of long-term debt to replace short-term borrowings. The weighted average cost of borrowing was 7.1 percent in 2001, 7.3 percent in 2000, and 6.9 percent in 1999.

Other income, net was \$18 million in 2001 versus other expense, net of \$12 million in 2000 and other income, net of \$9 million in 1999. Included in other income and expense are primarily gains and losses on divestitures and equity losses in unconsolidated subsidiaries as described in Note S, Other Income and Expense of the Notes to Consolidated Financial Statements.

The effective tax rate was 95.7 percent in 2001, 43.2 percent in 2000, and 44.1 percent in 1999. The effective tax rate reflects the United States statutory rate of 35 percent reduced by foreign sales corporation tax credits and ESOP dividend deductions, increased by non-deductible amortization of goodwill. The higher effective tax rate in 2001 resulted from the increased effect of non-deductible amortization of goodwill on lower income before taxes resulting primarily from the charge at Raytheon Aircraft. Excluding this charge, the effective tax rate was 43.3 percent. Effective January 1, 2002, the Company will discontinue the amortization of goodwill as required by SFAS No. 142, described below, and expects a commensurate reduction in its effective tax rate. At December 31, 2001, the Company had net operating loss carryforwards of \$1.2 billion that expire in 2020 and 2021 and foreign tax credit carryforwards of \$58 million that expire in 2004 through 2006. The Company believes it will be able to utilize all of these carryforwards over the next 2 to 4 years.

Income from continuing operations was \$5 million, or \$0.01 per diluted share on 361.3 million average shares outstanding in 2001, \$498 million, or \$1.46 per diluted share on 341.1 million average shares outstanding in 2000, and \$502 million, or \$1.47 per diluted share on 340.8 million average shares outstanding in 1999. The increase in average shares outstanding was due primarily to the issuance of 14,375,000 and 31,578,900 shares of common stock in May and October 2001, respectively.

In 1999, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-5, Reporting on the Costs of Start-Up Activities (SOP 98-5). This accounting standard requires that certain start-up and pre-contract costs be expensed as incurred. The Company recorded a charge of \$53 million after-tax, or \$0.16 per diluted share, reflecting the initial application of SOP 98-5 and the cumulative effect of the change in accounting principle.

The loss from discontinued operations, described below, was \$752 million after-tax, or \$2.08 per diluted share in 2001, \$357 million after-tax, or \$1.05 per diluted share in 2000, and \$45 million after-tax, or \$0.13 per diluted share in 1999.

There was an extraordinary loss from debt repurchases of \$16 million after-tax or \$0.04 per diluted share in 2001. There were no such losses in 2000 or 1999.

The net loss was \$763 million, or \$2.11 per diluted share in 2001 versus net income of \$141 million, or \$0.41 per diluted share in 2000 and \$404 million, or \$1.19 per diluted share in 1999.

Total employment related to continuing operations was 87,200 at December 31, 2001, 93,700 at December 31, 2000, and 97,600 at December 31, 1999. The decrease in 2001 was due primarily to divestitures. The decrease in 2000 was driven by divestitures and restructuring initiatives, primarily at the Company's defense electronics businesses.

Prior Period Charges from Continuing Operations

The Company acquired Texas Instruments' defense business (TI Defense) on July 11, 1997, merged with the defense business of Hughes Electronics Corporation (Hughes Defense) on December 17, 1997, and created Raytheon Systems Company (RSC) in December 1997. In conjunction with the formation of RSC, the Company announced plans to reduce the then newly formed RSC workforce by 12,800 employees and reduce space by approximately 11 million square feet at 34 facilities through sales, subleases, and lease terminations. The principal actions involved the consolidation of missile and other electronics' systems manufacturing and engineering, as well as the consolidation of certain component manufacturing into Centers of Excellence. In 1998, the estimated number of employee terminations increased by approximately 1,200 employees, primarily comprised of manufacturing employees. Also in 1998, the Company committed to close two additional facilities and further reduce employment by approximately 1,400 positions.

1997 and 1998 Activity

Prior to 1999, the Company recorded restructuring charges of \$220 million, which were included in cost of sales. The Company also accrued \$584 million as liabilities assumed in connection with the acquisition of TI Defense and the merger with Hughes Defense and recorded this amount as an increase to goodwill.

1999 Activity

In the third quarter of 1999, the Company recorded a \$35 million restructuring charge, which was included in cost of sales, for higher than originally estimated exit costs related to certain TI Defense and Hughes Defense actions. The estimate for employee-related exit costs increased by \$27 million for higher than planned severance and other termination benefit costs. The estimate for facility-related exit costs increased by \$8 million for additional lease termination costs expected to be incurred. The Company also accrued \$12 million of exit costs as liabilities assumed in connection with a minor acquisition in 1999 and recorded this amount as an increase to goodwill.

In the fourth quarter of 1999, the Company determined that the cost of certain restructuring initiatives would be \$65 million lower than originally planned and recorded a favorable adjustment to cost of sales. The reduction in the estimated costs related to lower than anticipated costs for severance and facilities. The primary reasons for the reduction in severance costs included a shift in the composition of severed employees, higher attrition resulting in the need for fewer severed employees, and more employees transferring to other locations within the Company. The estimated costs related to facilities were lower than anticipated due to the identification of alternative uses for assets originally identified for disposition, lower de-installation costs, and more rapid exit from facilities.

Also in the third quarter of 1999, the Company recorded a \$102 million restructuring charge, of which \$93 million was included in cost of sales and \$9 million was included in administrative and selling expenses, to further reduce the workforce by 2,200 employees and vacate and dispose of an additional 2.7 million square feet of facility space, primarily at the Company's defense electronics businesses. Employee-related exit costs of \$55 million included severance and other termination benefit costs for manufacturing, engineering, and administrative employees. Facility-related exit costs of \$47 million included the costs for lease termination, building closure and disposal, and equipment disposition.

In 1999, the Company recorded the following restructuring charges and favorable adjustments to restructuring-related reserves, discussed above, and special charges, discussed below, which were included in the statements of income and classified as a reduc-

tion in net sales or included in cost of sales, administrative and selling expenses, or other expense as indicated below:

(In millions)	Net Sales	Cost of Sales	Admin. and Selling Expenses	Other Expense	Total
Restructuring charges		\$ 128	\$ 9		\$ 137
Favorable adjustments to restructuring-related reserves		(65)			(65)
Special charges					
Iridium LLC	\$ 15	6		\$ 14	35
Korean business venture		33			33
Exit PRT business		6			6
Contract-related charges	165	30			195
Total	\$ 180	\$ 138	\$ 9	\$ 14	\$ 341

In 1999, the Company recorded a \$35 million special charge to write down its minority investment and receivables related to Iridium LLC, which filed for Chapter 11 protection from creditors on August 13, 1999. The Company also recorded a \$33 million special charge to write down inventory and receivables related to a Korean business venture and a \$6 million special charge to exit the personal rapid transit (PRT) business, including the costs to dispose of a test track.

In 1999, the Company recorded \$195 million of contract-related operating charges of which \$165 million was recorded as a reduction to net sales and \$30 million was included in cost of sales. Approximately \$130 million related to changes in estimates on three contracts, two of which were fixed price U.S. government contracts that were in loss positions. One had been expected to realize certain efficiencies that did not materialize and the other had completed the development phase at higher than expected costs which resulted in a higher loss than originally anticipated, therefore, additional loss provisions were recorded. The third was a fixed price commercial program in a new line of business on which costs were running higher than the initial projections, therefore, a loss provision was recorded.

2000 and 2001 Activity

In 2000, the Company determined that the cost of certain restructuring initiatives would be lower than originally planned and recorded \$74 million of favorable adjustments to cost of sales. In addition, the Company recorded a \$12 million reduction in goodwill related to the restructuring initiatives. The estimate for employee-related exit costs decreased by \$45 million due to lower than anticipated costs for severance as a result of higher employee attrition and transfers within the Company during the year. The estimate for facility-related exit costs decreased by \$41 million due to more rapid exit from facilities, including two facilities sold during 2000 in connection with the divestiture of non-core business operations, and the identification of alternative uses for facilities originally identified for disposition.

During 2001, the Company determined that the cost of certain restructuring initiatives would be lower than originally planned and recorded an \$8 million favorable adjustment to cost of sales.

Summary

The total cost of all restructuring actions discussed above is currently estimated at \$1.3 billion, of which \$794 million pertains to exit costs. The balance pertains to capital expenditures and period expenses related to restructuring and consolidation activities. Approximately \$404 million of the exit costs relate to employee severance and \$390 million relate to facilities. A significant portion of these costs are eligible for future recovery through the pricing of products and services to the U.S. government. Through December 31, 2001, employment had been reduced by approximately 12,400 people and 12.3 million square feet had been vacated. The Company essentially completed all restructuring actions during 2000 except for ongoing idle facility costs.

Segment Descriptions

Electronic Systems (ES) is the largest segment and represents the majority of the Company's defense electronics businesses. ES focuses on missile systems including anti-ballistic missile systems; air defense; air-to-air, surface-to-air, and air-to-surface missiles; naval and maritime systems; ship self-defense systems; torpedoes; strike, interdiction and cruise missiles; and advanced munitions. ES also specializes in radar, electronic warfare, infrared, laser, and GPS technologies with programs focusing on land, naval, airborne, and spaceborne systems used for surveillance, reconnaissance, targeting, navigation, commercial, and scientific applications. Some of the leading programs in ES include: the Patriot Air Defense System; the ground based radar for the THAAD system; technologies for the U.S. Missile Defense Agency; the Tomahawk Cruise Missile program; airborne radar systems for the B-2, F-14, F-15, F/A-18, AV-8B, and the next generation F-22 programs; sensors for applications such as the Global Hawk and Predator Unmanned Aerial Vehicle Reconnaissance System; and advanced night vision technologies.

Command, Control, Communication and Information Systems (C3I) is involved in battle management systems; communication systems; network security software; fire control systems; high resolution space-based imaging systems; air traffic control systems; tactical radios; satellite communication ground control terminals; wide area surveillance systems; ground-based information processing

systems; image processing; large scale information retrieval, processing, and distribution systems; and global broadcast systems. Some of the leading programs in C3I include: the U.S. Navy's Cooperative Engagement Capability program that integrates sensor information from multiple sources to provide ships, aircraft, and land-based installations an integrated air picture; the Brazilian System for the Vigilance of the Amazon program, which will provide an integrated information network linking numerous sensors to regional and national coordination centers; and air traffic control and weather systems at airports worldwide, including the Federal Aviation Administration/Department of Defense's Standard Terminal Automation Replacement System program. Through C3I, the Company formed a trans-atlantic joint venture, Thales Raytheon Systems (TRS), encompassing air defense/command and control centers, and ground-based air surveillance and weapon-locating radars.

Technical Services (TS) provides information technology services, training programs, and logistics and base operations support throughout the U.S. and in nearly 40 other countries. TS performs complete engineering and depot-level cradle-to-grave support to the Company's manufactured equipment and to various commercial and military customers. TS is a world leader in providing and supporting range instrumentation systems and bases worldwide for the Department of Defense. It also provides missile range calibration services for the U.S. Air Force, trains U.S. Army personnel in battlefield tactics, and supports undersea testing and evaluation for the U.S. Navy. TS provides operations and engineering support to the Atlantic Underwater Test and Evaluation Center, range technical support, and facilities maintenance at several Department of Defense facilities, including the U.S. Army's missile testing range in the Kwajalein Atoll.

Aircraft Integration Systems (AIS) focuses on the integration of airborne surveillance and intelligence systems and aircraft modifications. AIS develops and integrates complex electronic systems for airborne ISR missions. AIS modernizes aging aircraft through structural refurbishment and electronics upgrades. AIS also provides support to Special Operations forces. In March 2002, the Company sold AIS.

The Company's commercial electronics businesses produce, among other things, precision optical products for defense, medical, commercial, and telecommunications customers; gallium arsenide integrated circuits and power amplifiers for defense and wireless communications customers; thermal imaging products for the public safety, industrial, and automotive markets; navigation and communication systems for the commercial and military marine markets; and other electronic components for a wide range of applications.

Raytheon Aircraft Company (RAC) offers a broad product line of aircraft and aviation services in the general aviation market. RAC manufactures, markets, and supports business jets, turboprops, and piston-powered aircraft for the world's commercial, regional airlines, and military aircraft markets. RAC's piston-powered aircraft line includes the single-engine Beech Bonanza and the twin-engine Beech Baron aircraft for business and personal flying. The King Air turboprop series includes the Beech King Air C90B, B200, and 350. The jet line includes the Beechjet 400A light jet and the Hawker 800XP midsize business jet, and the Premier I entry-level business jet which completed FAA certification and had its first deliveries in 2001. A new super midsize business jet, the Hawker Horizon, is currently in development, with anticipated airplane certification in 2003. RAC supplies aircraft training systems, including the T-6A trainer selected as the next-generation trainer for the U.S. Air Force and Navy under the Joint Primary Aircraft Training System. Additionally, RAC produces special mission aircraft, including military versions of the King Air aircraft and the U-125 search-and-rescue variant of the Hawker 800. RAC also produces a 19-passenger regional airliner.

Segment Results

Net Sales (In millions)	2001	2000	1999
Electronic Systems	\$ 8,000	\$ 7,584	\$ 8,001
Command, Control, Communication and Information Systems	3,770	3,419	3,767
Technical Services	2,042	1,810	1,885
Aircraft Integration Systems	1,120	1,220	1,094
Commercial Electronics	453	666	749
Aircraft	2,572	3,220	2,709
Corporate and Eliminations	(1,090)	(1,024)	(1,004)
Total	\$16,867	\$16,895	\$17,201

Operating Income (In millions)	2001	2000	1999
Electronic Systems	\$ 1,098	\$ 1,039	\$ 1,156
Command, Control, Communication and Information Systems	396	358	374
Technical Services	159	124	122
Aircraft Integration Systems	25	48	(61)
Commercial Electronics	(57)	(4)	(30)
Aircraft	(772)	164	163
Corporate and Eliminations	(90)	(104)	(132)
Total	\$ 759	\$ 1,625	\$ 1,592

ES had 2001 sales of \$8.0 billion versus \$7.6 billion in 2000 and \$8.0 billion in 1999. The increase in sales in 2001 was primarily due to higher volume across most business units. Included in the 2000 results were sales of \$120 million related to the optical systems business which was sold in December 2000. The decrease in sales in 2000 was due to a decrease in volume from missiles and missile defense systems. Operating income was \$1.1 billion in 2001 versus \$1.0 billion in 2000 and \$1.2 billion in 1999. The increase in operating income in 2001 was due to higher volume and the favorable impact of higher pension income. Included in the 2000 results were \$63 million of favorable adjustments to restructuring-related reserves. Included in the 1999 results were charges of \$95 million, net (\$164 million of operating charges and restructuring and special charges offset by \$69 million of favorable adjustments to restructuring-related reserves). The decrease in operating income in 2000 was due to a decline in higher margin foreign direct programs and lower volume from missiles and missile defense systems. Risks ES faces in 2002 include the timing of increased defense expenditures, both in the U.S. and internationally, and maintaining its market share in key markets.

C3I had 2001 sales of \$3.8 billion versus \$3.4 billion in 2000 and \$3.8 billion in 1999. The increase in 2001 was primarily due to higher volume in U.S. Navy, domestic air traffic control, classified, and secure network programs. The decrease in sales in 2000 was due to the divestiture of the flight simulation business, the planned wind-down of certain international projects, and lower volume from air traffic control programs. Operating income was \$396 million in 2001 versus \$358 million in 2000 and \$374 million in 1999. Included in the 1999 results were charges of \$71 million. The increase in operating income in 2001 was due to higher volume and the favorable impact of higher pension income. The decrease in operating income in 2000 was due to lower volume and a net \$25 million write-down which included negative contract adjustments on several communications programs partially offset by favorable adjustments. Risks C3I faces in 2002 include the completion of several software intensive communications programs currently in development and subsequent transition to production.

TS had 2001 sales of \$2.0 billion versus \$1.8 billion in 2000 and \$1.9 billion in 1999. The increase in sales in 2001 was due primarily to higher volume from new programs. The decrease in sales in 2000 was due to the divestiture of the flight simulation business. Operating income was \$159 million in 2001 versus \$124 million in 2000 and \$122 million in 1999. The increase in operating income in 2001 was due to higher volume and the favorable impact of higher pension income. Included in the 1999 results were charges of \$6 million. Risks TS faces in 2002 include protecting and growing its core business in light of three major contracts coming up for re-competition in 2002.

AIS had 2001 sales of \$1.1 billion versus \$1.2 billion in 2000 and \$1.1 billion in 1999. The decrease in sales in 2001 was due primarily to several Navy, Air Force, and commercial programs nearing completion, partially offset by increased volume on the Airborne Stand-Off Radar (ASTOR) program. Sales from the

ASTOR program accounted for the increase in sales in 2000. Operating income was \$25 million in 2001 versus \$48 million in 2000 and an operating loss of \$61 million in 1999. Included in the 2001 results were contract write-downs on the Boeing Business Jet (BBJ) program of \$39 million and other contract adjustments of \$20 million. Included in the 2000 results were contract write-downs on the BBJ program of \$67 million. Included in the 1999 results were charges of \$107 million which included \$25 million of contract write-downs on the BBJ program.

In March 2002, the Company sold AIS for \$1.1 billion. As part of the transaction, the Company will remain the prime contractor of the ASTOR program, which had sales of \$230 million and operating income of \$18 million in 2001, and the BBJ program, which is nearing completion. The Company is also retaining \$90 million of BBJ-related assets, \$19 million of receivables and other assets, and rights to a \$25 million jury award related to a 1999 claim against Learjet. The jury award is subject to appeal. Schedule delays, cost growth, and other variables could have a negative effect on the realizability of the BBJ-related assets. The timing and amount of net realizable value of these retained assets are uncertain and subject to a number of unpredictable market forces. The initial adoption of SFAS No. 142, described below, is expected to result in at least a \$400 million impairment charge related to AIS.

Commercial Electronics (CE) had 2001 sales of \$453 million versus \$666 million in 2000 and \$749 million in 1999. The decrease in 2001 sales was primarily due to the divestiture of the recreational marine business, lower volume at RF Components due to reduced industry-wide demand and pricing pressures for cellular handset components. The decrease in sales in 2000 was primarily due to the divestiture of the Company's Cedarapids subsidiary in the third quarter of 1999. The operating loss was \$57 million in 2001 compared to \$4 million in 2000 and \$30 million in 1999. The increase in the 2001 operating loss was primarily due to the decline in volume, discussed above. Contributing to the loss in 2000 was an \$8 million restructuring charge at Raytheon Marine's High Seas division combined with lower volume at that division, the divestiture of Cedarapids, and investments in new technology ventures offset by a \$21 million favorable settlement on a commercial training contract. Included in the 1999 results were charges of \$44 million. Risks CE faces in 2002 include the overall economy and health of its commercial markets especially wireless communications, and achieving appropriate economies of scale in automotive electronics.

RAC had 2001 sales of \$2.6 billion versus \$3.2 billion in 2000 and \$2.7 billion in 1999. The decrease in sales in 2001 was due to lower aircraft deliveries and the divestiture of Raytheon Aerospace. The increase in sales in 2000 was driven by higher aircraft deliveries. The operating loss was \$772 million in 2001 compared to operating income of \$164 million in 2000 and \$163 million in 1999. Included in the 2001 results was a charge of \$693 million related to the commuter aircraft business. This was a result of continued weakness in

the commuter aircraft market and the impact of the events of September 11, 2001 on the commuter airline industry. The charge consisted of an impairment charge for commuter aircraft and the establishment of a reserve for estimated exposures on customer financed assets due to defaults, refinancings, and remarketing of used aircraft. The Company also recorded a charge of \$52 million in 2001 to write down the value of certain used general aviation aircraft. The Company expects that the conditions giving rise to the charges will negatively affect its cash flow by approximately \$350 million over a four-year period. Excluding the 2001 charges, operating income as a percent of sales was down in 2001 due to adverse sales mix, in general, and margin pressure on T-6A, Beechjet, and used aircraft due to the current market environment. Operating income as a percent of sales was down in 2000 due to a \$19 million contract cost adjustment on a fixed price T-6A military trainer option exercised by the customer in 2000, higher production costs, pricing pressure on commuter aircraft, narrower spreads on customer financing due to higher interest rates, and the impact of SAP implementation on certain RAC customer support operations. The Company remains concerned about the market outlook at RAC for both new and used aircraft in 2002 and 2003 and continues to monitor the status of new aircraft programs at RAC: the production and delivery schedule for the Premier I aircraft and the development cost of the Horizon aircraft. Risks RAC faces in 2002 include commuter aircraft exposures, used aircraft inventory management, and cost management initiatives to protect the Company's results of operations against weaker than planned demand.

RAC responded to a softening market by implementing workforce reductions, adjusting production rates, cutting additional costs, and reducing factory and fleet inventory expenses to bring costs in line with a slowing economy. For the entire year, RAC eliminated approximately 1,800 positions. The Company also continues to review production rates.

Backlog at December 31 (In millions)	2001	2000	1999
Electronic Systems	\$12,371	\$11,968	\$10,681
Command, Control, Communication and Information Systems	5,592	5,396	5,135
Technical Services	1,952	2,135	2,029
Aircraft Integration Systems	1,922	2,120	2,335
Commercial Electronics	467	513	516
Aircraft	4,165	4,398	4,282
Total	\$26,469	\$26,530	\$24,978
U.S. government backlog included above	\$17,763	\$17,374	\$15,239

Approximately \$275 million of backlog was reclassified from Electronic Systems to Command, Control, Communication and Information Systems in 2001 in connection with the formation of the TRS joint venture, described above. In addition, in connection with the sale of a majority interest in the Company's aviation support business in 2001, Aircraft backlog was reduced by \$228 million. Included in the AIS backlog is \$1,050 million related to the ASTOR program, on which the Company will remain the prime contractor in connection with the sale of AIS.

Bookings (In millions)	2001	2000	1999
Electronic Systems	\$ 8,775	\$ 8,912	\$ 8,843
Command, Control, Communication and Information Systems	3,744	4,036	4,659
Technical Services	1,248	1,576	1,626
Aircraft Integration Systems	905	972	2,252
Commercial Electronics	331	615	820
Aircraft	2,567	3,336	4,477
Total	\$17,570	\$19,447	\$22,677

The decreases in 2001 and 2000 were due to the impact of divestitures as well as several large bookings with extended periods of performance at C3I, TS, and AIS in 1999. In addition, the Company's commercial businesses have been affected by softening market conditions, resulting in declining orders.

Discontinued Operations

In 2000, the Company sold its engineering and construction business to Washington Group International (WGI) for \$73 million in cash plus assumption of debt and other obligations. At the time of the sale, the Company had, either directly or through a subsidiary that it still owns, outstanding letters of credit, performance bonds, and parent guarantees of performance and payment (the "Support Agreements") on many long-term construction contracts. The Support Agreements were provided to owners at the time of contract award as security to the owners for the underlying contract obligations. Often the total security was capped at the value of the contract price to secure full performance, including the payment of liquidated damages available under the contract. At the time of the sale to WGI, Raytheon Engineers & Constructors (RE&C) had outstanding contracts with total values in excess of \$5 billion in various stages of completion. At December 31, 2001, the amount of letters of credit, performance bonds, and parent guarantees, for which there were stated values, that remained outstanding was \$419 million, \$377 million, and \$31 million, respectively, however, additional guarantees of project performance for which there is no stated value also remain outstanding. Of these amounts, \$104 million of letters of credit and \$276 million of performance bonds relate to projects assumed by WGI post-bankruptcy (see below). Some of these contingent obligations and guarantees include warranty provisions and extend for a number of years.

In March 2001, WGI abandoned two Massachusetts construction projects, triggering the Company's guarantees to the owners. The Company honored the guarantees and commenced work on these projects. In August 2001, the Company

completed its estimated cost to complete (ETC) for the two projects and recorded a charge of \$633 million, net of cash receipts. In January 2002, the Company announced an additional charge of \$100 million for increased cost estimates due to labor productivity deterioration and schedule delays. Labor productivity deteriorated further in late January, February and early March 2002, necessitating an additional \$81 million charge, bringing the total fourth quarter 2001 charge to \$181 million, and the total 2001 charge to \$814 million. The current ETC is based upon a productivity assumption that is consistent with the Company's recent performance on both projects. Further deterioration in labor productivity or additional schedule delays could have a material adverse effect on the Company's financial position and results of operations. The Company expects to complete construction on the two projects in 2002. Going forward, an additional 10 percent reduction in labor productivity would increase the ETC by approximately \$20 million, while additional schedule delays will result in liquidated damages of up to \$600,000 per day.

In March 2001, WGI sued the Company alleging breach of contract and fraud in connection with the sale of RE&C. WGI also sought specific performance of the purchase agreement's purchase price adjustment provisions. In May 2001, WGI filed for bankruptcy protection. In August 2001, WGI filed in bankruptcy a fraudulent transfer action directed at the Company. In January 2002, the Company and WGI executed a settlement agreement and WGI's reorganization plan became effective. Appeals have been filed challenging the bankruptcy court's orders approving WGI's reorganization plan and approving the settlement agreement, however, the settlement agreement is now effective and is being implemented. Under the terms of the settlement agreement, the purchase price adjustment process, the matters in arbitration, and the fraudulent transfer lawsuit filed by WGI were dismissed, with prejudice, and neither party paid any amounts to the other. As part of the settlement agreement, the Company also dropped its claims that had been pending against WGI's bankruptcy estate.

In the course of the bankruptcy proceeding, WGI rejected some ongoing construction contracts and assumed others. For those contracts rejected, the Company's obligation to owners depends on the extent to which the Company has any outstanding Support Agreements. For those contracts WGI assumed, the Company does not currently have obligations to the owners unless and until WGI fails to complete those contracts and any of the Support Agreements are required to be honored. As part of the settlement with WGI, WGI agreed to indemnify the Company for any payments made by the Company under the Support Agreements covering contracts assumed by WGI; and WGI posted a \$10 million bank letter of credit in favor of the Company to cover any payments the Company is

required to make under the Support Agreements on contracts assumed by WGI.

The WGI rejected contracts included four large fixed price international turnkey projects that were close to completion. Of the four projects, construction has been completed on three, which are now in the claims resolution phase. The fourth is nearing completion. Additional risks and exposures on the three completed projects are final resolution of contract closeout issues. Additional risks and exposures on the fourth project include labor productivity, equipment performance, and schedule delays. In 2001, the Company recorded an additional loss on disposal of discontinued operations of \$54 million related to cost growth on these projects and the partial repayment of a loan on one project, a portion of which the Company had guaranteed.

In 2001, the Company recorded a charge of \$156 million to reflect the Company's estimate of exposure related to certain other WGI construction projects on which the Company has Support Agreements. Two of these projects have significant ongoing construction activity. The Company is paying to complete these projects pursuant to its guarantees and the Company will receive the benefit of the remaining contract payments from the owners. Additional risks and exposures on these two projects include labor productivity, equipment performance, and schedule delays. Additional risks and exposures on the other projects with Support Agreements include adverse claim resolution and non-performance on projects assumed by WGI and are subject to the letters of credit, performance bonds, and parent guarantees noted above.

The Company is heavily dependent upon third parties, including WGI, to perform construction management and other tasks that require industry expertise the Company no longer possesses. In addition, there are risks that the ultimate costs to complete and close out the projects will increase beyond the Company's current estimates due to factors such as labor productivity and availability of labor, the nature and complexity of the work to be performed, the impact of change orders, the recoverability of claims included in the ETC, and the outcome of defending claims asserted against the Company. A significant change in an estimate on one or more of the projects could have a material adverse effect on the Company's financial position and results of operations.

The Company also wrote down the carrying value of certain retained assets and liabilities and recorded a net charge of \$71 million in 2001 due to WGI's bankruptcy and recorded a charge of \$48 million primarily for legal and management costs and interest expense related to discontinued operations.

The total loss from discontinued operations was \$1,143 million pretax, \$752 million after-tax, or \$2.08 per diluted share in 2001. In 2000, the Company recorded a loss on disposal of discontinued operations of \$415 million pretax, \$287 million after-tax, which included a gain on curtailment of the RE&C pension plans of \$35 million, and a loss from discontinued operations of \$98 million pretax, \$70 million after-tax, totaling \$513 million pretax, \$357 million after-tax, or \$1.05 per diluted share. The 1999 loss from discontinued operations was \$70 million pretax, \$45 million after-tax, or \$0.13 per diluted share.

Net cash used in operating activities from discontinued operations was \$635 million (excluding the benefit of tax deductions for the Company) in 2001 versus \$100 million in 2000 and \$221 million in 1999. The Company expects its operating cash flow to be negatively affected by approximately \$565 million (excluding the benefit of tax deductions for the Company) during 2002 which includes project completion costs, legal and management costs, and interest related to discontinued operations. Further increases to project costs may increase the estimated operating cash outflow for discontinued operations in 2002.

Financial Condition and Liquidity

Net cash provided by operating activities in 2001 was \$133 million versus \$960 million in 2000 and net cash used of \$317 million in 1999. Net cash provided by operating activities from continuing operations was \$768 million in 2001 versus \$1,060 million in 2000 and net cash used of \$96 million in 1999. The decrease in net cash provided by operating activities from continuing operations in 2001 was primarily due to an increase in used aircraft inventory at Raytheon Aircraft due to lower demand for new and used aircraft, advance payments received on the ASTOR program in 2000, and accelerated collections on several large programs in 2000. The increase in cash provided by operating activities in 2000 was due to better collection practices and working capital management, accelerated collections on several large programs, and lower restructuring expenditures. In 2001, 2000, and 1999, the Company incurred cash expenditures of \$26 million, \$113 million, and \$373 million, respectively, on restructuring and exit costs and \$11 million, \$131 million, and \$265 million, respectively, of capital expenditures and period costs related to restructuring and consolidation activities.

Net cash used in investing activities was \$47 million in 2001 versus \$213 million in 2000 and \$399 million in 1999. Origination of financing receivables was \$663 million in 2001, \$969 million in 2000, and \$1,438 million in 1999. The Company maintains an ongoing program under which it sells general aviation and commuter aircraft long-term receivables. Sale of financing receivables was \$367 million in 2001, \$776 million in 2000, and \$1,239 million in 1999. Capital expenditures were \$486 million in 2001, \$431 million in 2000, and \$524 million in 1999. Capital expenditures in 2002 are expected to approximate \$470 million. Proceeds from sales of property, plant, and equipment were \$9 million in 2001, \$40 million in 2000, and \$102 million in 1999. Expenditures for internal use software were \$155 million in 2001, \$111 million in 2000, and \$110 million in 1999. Expenditures for internal use software in 2002 are expected to approximate \$85 million as the Company continues to convert significant portions of its existing financial systems to a new integrated financial package.

In October 2001, the Company and Hughes Electronics agreed to a settlement regarding the purchase price adjustment related to the Company's merger with Hughes Defense. Under the terms of the agreement, Hughes Electronics agreed to

reimburse the Company approximately \$635 million of its purchase price, with \$500 million received in 2001 and the balance received in March 2002. The settlement resulted in a \$555 million reduction in goodwill. The \$135 million receivable is included in other current assets at December 31, 2001.

Proceeds from the sale of operating units and investments were \$266 million in 2001 versus \$330 million in 2000 and \$251 million in 1999.

In 2001, the Company sold a majority interest in its aviation support business for \$154 million, its recreational marine business for \$100 million, and other investments for \$12 million. Total sales and operating income related to these divested businesses were \$248 million and \$13 million, respectively, in 2001.

In 2000, the Company sold its flight simulation business for \$160 million, its optical systems business for \$153 million, and other non-core business operations for \$17 million. Total sales and operating income related to these divested businesses were \$166 million and \$2 million, respectively, in 2000.

In 1999, the Company sold its Cedarapids subsidiary for \$170 million, other non-core business operations for \$49 million in cash and \$3 million in securities, and securities received as partial payment for previously divested businesses for \$32 million. Total sales and operating income related to these divested businesses were \$130 million and \$6 million, respectively, in 1999.

During 1998, the Company initiated a program under which it sold short-term government receivables. During 2001, 2000, and 1999, the Company reduced the outstanding balance of receivables sold under its short-term government receivables facility by \$25 million, \$126 million, and \$74 million, respectively. During 2001, the Company terminated its short-term government receivables facility.

Net cash provided by financing activities was \$257 million in 2001 versus net cash used of \$106 million in 2000 and net cash provided of \$525 million in 1999. Dividends paid to stockholders were \$281 million in 2001, \$272 million in 2000, and \$269 million in 1999. The quarterly dividend rate was \$0.20 per share for each of the four quarters of 2001, 2000, and 1999. Outstanding shares were reduced by the repurchase of 2.6 million shares for \$150 million in 1999. There were no shares repurchased during 2001 and 2000.

Capital Structure and Resources

Total debt was \$8.2 billion at December 31, 2001 and \$9.9 billion at December 31, 2000. Cash and cash equivalents were \$1.2 billion at December 31, 2001 and \$0.9 billion at December 31, 2000. The Company's outstanding debt has interest rates ranging from 2.3% to 8.3% and matures at various dates through 2028. Total debt as a percentage of total capital was 40.4 percent and 47.9 percent at December 31, 2001 and 2000, respectively.

In 2001, the Company repurchased long-term debt with a par value of \$1.4 billion. Also

in 2001, the Company entered into various interest rate swaps that correspond to a portion of the Company's fixed rate debt in order to effectively change the interest rate on the debt from fixed to variable. The total notional value of the interest rate swaps, which expire on various dates between July 2005 and August 2007, is \$1.2 billion, effectively converting 15 percent of the Company's total debt to variable interest rates. Under the interest rate swaps, the Company pays a variable rate of interest based on 3-month LIBOR and receives fixed rates of interest ranging from 4.4% to 5.8%. Variable interest rates are reset quarterly and the net interest amounts are paid semiannually.

In 2000, the Company issued \$2.25 billion of long-term debt to repay outstanding short-term debt, extending the maturity of the Company's debt obligations. In 2000, the Company issued \$350 million of floating rate notes due in 2001 to partially refinance \$500 million of long-term debt that matured in 2000.

The Company's most restrictive bank agreement covenant is an interest coverage ratio that currently requires earnings before interest, taxes, depreciation, and amortization (EBITDA), including discontinued operations, to be at least 2.5 times net interest expense for the prior four quarters. In July 2001, the covenant was amended to exclude charges of \$597 million related to discontinued operations. In October 2001, the covenant was further amended to exclude charges of \$745 million related to the Company's commuter and used general aviation aircraft businesses. The Company was in compliance with the interest coverage ratio covenant, as amended, during 2001 and expects to continue to be in compliance throughout 2002.

Credit ratings for the Company were assigned by Standard and Poor's at A-3 for short-term borrowing and BBB- for senior debt and by Fitch's at F3 for short-term borrowing and BBB- for senior debt. In March 2001, Moodys changed their credit rating for the Company from P-2 to P-3 short-term borrowing and from Baa2 to Baa3 for senior debt.

Lines of credit with certain commercial banks exist to provide short-term liquidity. The lines of credit bear interest based upon LIBOR and were \$2.4 billion at December 31, 2001, consisting of \$140 million which matures in May 2002, \$1.0 billion which matures in November 2002, and \$1.3 billion which matures in 2006. The lines of credit were \$3.0 billion at December 31, 2000. There was \$140 million outstanding under these lines of credit at December 31, 2001. There were no borrowings under the lines of credit at December 31, 2000. Credit lines with banks were also maintained by certain foreign subsidiaries to provide them with a limited amount of short-term liquidity. These lines of credit were \$129 million and \$147 million at December 31, 2001 and 2000, respectively. There was \$26 million outstanding under these lines of credit at December 31, 2001 and 2000. In addition, the Company maintains other credit and synthetic lease facilities, as described below in Off Balance Sheet Financing Arrangements.

In May 2001, the Company issued 17,250,000, 8.25% equity security units for \$50 per unit totaling \$837 million, net of offering costs of \$26 million. The net proceeds of the offering were used to reduce debt and for general corporate purposes. Each equity security unit consists of a contract to purchase shares of the Company's common stock on May 15, 2004, and a mandatorily redeemable equity security, with a stated liquidation amount of \$50 due on May 15, 2006. The contract obligates the holder to purchase, for \$50, shares of common stock equal to the settlement rate. The settlement rate is equal to \$50 divided by the average market value of the Company's common stock at that time. The settlement rate cannot be greater than 1.8182 or less than 1.4903 shares of common stock per purchase contract. Using the treasury stock method, there is no effect on the computation of shares for diluted earnings per share if the average market value of the Company's common stock is between \$27.50 and \$33.55 per share. For example, if the Company's average stock price during the period was \$40 per share, the diluted shares outstanding would increase by 4.1 million shares or one percent of total shares outstanding at December 31, 2001. At an average stock price of \$45 per share, the diluted shares outstanding would increase by 6.5 million shares, or two percent.

In May 2001, the Company issued 14,375,000 shares of common stock for \$27.50 per share. In October 2001, the Company issued 31,578,900 shares of common stock for \$33.25 per share. The proceeds of the offerings were \$1,388 million, net of \$56 million of offering costs, and were used to reduce debt and for general corporate purposes.

In 2001, the Company eliminated its dual class capital structure and reclassified its Class A and Class B common stock into a single new class of common stock. The Company also effected a 20-for-1 reverse-forward stock split that resulted in holders of fewer than 20 shares of common stock being cashed out of their holdings.

The Company's need for, cost of, and access to funds are dependent on future operating results, as well as conditions external to the Company. Cash and cash equivalents, cash flow from operations, sale of financing receivables, proceeds from divestitures, and other available financing resources are expected to be sufficient to meet anticipated operating, capital expenditure, and debt service requirements during the next twelve months.

Major Affiliated Entities

Investments, which are included in other assets, consisted of the following at December 31:

(In millions)	Ownership %	2001	2000

Equity method investments:			
Space Imaging	30.9	\$ 48	\$ 65
Raytheon Espana	49.0	38	29
HRL	33.3/(1)/	28	35

Thales Raytheon Systems	50.0	18	--
Indra	49.0	12	12
Hughes Saudi Arabia	49.0	7	6
		151	147

Other investments:			
Alliance Laundry Systems		19	19
Other		13	27
		32	46

Total		\$183	\$193
=====			

/(1)/ The Company sold 17.7 percent of its investment in HRL in 2001.

In 1994, the Company invested in Space Imaging and currently has a 31 percent equity investment in Space Imaging LLC. Since 1996, the Company has guaranteed a portion of Space Imaging's debt and currently guarantees 50 percent of a \$300 million Space Imaging loan facility that matures in 2003. There was \$279 million of Space Imaging borrowings outstanding under this facility at December 31, 2001. To date, Space Imaging has purchased a significant amount of equipment from its primary investors, including the Company. The Company's investment in and other assets related to Space Imaging totaled \$84 million at December 31, 2001. Space Imaging is pursuing its business plan, including assessments relative to future investment in replacement satellites and related financing requirements, and the Company, as an investor and partner, is working with its other partners and Space Imaging in this regard.

During 2001, the Company formed a joint venture, Thales Raytheon Systems (TRS) that has two major operating subsidiaries, one of which the Company controls and consolidates. In addition, the Company enters into joint ventures whereby the Company receives a subcontract from the joint venture in its capacity as prime contractor. Accordingly, the Company records the work it performs for the joint venture as operating activity. Certain joint ventures are not included in the table above as the Company's investment in these entities is less than \$1 million.

In 2001, the Company sold a majority interest in its aviation support business and retained \$66 million in preferred and common equity in the business. The \$66 million represents a 26 percent stake and is recorded at zero because the new entity is highly-leveraged. This investment will remain at zero until the new entity generates enough cash flow to show that the new entity will be able to liquidate the Company's investment after satisfying its third party debt service payments. The Company also has a 20 percent equity investment in Exostar LLC. Due to equity method losses recorded since formation, substantially all of the Company's investment in Exostar has been written off.

In 2001, the Company announced its intention to form a joint venture with Flight

Options, Inc. whereby the Company will contribute its Raytheon Travel Air fractional ownership business. Raytheon Travel Air customers have the contractual ability to require the Company to buy back their fractional share based on the then current fair market value. The estimated value of this potential obligation, which will be assumed by Flight Options in connection with the formation of the joint venture, was approximately \$475 million at December 31, 2001.

Commitments and Contingencies

Defense contractors are subject to many levels of audit and investigation. Agencies that oversee contract performance include: the Defense Contract Audit Agency, the Department of Defense Inspector General, the General Accounting Office, the Department of Justice, and Congressional Committees. The Department of Justice, from time to time, has convened grand juries to investigate possible irregularities by the Company in U.S. government contracting. Except as noted in the following two paragraphs, individually and in the aggregate, these investigations are not expected to have a material adverse effect on the Company's financial position or results of operations.

The Department of Justice has informed the Company that the U.S. government has concluded its investigation of the contemplated sale by the Company of troposcatter radio equipment to a customer in Pakistan. The Company has produced documents in response to grand jury subpoenas and grand jury appearances have taken place. The Company has cooperated fully with the investigation. The U.S. government has not informed the Company of a final decision with respect to this matter. An adverse decision in this matter could have a material adverse effect on the Company's financial position or results of operations.

The Company is permitted to charge to its U.S. government contracts an allocable portion of the amount that the Company accrues for self-insurance. There is a disagreement between the Company and the U.S. government about the way the Company allocated self-insurance charges for product liability risks at Raytheon Aircraft. The government has not asserted a claim for a specific amount, but since the allocation practice at issue was adopted in 1988, any potential government claim could have a material adverse effect on the Company's financial position or results of operations.

The Company is involved in various stages of investigation and cleanup related to remediation of various environmental sites. The Company's estimate of total environmental remediation costs expected to be incurred is \$134 million. On a discounted basis, the Company estimates the liability to be \$84 million before U.S. government recovery. The Company has reduced its environmental liability for the estimated future recovery considered probable through the pricing of products and services to the U.S. government. The present value of the Company's environmental liability of \$45 million, net of expected U.S. government recovery, has been accrued at December 31, 2001. Due to the complexity of environmental laws and regulations, the varying costs and effectiveness of alternative cleanup methods and technologies, the uncertainty of insurance coverage, and the unresolved extent of the Company's responsibility, it is difficult to determine the ultimate outcome of these matters, however, any additional liability is not expected to have a material adverse effect on the Company's financial position or results of operations.

The Company continues to cooperate with the staff of the Securities and Exchange Commission (SEC) on an investigation, which began and was disclosed in May 2001, related to the Company's former engineering and construction business and related accounting and other matters. The Company has been responding to subpoenas and providing documents and information to the SEC staff. The Company is unable to predict the outcome of the inquiry or any action that the SEC might take.

In late 1999, the Company and two of its officers were named as defendants in several class action lawsuits which were consolidated into a single complaint in June 2000, when four additional former or present officers were named as defendants (the "Consolidated Complaint"). The Consolidated Complaint principally alleges that the defendants violated federal securities laws by making misleading statements and by failing to disclose material information concerning the Company's financial performance during the class period of October 7, 1998 through October 12, 1999. In September 2000, the Company and the individual defendants filed a motion to dismiss, which the plaintiffs opposed. The court heard arguments on the motion in February 2001. In August 2001, the court issued an order dismissing most of the claims asserted against the Company and the individual defendants. Discovery is proceeding on the two circumstances that remain the subject of claims.

In 1999 and 2000, the Company was also named as a nominal defendant and all of its directors at the time (except one) were named as defendants in three derivative lawsuits. The derivative complaints contain allegations similar to those included in the Consolidated Complaint and further allege that the defendants breached fiduciary duties to the Company and allegedly failed to exercise due care and diligence in the management and administration of the affairs of the Company. In March 2000, one of the derivative lawsuits was dismissed. In December 2001, the Company and the individual defendants filed a motion to dismiss one of the remaining derivative lawsuits.

In June 2001, a class action lawsuit was filed on behalf of all purchasers of common stock or senior notes of WGI during the class period of April 17, 2000 through March 1, 2001 (the "WGI Complaint"). The plaintiff class claims to have suffered harm by purchasing WGI securities because the Company and certain of its officers allegedly violated federal securities laws by misrepresenting the true financial condition of RE&C in order to sell RE&C to WGI at an artificially inflated price. An amended complaint was filed in October 2001 alleging similar claims. The Company and the individual defendants filed a motion seeking to dismiss the action in November 2001. The court heard arguments on that motion in March 2002, and is currently evaluating the parties arguments regarding dismissal.

In July 2001, the Company was named as a nominal defendant and all of its directors have been named as defendants in two identical derivative lawsuits. The derivative complaints contain allegations similar to those included in the WGI Complaint and further allege that the individual defendants breached fiduciary duties to the Company and failed to maintain systems necessary for prudent management and control of the Company's operations. In December 2001, the Company and the individual defendants filed a motion to dismiss one of the derivative lawsuits. Also in July 2001, the Company was named as a nominal defendant and members of its Board of Directors and several current and former officers have been named as defendants in another shareholder derivative action which contains allegations similar to those included in the WGI Complaint and further alleges that the individual defendants breached fiduciary duties to the Company and failed to maintain systems necessary for prudent management and control of the Company's operations.

Although the Company believes that it and the other defendants have meritorious defenses to each and all of the aforementioned complaints and intends to contest each lawsuit vigorously, an adverse resolution of any of the lawsuits could have a material adverse effect on the Company's financial position or results of operations in the period in which the lawsuits are resolved. The Company is not presently able to reasonably estimate potential losses, if any, related to any of the lawsuits.

In addition, various claims and legal proceedings generally incidental to the normal course of business are pending or threatened against the Company. While the ultimate liability from these proceedings is presently indeterminable, any additional liability is not expected to have a material adverse effect on the Company's financial position or results of operations.

In 1997, the Company provided a first loss guarantee of \$133 million on \$1.3 billion of U.S. Export-Import Bank debt through 2015 related to the Brazilian government's System for the Vigilance of the Amazon (SIVAM) program.

The following is a schedule of the Company's contractual obligations outstanding at December 31, 2001:

(In millions)	Total	Less than 1 Year	1-3 years	4-5 years	After 5 years
Debt	\$ 8,239	\$1,364	\$1,154	\$1,919	\$3,802
Interest payments	3,947	515	772	619	2,041
Operating leases	1,490	281	405	297	507
IT outsourcing	519	61	134	131	193
Synthetic lease obligations	229	-	229	-	-
Equity security units (ESU)	-	-	(863)	863	-
ESU distributions	298	71	137	90	-
Total	\$14,722	\$2,292	\$1,968	\$3,919	\$6,543

The following is a schedule of the Company's other potential commitments outstanding at December 31, 2001:

(In millions)	Total	Less than 1 year	1-3 Years	4-5 Years	After 5 Years
Available lines of credit	\$2,300	\$1,000	-	\$1,300	-
Subsidiary lines of credit	129	91	-	-	\$ 38
Letters of credit	1,350	673	\$292	357	28
Debt guarantees	283	-	150	-	133
Discontinued operations	827	92	179	238	318

Available lines of credit exist to provide short-term liquidity. At December 31, 2001, there were no borrowings outstanding under these lines of credit. Subsidiary lines of credit exist to provide a limited amount of short-term liquidity to certain foreign subsidiaries. At December 31, 2001, there was \$26 million outstanding under these lines of credit. Letters of credit are issued by banks and insurance companies on the Company's behalf to meet various bid, performance, warranty, retention, and advance payment obligations primarily related to defense customers. Debt guarantees consist of the Space Imaging loan facility guarantee of \$150 million and the SIVAM guarantee of \$133 million, described above. Discontinued operations consist of letters of credit, performance bonds, and parent guarantees of performance and payment on certain long-term construction contracts, as described above in Discontinued Operations, however, additional guarantees of project performance for which there is no stated value also remain outstanding.

Off Balance Sheet Financing Arrangements

The following amounts were outstanding under the Company's off balance sheet receivables facilities at December 31:

(In millions)	2001	2000	1999
Aircraft Receivables Facility	\$1,448	\$1,755	\$ 2,638
Government Receivables Facility	-	25	151
Other Receivables Facility	-	-	39
Total	\$1,448	\$1,780	\$ 2,828

The Company provides long-term financing to its aircraft customers. The Company maintains an ongoing program under which an indirect subsidiary of the Company sells general aviation and commuter aircraft long-term receivables to Raytheon Aircraft Receivables Corporation (RARC), a special purpose entity. RARC sells undivided interests in the receivables to a bank syndicate and other financial institutions that purchase these interests for cash under a \$1.8 billion receivables purchase facility (the "Aircraft Receivables Facility") that contains covenants requiring the maintenance of certain financial ratios and requires cash collateral in the event of a downgrade in the Company's debt rating. The purchasers have a first priority claim on all proceeds, including the underlying aircraft and any insurance proceeds, and have recourse against the Company, at varying percentages, depending upon the character of the receivables sold. The recourse percentages are: U.S. general aviation and certain international general aviation receivables - 25 percent; certain international general aviation and U.S. commuter receivables - 75 percent; and international commuter receivables - 90 percent. For the general aviation and commuter aircraft long-term receivables, the underlying aircraft serve as collateral for the aircraft receivables, and the future resale value of the aircraft is an important consideration in the transaction. In March 2002, the Company renewed the Aircraft Receivables Facility for \$1.4 billion with substantially the same terms and conditions as the existing facility, as amended. The outstanding balance of receivables sold under the Aircraft Receivables Facility was \$1,448 million at December 31, 2001, of which \$327 million represented past due amounts (including \$301 million of commuter receivables), on which the Company's recourse obligation was \$1,097 million. The outstanding balance of receivables sold under the Aircraft Receivables Facility was \$1,755 million at December 31, 2000, of which \$242 million represented past due amounts (including \$154 million of commuter receivables), on which the Company's recourse obligation was \$1,302 million.

In 2001, the Company recorded a charge of \$693 million related to the commuter aircraft business. This was a result of continued weakness in the commuter aircraft market and the impact of September 11, 2001. The charge consisted of an impairment charge for commuter aircraft owned by RAC and the establishment of a \$345 million reserve for estimated exposures on customer financed assets due to defaults, refinancings, and remarketing of used aircraft.

In 1998 and 1997, respectively, the Company entered into a \$490 million and a \$150 million property sale and five-year operating lease (synthetic lease) facility. Under these lease facilities property, plant, and equipment was sold and leased back in order to diversify the Company's sources of funding and extend the term of a portion of the Company's financing obligations. In 2003, the Company is required to buy back the assets remaining in the lease facilities for approximately \$229 million. Remaining lease payments under the lease facilities at December 31, 2001 approximate \$57 million in 2002 and \$27 million in 2003.

Accounting Policies

The Company has identified the following accounting policies that require significant judgment. The Company believes its judgments related to these accounting policies are appropriate.

Sales under long-term contracts are recorded under the percentage of

completion method. Costs and estimated gross margins are recorded as sales as work is performed based on the percentage that incurred costs bear to estimated total costs utilizing the most recent estimates of costs and funding. Some contracts contain incentive provisions based upon performance in relation to established targets which are recognized in the contract estimates when deemed realizable. Contract change orders and claims are included in sales when they can be reasonably estimated and realization is probable. Due to the long-term nature of many of the Company's programs, developing the estimates of costs and funding often requires significant judgment. Factors that must be considered in estimating the work to be completed and ultimate contract recovery include labor productivity and availability of labor, the nature and complexity of the work to be performed, the impact of change orders, availability of materials, the impact of delayed performance, availability and timing of funding from the customer, and the recoverability of claims included in any estimate to complete. A significant change in an estimate on one or more programs could have a material effect on the Company's results of operations, despite the fact that no individual contract accounts for more than 4 percent of sales.

The Company uses lot accounting for new aircraft introductions. Lot accounting involves selecting an initial lot size at the time a new aircraft begins to ship and measuring an average cost over the entire lot for each aircraft sold. The costs attributed to aircraft delivered are based on the estimated average cost of all aircraft expected to be produced and are determined under the learning curve concept which anticipates a predictable decrease in unit costs as tasks and production techniques become more efficient through repetition. The estimated average cost of the aircraft is reviewed and reassessed quarterly and changes in estimates are recognized over future deliveries remaining in the lot. Once production costs stabilize, the use of lot accounting is discontinued. The selection of lot size is a critical judgment. The Company determines lot size based on several factors, including the size of firm backlog, the expected annual production on the aircraft, and experience on similar new aircraft. The size of the initial lot for the Premier I is 200 units.

The valuation of used aircraft in inventories, which are stated at the lower of cost or market, requires significant judgment. The valuation of leased aircraft in property, plant, and equipment and the aircraft which serve as collateral for receivables sold into the Aircraft Receivables Facility, which are evaluated for impairment, also requires significant judgment. As part of its assessment of fair value, the Company must evaluate many factors including current market conditions, future market conditions, the age and condition of the aircraft, and availability levels for the aircraft in the market.

Accounting Standards

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144). This accounting standard, which is effective for fiscal years beginning after December 31, 2001, requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS No. 144 expands the scope of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and will be eliminated from ongoing operations in a disposal transaction. Except for the fact that discontinued operations will likely include more disposition activity than previously reported, the adoption of SFAS No. 144 is not expected to have a material effect on the Company's financial position or results of operations.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). This accounting standard addresses financial accounting and reporting for goodwill and other intangible assets and requires that goodwill amortization be discontinued and replaced with periodic tests of impairment. A two-step impairment test is used to first identify potential goodwill impairment and then measure the amount of goodwill impairment loss, if any. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, and is required to be applied at the beginning of the fiscal year. Impairment losses that arise due to the initial application of this standard will be reported as a cumulative effect of a change in accounting principle. The first step of the goodwill impairment test, which must be completed within six months of the effective date of this standard, will identify potential goodwill impairment. The second step of the goodwill impairment test, which must be completed prior to the issuance of the annual financial statements, will measure the amount of goodwill impairment loss, if any. The Company has not completed its analysis of the effect of adopting SFAS No. 142, however, the Company already expects that this analysis will result in a goodwill impairment loss of at least \$400 million in the first quarter of 2002 related to AIS. Completion of this analysis could result in additional impairment losses. As of January 1, 2002, the Company will no longer amortize goodwill which will decrease the Company's effective tax rate due to the significant amount of non-deductible goodwill. The Company recorded \$362 million pretax or approximately \$336 million after-tax, \$365 million pretax or approximately \$337 million after-tax, and \$366 million pretax or approximately \$338 million after-tax, of goodwill amortization in 2001, 2000, and 1999, respectively.

Quantitative and Qualitative Disclosures About Financial Market Risks

The following discussion covers quantitative and qualitative disclosures about the Company's market risk. The Company's primary market exposures are to interest rates and foreign exchange rates.

The Company meets its working capital requirements with a combination of variable rate short-term and fixed rate long-term financing. The Company enters into interest rate swap agreements with commercial and investment banks primarily to manage interest rates associated with the Company's financing arrangements. The Company also enters into foreign currency forward contracts with commercial banks only to fix the dollar value of specific commitments and payments to international vendors and the value of foreign currency denominated receipts. The market-risk sensitive instruments used by the Company for hedging are entered into with commercial and investment banks and are directly related to a particular asset, liability, or transaction for which a commitment is in place. The Company also sells receivables through a special purpose entity and retains a partial interest that may include servicing rights, interest only strips, and subordinated certificates.

Financial instruments held by the Company which are subject to interest rate risk include notes payable, long-term debt, long-term receivables, investments, and interest rate swap agreements. The aggregate hypothetical loss in earnings for one year of those financial instruments held by the Company at December 31, 2001, 2000, and 1999, which are subject to interest rate risk resulting from a hypothetical increase in interest rates of 10 percent, was \$2 million, \$3 million, and \$6 million, respectively after-tax. The hypothetical loss was determined by calculating the aggregate impact of a 10 percent increase in the interest rate of each variable rate financial instrument held by the Company at December 31, 2001, 2000, and 1999, which was subject to interest rate risk. Fixed rate financial instruments were not evaluated as the risk exposure is not material.

The Company's foreign currency forward contracts outstanding at December 31, 2001 include contracts to buy and/or sell British Pounds, European Euros, Swiss Francs, Australian Dollars, and Norwegian Kroner and included contracts to buy the U.S. dollar equivalent of \$260 million of foreign currency and contracts to sell the U.S. dollar equivalent of \$65 million of foreign currency. All foreign exchange contracts were related to specific transactions for which a commitment existed, therefore, the associated market risk of these financial instruments and the underlying commitments in the aggregate is not material.

Forward-Looking Statements

Certain statements made in this report, including any statements relating to the Company's future plans, objectives, and projected future financial performance, contain or are based on forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Specifically, statements that are not historical facts, including statements accompanied by words such as "believe," "expect," "estimate," "intend," or "plan," variations of these words, and similar expressions, are intended to identify forward-looking statements and convey the uncertainty of future events or outcomes. The Company cautions readers that any such forward-looking statements are based on assumptions that the Company believes are reasonable, but are subject to a wide range of risks, and actual results may differ materially. Given these uncertainties, readers of

this report should not rely on forward-looking statements. Forward-looking statements also represent the Company's estimates and assumptions only as of the date that they were made. The Company expressly disclaims any current intention to provide updates to forward-looking statements, and the estimates and assumptions associated with them, after the date of this report. Important factors that could cause actual results to differ include, but are not limited to: risks associated with the continuing project obligations and retained assets and liabilities of RE&C including timely completion of two Massachusetts construction projects; differences in anticipated and actual program results; risks inherent with large long-term fixed price contracts, particularly the ability to contain cost growth; the ultimate resolution of contingencies and legal matters; the ability to realize anticipated cost efficiencies; timely development and certification of new aircraft; the effect of market conditions, particularly in relation to the general aviation and commuter aircraft markets; the impact of changes in the collateral values of financed aircraft, particularly commuter aircraft; the ability to finance ongoing operations at attractive rates; government customers' budgetary constraints; government import and export policies; termination of government contracts; financial and governmental risks related to international transactions; delays and uncertainties regarding the timing of the award of international programs; changes in government or customer priorities due to program reviews or revisions to strategic objectives; difficulties in developing and producing operationally advanced technology systems; economic, business, and political conditions domestically and internationally; program performance and timing of contract payments; the timing and customer acceptance of product deliveries; the outcome of the Company's efforts in the integration of acquisitions and the completion of any divestitures; and the impact of competitive products and pricing; among other things. Further information regarding the factors that could cause actual results to differ materially from projected results can be found in the Company's filings with the Securities and Exchange Commission, including "Item 1-Business" in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

Raytheon Company Consolidated Balance Sheets

(In millions except share amounts)

December 31, 2001 December 31, 2000

Assets		
Current assets		
Cash and cash equivalents	\$ 1,214	\$ 871
Accounts receivable, less allowance for doubtful accounts of \$22 in 2001 and \$23 in 2000	481	505
Contracts in process	3,492	4,061
Inventories	2,174	1,908
Deferred federal and foreign income taxes	691	476
Prepaid expenses and other current assets	310	178
Net assets from discontinued operations	--	14
Total current assets	8,362	8,013
Property, plant, and equipment, net	2,353	2,491
Goodwill, net of accumulated amortization of \$1,628 in 2001 and \$1,285 in 2000	12,298	13,281
Prepaid pension	2,026	1,694
Other assets, net	1,597	1,298
Total assets	\$ 26,636	\$ 26,777
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current portion of long-term debt	\$ 1,364	\$ 877
Advance payments, less contracts in process of \$1,213 in 2001 and \$1,699 in 2000	883	1,135
Accounts payable	937	1,099
Accrued salaries and wages	596	549
Other accrued expenses	1,491	1,205
Net liabilities from discontinued operations	482	--
Total current liabilities	5,753	4,865
Accrued retiree benefits	682	753
Deferred federal and foreign income taxes	578	773
Other long-term liabilities	601	509
Long-term debt	6,875	9,054
Mandatorily redeemable equity securities	857	--
Commitments and contingencies (note M)		
Stockholders' equity		
Preferred stock, par value \$0.01 per share, 200,000,000 shares authorized, none outstanding in 2001 and 2000		
Common stock, par value \$0.01 per share, 1,450,000,000 shares authorized, 395,432,000 and 340,620,000 shares outstanding in 2001 and 2000, respectively, after deducting 4,000 and 1,537,000 treasury shares in 2001 and 2000, respectively	4	3
Additional paid-in capital	7,723	6,477
Accumulated other comprehensive income	(212)	(106)
Treasury stock, at cost	(1)	(382)
Retained earnings	3,776	4,831
Total stockholders' equity	11,290	10,823
Total liabilities and stockholders' equity	\$ 26,636	\$ 26,777

The accompanying notes are an integral part of the financial statements.

Raytheon Company Consolidated Statements of Income

(In millions except per share amounts)	Years Ended December 31: 2001			2000	1999
Net sales	\$ 16,867	\$ 16,895	\$ 17,201		
Cost of sales	14,401	13,530	13,684		
Administrative and selling expenses	1,232	1,214	1,417		
Research and development expenses	475	526	508		
Total operating expenses	16,108	15,270	15,609		
Operating income	759	1,625	1,592		
Interest expense, net	660	736	703		
Other (income) expense, net	(18)	12	(9)		
Non-operating expense, net	642	748	694		
Income from continuing operations before taxes	117	877	898		
Federal and foreign income taxes	112	379	396		
Income from continuing operations	5	498	502		
Discontinued operations					
Loss from discontinued operations, net of tax	--	(70)	(45)		
Loss on disposal of discontinued operations, net of tax	(752)	(287)	--		
	(752)	(357)	(45)		
Income (loss) before extraordinary item and accounting change	(747)	141	457		
Extraordinary loss from debt repurchases, net of tax	(16)	--	--		
Cumulative effect of change in accounting principle, net of tax	--	--	(53)		
Net income (loss)	\$ (763)	\$ 141	\$ 404		
Earnings per share from continuing operations					
Basic	\$ 0.01	\$ 1.47	\$ 1.49		
Diluted	0.01	1.46	1.47		
Earnings (loss) per share					
Basic	\$ (2.14)	\$ 0.42	\$ 1.20		
Diluted	(2.11)	0.41	1.19		

The accompanying notes are an integral part of the financial statements.

Raytheon Company Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2001, 2000, and 1999 (In millions except per share amounts)	Common Stock	Additional Paid-in Capital	Accumulated Other Compre- hensive Income	Treasury Stock	Retained Earnings	Compre- hensive Income	Total Stockholders' Equity
Balance at December 31, 1998	\$ 3	\$ 6,272	\$ (50)	\$ (257)	\$ 4,829		\$ 10,797
Net income					404	\$ 404	404
Other comprehensive income							
Foreign exchange translation adjustments						(13)	(13)
Unrealized losses on investments						(6)	(6)
Other comprehensive income			(19)			(19)	
Comprehensive income--1999						\$ 385	
Dividends declared--\$0.80 per share					(270)		(270)
Common stock plan activity		203					203
Treasury stock activity				(156)			(156)
Balance at December 31, 1999	3	6,475	(69)	(413)	4,963		10,959
Net income					141	\$ 141	141
Other comprehensive income							
Foreign exchange translation adjustments						(36)	(36)
Unrealized losses on investments						(1)	(1)
Other comprehensive income			(37)			(37)	
Comprehensive income--2000						\$ 104	
Dividends declared--\$0.80 per share					(273)		(273)
Common stock plan activity		17					17
Treasury stock activity		(15)		31			16
Balance at December 31, 2000	3	6,477	(106)	(382)	4,831		10,823
Net loss					(763)	\$ (763)	(763)
Other comprehensive income							
Minimum pension liability adjustment						(100)	(100)
Foreign exchange translation adjustments						(4)	(4)
Unrealized losses on interest-only strips						(2)	(2)
Other comprehensive income			(106)			(106)	
Comprehensive income--2001						\$ (869)	
Dividends declared--\$0.80 per share					(292)		(292)
Issuance of common stock	1	1,363					1,364
Common stock plan activity		36					36
Treasury stock activity		(153)		381			228
Balance at December 31, 2001	\$ 4	\$ 7,723	\$ (212)	\$ (1)	\$ 3,776		\$ 11,290

The accompanying notes are an integral part of the financial statements.

Raytheon Company Consolidated Statements of Cash Flows

(In millions)	Years Ended December 31:		
	2001	2000	1999
Cash flows from operating activities			
Income from continuing operations	\$ 5	\$ 498	\$ 502
Adjustments to reconcile income from continuing operations to net cash from operating activities, net of the effect of divestitures			
Depreciation and amortization	729	694	699
Net gain on sales of operating units and investments	(74)	(35)	(23)
(Increase) decrease in accounts receivable	(13)	311	(277)
Decrease (increase) in contracts in process	569	21	(377)
Increase in inventories	(344)	(78)	(178)
(Increase) decrease in deferred federal and foreign income taxes	(216)	14	350
(Increase) decrease in prepaid expenses and other current assets	(72)	38	16
(Decrease) increase in advance payments	(252)	(114)	313
Decrease in accounts payable	(135)	(167)	(372)
Increase (decrease) in accrued salaries and wages	58	59	(153)
Increase (decrease) in other accrued expenses	242	(222)	(419)
Other adjustments, net	271	41	(177)
Net cash provided by (used in) operating activities from continuing operations	768	1,060	(96)
Net cash used in operating activities from discontinued operations	(635)	(100)	(221)
Net cash provided by (used in) operating activities	133	960	(317)
Cash flows from investing activities			
Sale of financing receivables	367	776	1,239
Origination of financing receivables	(663)	(969)	(1,438)
Collection of financing receivables not sold	121	101	83
Expenditures for property, plant, and equipment	(486)	(431)	(524)
Proceeds from sales of property, plant, and equipment	9	40	102
Expenditures for internal use software	(155)	(111)	(110)
Increase in other assets	(6)	(19)	(11)
Proceeds from sales of operating units and investments	266	330	251
Hughes Defense settlement	500	-	-
Net cash used in investing activities from continuing operations	(47)	(283)	(408)
Net cash provided by investing activities from discontinued operations	-	70	9
Net cash used in investing activities	(47)	(213)	(399)
Cash flows from financing activities			
Dividends	(281)	(272)	(269)
(Decrease) increase in short-term debt	(713)	(2,093)	771
(Decrease) increase in long-term debt	(999)	2,255	10
Issuance of equity security units	837	-	-
Issuance of common stock	1,388	-	-
Proceeds under common stock plans	25	4	164
Purchase of treasury stock	-	-	(150)
Net cash provided by (used in) financing activities from continuing operations	257	(106)	526
Net cash used in financing activities from discontinued operations	-	-	(1)
Net cash provided by (used in) financing activities	257	(106)	525
Net increase (decrease) in cash and cash equivalents	343	641	(191)
Cash and cash equivalents at beginning of year	871	230	421
Cash and cash equivalents at end of year	\$ 1,214	\$ 871	\$ 230

The accompanying notes are an integral part of the financial statements.

Notes to Consolidated Financial Statements

Note A: Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Raytheon Company (the "Company") and all wholly-owned and majority-owned domestic and foreign subsidiaries. All material intercompany transactions have been eliminated. Certain prior year amounts have been reclassified to conform with the current year presentation.

Revenue Recognition

Sales under long-term contracts are recorded under the percentage of completion method. Costs and estimated gross margins are recorded as sales as work is performed based on the percentage that incurred costs bear to estimated total costs utilizing the most recent estimates of costs and funding. Some contracts contain incentive provisions based upon performance in relation to established targets which are recognized in the contract estimates when deemed realizable. Contract change orders and claims are included in sales when they can be reasonably estimated and realization is probable. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting earnings applicable to performance in prior periods in the current period. When the current contract estimate indicates a loss, provision is made for the total anticipated loss in the current period.

Revenue from sales of products and services into commercial markets are recognized at the time the products are shipped or the services are rendered.

Revenue from aircraft sales are recognized at the time of physical delivery of the aircraft. Revenue from certain qualifying non-cancelable aircraft lease contracts are accounted for as sales-type leases. The present value of all payments, net of executory costs, are recorded as revenue, and the related costs of the aircraft are charged to cost of sales. Associated interest, using the interest method, is recorded over the term of the lease agreements. All other leases for aircraft are accounted for under the operating method wherein revenue is recorded as earned over the rental aircraft lives. Service revenue is recognized ratably over contractual periods or as services are performed.

Lot Accounting

The Company uses lot accounting for new aircraft introductions. Lot accounting involves selecting an initial lot size at the time a new aircraft begins to ship and measuring an average cost over the entire lot for each aircraft sold. The costs attributed to aircraft delivered are based on the estimated average cost of all aircraft expected to be produced and are determined under the learning curve concept which anticipates a predictable decrease in unit costs as tasks and production techniques become more efficient through repetition. The estimated average cost of the aircraft is reviewed and reassessed quarterly and changes in estimates are recognized over future deliveries remaining in the lot. Once production costs stabilize, the use of lot accounting is discontinued. The Company determines lot size based on several factors, including the size of firm backlog, the expected annual production on the aircraft, and experience on similar new aircraft. The size of the initial lot for the Premier I is 200 units.

Research and Development Expenses

Expenditures for company-sponsored research and development projects are expensed as incurred. Customer-sponsored research and development projects performed under contracts are accounted for as contract costs as the work is performed.

Federal and Foreign Income Taxes

The Company and its domestic subsidiaries provide for federal income taxes on pretax accounting income at rates in effect under existing tax law. Foreign subsidiaries have recorded provisions for income taxes at applicable foreign tax rates in a similar manner.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term, highly liquid investments with original maturities of 90 days or less.

Contracts in Process

Contracts in process are stated at cost plus estimated profit but not in excess of realizable value.

Inventories

Inventories at Raytheon Aircraft are stated at the lower of cost (principally last-in, first-out) or market. All other inventories are stated at cost (principally first-in, first-out or average cost) but not in excess of realizable value.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Major improvements are capitalized while expenditures for maintenance, repairs, and minor improvements are charged to expense. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income.

Provisions for depreciation are generally computed on a combination of accelerated and straight line methods. Depreciation provisions are based on estimated useful lives as follows: buildings - 20 to 45 years, machinery and equipment - 3 to 10 years, and equipment leased to others - 5 to 10 years. Leasehold improvements are amortized over the lesser of the remaining life of the lease or the estimated useful life of the improvement.

Goodwill

Goodwill is amortized on the straight-line method over its estimated useful life, principally 40 years. Effective January 1, 2002, the Company will discontinue the amortization of goodwill as required by SFAS No. 142, described below.

Impairment of Long-lived Assets

Upon indication of possible impairment, the Company evaluates the recoverability of long-lived assets, including goodwill, by measuring the carrying amount of the assets against the related estimated undiscounted future cash flows. When an evaluation indicates that the future undiscounted cash flows are not sufficient to recover the carrying value of the asset, the asset is adjusted to its estimated fair value.

In 2001, the Company recorded a charge of \$693 million, which was included in cost of sales, related to the commuter aircraft business. The charge included \$195 million for the impairment of property, plant, and equipment and long-term receivables.

Computer Software

Internal use computer software is stated at cost less accumulated amortization and is amortized using the straight-line method over its estimated useful life ranging from 4 to 10 years.

Investments

Investments, which are included in other assets, include equity ownership of 20 percent to 50 percent in affiliated companies and of less than 20 percent in other companies. Investments in affiliated companies are accounted for under the equity method, wherein the Company's share of net earnings are included in income. Investments with readily determinable market prices are stated at fair value. Other investments are stated at cost.

Comprehensive Income

Comprehensive income and its components are presented in the statement of stockholders' equity. The minimum pension liability adjustment is shown net of tax benefits of \$54 million in 2001. The unrealized losses on interest-only strips are shown net of tax benefits of \$1 million in 2001 and the balance at December 31, 2001 was \$2 million. The unrealized losses on investments are shown net of tax benefits of \$3 million in 1999.

Translation of Foreign Currencies

Assets and liabilities of foreign subsidiaries are translated at current exchange rates and the effects of these translation adjustments are reported as a component of accumulated other comprehensive income in stockholders' equity. Deferred taxes are not recognized for translation-related temporary differences of foreign subsidiaries whose undistributed earnings are considered to be permanently invested. The balance at December 31, 2001 and 2000, was \$(89) million and \$(85) million, respectively. Foreign exchange transaction gains and losses in 2001, 2000, and 1999 were not material.

Pension Costs

The Company has several pension and retirement plans covering the majority of employees, including certain employees in foreign countries. Annual charges to income are made for the cost of the plans, including current service costs, interest on projected benefit obligations, and net amortization and deferrals, increased or reduced by the return on assets. Unfunded accumulated benefit obligations are accounted for as a long-term liability. The Company funds annually those pension costs which are calculated in accordance with Internal Revenue Service regulations and standards issued by the Cost Accounting Standards Board. The minimum pension liability adjustment is reported as a component of accumulated other comprehensive income in stockholders' equity. The balance at December 31, 2001 and 2000 was \$(120) million and \$(20) million, respectively.

Interest Rate and Foreign Currency Contracts

The Company meets its working capital requirements with a combination of variable rate short-term and fixed rate long-term financing. The Company enters into interest rate swap agreements with commercial and investment banks primarily to manage interest rates associated with the Company's financing arrangements. The Company also enters into foreign currency forward contracts with commercial banks only to fix the dollar value of specific commitments and payments to international vendors and the value of foreign currency denominated receipts. The hedges used by the Company are transaction driven and are directly related to a particular asset, liability, or transaction for which a commitment is in place. These instruments are executed with credit-worthy institutions and the majority of the foreign currencies are denominated in currencies of major industrial countries. The Company does not hold or issue financial instruments for trading or speculative purposes.

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), as amended. This accounting standard requires that all derivative instruments be reported on the balance sheet at fair value and that changes in a derivative's fair value be recognized currently in earnings unless specific hedge criteria are met. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in earnings when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. At January 1, 2001, the previously designated cash flow hedging instruments were recorded at their fair value as a cumulative effect of adoption in other comprehensive income of \$3 million.

Fair Value of Financial Instruments

The estimated fair value of certain financial instruments, including cash, cash equivalents, and short-term debt approximates the carrying value due to their short maturities and varying interest rates. The estimated fair value of notes receivable approximates the carrying value based principally on the underlying interest rates and terms, maturities, collateral, and credit status of the receivables. The estimated fair value of investments, other than those accounted for under the cost or equity method, are based on quoted market prices. Unrealized gains and losses on securities classified as available for sale are reported as a component of accumulated other comprehensive income in stockholders' equity. The balance at December 31, 2001 and 2000 was \$(1) million. The estimated fair value of long-term debt, which approximates the carrying value, is based on quoted market prices.

Estimated fair values for financial instruments are based on pricing models using current market information. The amounts realized upon settlement of these financial instruments will depend on actual market conditions during the remaining life of the instruments.

Employee Stock Plans

Proceeds from the exercise of stock options under employee stock plans are credited to common stock at par value and the excess is credited to additional paid-in capital. There are no charges or credits to income for stock options. The fair value at the date of award of restricted stock is credited to common stock at par value and the excess is credited to additional paid-in capital. The fair value is charged to income as compensation expense over the vesting period. Income tax benefits arising from employees' premature disposition of stock option shares and exercise of nonqualified stock options are credited to

additional paid-in capital. The pro forma net income and earnings per share effect of the fair value based method of accounting for employee stock options are disclosed in Note N, Employee Stock Plans.

Accounting Standards

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144). This accounting standard, which is effective for fiscal years beginning after December 31, 2001, requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS No. 144 expands the scope of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and will be eliminated from ongoing operations in a disposal transaction. Except for the fact that discontinued operations will likely include more disposition activity than previously reported, the adoption of SFAS No. 144 is not expected to have a material effect on the Company's financial position or results of operations.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). This accounting standard addresses financial accounting and reporting for goodwill and other intangible assets and requires that goodwill amortization be discontinued and replaced with periodic tests of impairment. A two-step impairment test is used to first identify potential goodwill impairment and then measure the amount of goodwill impairment loss, if any. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, and is required to be applied at the beginning of the fiscal year. Impairment losses that arise due to the initial application of this standard will be reported as a cumulative effect of a change in accounting principle. The first step of the goodwill impairment test, which must be completed within six months of the effective date of this standard, will identify potential goodwill impairment. The second step of the goodwill impairment test, which must be completed prior to the issuance of the annual financial statements, will measure the amount of goodwill impairment loss, if any. The Company has not completed its analysis of the effect of adopting SFAS No. 142, however, the Company already expects that this analysis will result in a goodwill impairment loss of at least \$400 million in the first quarter of 2002 related to AIS. Completion of this analysis could result in additional impairment losses. As of January 1, 2002, the Company will no longer amortize goodwill which

will decrease the Company's effective tax rate due to the significant amount of non-deductible goodwill. The Company recorded \$362 million pretax, or approximately \$336 million after-tax, \$365 million pretax, or approximately \$337 million after-tax, and \$366 million pretax, or approximately \$338 million after-tax, of goodwill amortization in 2001, 2000, and 1999, respectively.

Effective January 1, 1999, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-5, Reporting on the Costs of Start-Up Activities (SOP 98-5). This accounting standard requires that certain start-up and pre-contract costs be expensed as incurred. The Company recorded a first quarter 1999 charge of \$53 million after-tax, or \$0.16 per diluted share, reflecting the initial application of SOP 98-5 and the cumulative effect of the change in accounting principle as of January 1, 1999.

Risks and Uncertainties

The Company is engaged in supplying defense-related equipment to the U.S. and foreign governments, and is subject to certain business risks peculiar to that industry. Sales to the government may be affected by changes in procurement policies, budget considerations, changing concepts of national defense, political developments abroad, and other factors.

The Company also leverages its defense technologies in commercial markets. Risks inherent in the commercial marketplace include development of competing products, technological feasibility, market acceptance, and product obsolescence.

The highly competitive market for business and special mission aircraft is also subject to certain business risks. These risks include timely development and certification of new product offerings, the current state of the general aviation and commuter aircraft markets, and government regulations affecting commuter aircraft.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note B: Discontinued Operations

In 2000, the Company sold its engineering and construction business to Washington Group International (WGI) for \$73 million in cash plus assumption of debt and other obligations. At the time of the sale, the Company had, either directly or through a subsidiary that it still owns, outstanding letters of credit, performance bonds, and parent guarantees of performance and payment (the "Support Agreements") on many long-term construction contracts. The Support Agreements were provided to owners at the time of contract award as security to the owners for the underlying contract obligations. Often the total security was capped at the value of the contract price to secure full performance, including the payment of liquidated damages available under the contract. At the time of the sale to WGI, Raytheon Engineers & Constructors (RE&C) had outstanding contracts with total values in excess of \$5 billion in various stages of completion. At December 31, 2001, the amount of letters of credit, performance bonds, and parent guarantees, for which there were stated values, that remained outstanding was \$419 million, \$377 million, and \$31 million, respectively, however, additional guarantees of project performance for which there is no stated value also remain outstanding. Of these amounts, \$104 million of letters of credit and \$276 million of performance bonds relate to projects assumed by WGI post-bankruptcy (see below). Some of these contingent obligations and guarantees include warranty provisions and extend for a number of years.

In March 2001, WGI abandoned two Massachusetts construction projects, triggering the Company guarantees to the owners. The Company honored the guarantees and commenced work on these projects. In August 2001, the Company completed its estimated cost to complete (ETC) for the two projects and recorded a charge of \$633 million, net of cash receipts. In January 2002, the Company announced an additional charge of \$100 million for increased cost estimates due to labor productivity deterioration and schedule delays. Labor productivity deteriorated further in late January, February, and early March 2002, necessitating an additional \$81 million charge, bringing the total fourth quarter 2001 charge to \$181 million, and the total 2001 charge to \$814 million. The current ETC is based upon a productivity assumption that is consistent with the Company's recent performance on both projects. Further deterioration in labor productivity or additional schedule delays could have a material adverse effect on the Company's financial position and results of operations. The Company expects to complete construction on the two projects in 2002. Going forward, an additional 10 percent reduction in labor productivity would increase the ETC by approximately \$20 million, while additional schedule delays will result in liquidated damages of up to \$600,000 per day.

In March 2001, WGI sued the Company alleging breach of contract and fraud in connection with the sale of RE&C. WGI also sought specific performance of the purchase agreement's purchase price adjustment provisions. In May 2001, WGI filed for bankruptcy protection. In August 2001, WGI filed in bankruptcy a fraudulent transfer action directed at the Company. In January 2002, the Company and WGI executed a settlement agreement and WGI's reorganization plan became effective. Appeals have been filed challenging the bankruptcy court's orders approving WGI's reorganization plan and approving the settlement agreement, however, the settlement agreement is now effective and is being implemented. Under the terms of the settlement agreement, the purchase price adjustment process, the matters in arbitration, and the fraudulent transfer lawsuit filed by WGI were dismissed, with prejudice, and neither party paid any amounts to the other. As part of the settlement agreement, the Company also dropped its claims that had been pending against WGI's bankruptcy estate.

In the course of the bankruptcy proceeding, WGI rejected some ongoing construction contracts and assumed others. For those contracts rejected, the Company's obligation to owners depends on the extent to which the Company has any outstanding Support Agreements. For those contracts WGI assumed, the Company does not currently have obligations to the owners unless and until WGI fails to complete those contracts and any of the Support Agreements are required to be honored. As part of the settlement with WGI, WGI agreed to indemnify the Company for any payments made by the Company under the Support Agreements covering contracts assumed by WGI; and WGI posted a \$10 million bank letter of credit in favor of the Company to cover any payments the Company is required to make under the Support Agreements on contracts assumed by WGI.

The WGI rejected contracts included four large fixed price international turnkey projects that were close to completion. Of the four projects, construction has been completed on three, which are now in the claims resolution phase. The fourth is nearing completion. Additional risks and exposures on the three completed projects are final resolution of contract closeout issues. Additional risks and exposures on the fourth project include labor productivity, equipment performance, and schedule delays. In 2001, the Company recorded an additional loss on disposal of discontinued operations of \$54 million related to cost growth on these projects and the partial repayment of a loan on one project, a portion of which the Company had guaranteed.

In 2001, the Company recorded a charge of \$156 million to reflect the Company's estimate of exposure related to certain other WGI construction projects on which the Company has Support Agreements. Two of these projects have significant ongoing construction activity. The Company is paying to complete these projects pursuant to its guarantees and the Company will receive the benefit of the remaining contract payments from the owners. Additional risks and exposures on these two projects include labor productivity, equipment performance, and schedule delays. Additional risks and exposures on the other projects with Support Agreements include adverse claim resolution and non-performance on projects assumed by WGI and are subject to the letters of credit, performance bonds, and parent guarantees noted above.

The Company is heavily dependent upon third parties, including WGI, to perform construction management and other tasks that require industry expertise the Company no longer possesses. In addition, there are risks that the ultimate costs to complete and close out the projects will increase beyond the Company's current estimates due to factors such as labor productivity and availability of labor, the nature and complexity of the work to be performed, the impact of change orders, the recoverability of claims included in the ETC, and

the outcome of defending claims asserted against the Company. A significant change in an estimate on one or more of the projects could have a material adverse effect on the Company's financial position and results of operations.

The Company also wrote down the carrying value of certain retained assets and liabilities and recorded a net charge of \$71 million in 2001 due to WGI's bankruptcy and recorded a charge of \$48 million primarily for legal and management costs and interest expense related to discontinued operations.

The total loss from discontinued operations was \$1,143 million pretax, \$752 million after-tax, or \$2.08 per diluted share in 2001. In 2000, the Company recorded a loss on disposal of discontinued operations of \$415 million pretax, \$287 million after-tax, which included a gain on curtailment of the RE&C pension plans of \$35 million, and a loss from discontinued operations of \$98 million pretax, \$70 million after-tax, totaling \$513 million pretax, \$357 million after-tax, or \$1.05 per diluted share. The 1999 loss from discontinued operations was \$70 million pretax, \$45 million after-tax, or \$0.13 per diluted share.

The summary of operating results from discontinued operations was as follows:

(In millions)	2001	2000	1999
Net sales	\$ --	\$ 1,426	\$ 2,640
Operating expenses	--	1,515	2,705
Operating loss	--	(89)	(65)
Other expense, net	--	9	5
Loss before taxes	--	(98)	(70)
Federal and foreign income taxes	--	(28)	(25)
Loss from discontinued operations	\$ --	\$ (70)	\$ (45)

Net assets (liabilities) from discontinued operations consisted of the following at December 31:

(In millions)	2001	2000
Current assets	\$ --	\$ 164
Noncurrent assets	--	--
Current liabilities	(482)	(150)
Noncurrent liabilities	--	--
Total	\$(482)	\$ 14

Note C: Acquisitions and Divestitures

In 2001, the Company sold a majority interest in its aviation support business for \$154 million in cash and retained \$47 million in short-term trade receivables and \$66 million in preferred and common equity in the business. The Company also sold its recreational marine business for \$100 million. The net gain resulting from these dispositions was \$74 million.

In 2000, the Company sold its flight simulation business for \$160 million, its optical systems business for \$153 million, and other non-core business operations for \$17 million. The net gain resulting from these dispositions was \$35 million.

In 1999, the Company sold its Cedarapids subsidiary for \$170 million, other non-core business operations for \$49 million in cash and \$3 million in securities, and securities received as partial payment for previously divested businesses for \$32 million. The net gain resulting from these dispositions was \$23 million.

The Company merged with the defense business of Hughes Electronics Corporation (Hughes Defense) in December 1997. In October 2001, the Company and Hughes Electronics agreed to a settlement regarding the purchase price adjustment related to the Company's merger with Hughes Defense. Under the terms of the agreement, Hughes Electronics agreed to reimburse the Company approximately \$635 million of its purchase price, with \$500 million received in 2001, and the balance in received March 2002. The settlement resulted in a \$555 million reduction in goodwill. The \$135 million receivable is included in other current assets at December 31, 2001. The Company used the proceeds to pay down debt.

Note D: Restructuring and Special Charges

Restructuring charges and exit costs recognized in connection with business combinations include the cost of involuntary employee termination benefits and related employee severance costs, facility closures, and other costs associated with the Company's approved plans. Employee termination benefits include severance, wage continuation, medical, and other benefits. Facility closure and related costs include disposal costs of property, plant, and equipment, lease payments, lease termination costs, and net gain or loss on sales of closed facilities.

In 1999, the Company recorded the following restructuring charges, favorable adjustments to restructuring-related reserves, and special charges which were included in the statements of income and classified as a reduction in net sales or included in cost of sales, administrative and selling expenses, or other expense as indicated below:

(In millions)	Net Sales	Cost of Sales	and Selling Expenses	Other Expense	Total
Restructuring charges		\$ 128	\$9		\$ 137
Favorable adjustments to restructuring-related reserves		(65)			(65)
Special charges					
Iridium LLC	\$ 15	6		\$ 14	35
Korean business venture		33			33
Exit PRT business		6			6
Total	\$ 15	\$ 108	\$9	\$ 14	\$ 146

Exit Costs and Restructuring Charges

The Company acquired Texas Instruments' defense business (TI Defense) on July 11, 1997, merged with Hughes Defense on December 17, 1997, and created Raytheon Systems Company (RSC) in December 1997. In conjunction with the formation of RSC, the Company announced plans to reduce the then newly formed RSC workforce by 12,800 employees and reduce space by approximately 11 million square feet at 34 facilities through sales, subleases, and lease terminations. The principal actions involved the consolidation of missile and other electronics systems' manufacturing and engineering, as well as the consolidation of certain component manufacturing into Centers of Excellence. In 1998, the estimated number of employees terminations increased by approximately 1,200 employees, primarily comprised of manufacturing employees. Also in 1998, the Company committed to close two additional facilities and further reduce employment by approximately 1,400 positions.

Prior to 1999, the Company recorded restructuring charges of \$220 million, which were included in cost of sales. The Company also accrued \$584 million as liabilities assumed in connection with the acquisition of TI Defense and the merger with Hughes Defense and recorded this amount as an increase to goodwill.

In the third quarter of 1999, the Company recorded a \$35 million restructuring charge, which was included in cost of sales, for higher than originally estimated exit costs related to the TI Defense and Hughes Defense actions. The estimate for employee-related exit costs increased by \$27 million for higher than planned severance and other termination benefit costs. The estimate for facility-related exit costs increased by \$8 million for additional lease termination costs expected to be incurred. The Company also accrued \$12 million of exit costs as liabilities assumed in connection with a minor acquisition in 1999 and recorded this amount as an increase to goodwill.

In the fourth quarter of 1999, the Company determined that the cost of certain restructuring initiatives would be \$65 million lower than originally planned and recorded a favorable adjustment to cost of sales. The reduction in the estimated costs related to lower than anticipated costs for severance and facilities. The primary reasons for the reduction in severance costs included a shift in the composition of severed employees, higher attrition resulting in the need for fewer severed employees, and more employees transferring to other locations within the Company. The estimated costs related to facilities were lower than anticipated due to the identification of alternative uses for assets originally identified for disposition, lower de-installation costs, and more rapid exit from facilities.

Also in the third quarter of 1999, the Company recorded a \$102 million restructuring charge, of which \$93 million was included in cost of sales and \$9 million was included in administrative and selling expenses, to further reduce the workforce by 2,200 employees and vacate and dispose of an additional 2.7 million square feet of facility space, primarily at the Company's defense electronics businesses. Employee-related exit costs of \$55 million included severance and other termination benefit costs for manufacturing, engineering, and administrative employees. Facility-related exit costs of \$47 million included the costs for lease termination, building closure and disposal, and equipment disposition.

In 2000, the Company determined that the cost of certain restructuring initiatives would be lower than originally planned and recorded \$74 million of favorable adjustments to cost of sales. In addition, the Company recorded a \$12 million reduction in goodwill related to the restructuring initiatives. The estimate for employee-related exit costs decreased by \$45 million due to lower than anticipated costs for severance as a result of higher employee attrition and transfers with the Company during the year. The estimate for facility-related exit costs decreased by \$41 million due to more rapid exit from facilities, including two facilities sold during 2000 in connection with the divestiture of non-core business operations, and the identification of alternative uses for facilities originally identified for disposition.

During 2001, the Company determined that the cost of certain restructuring initiatives would be lower than originally planned and recorded an \$8 million favorable adjustment to cost of sales.

The restructuring and exit costs discussed above originally provided for severance and related benefits for approximately 17,600 employees and costs to vacate and dispose of approximately 14 million square feet of facility space. The Company was exiting facility space and terminating employees made redundant as a result of the acquisition of TI Defense and the merger with Hughes Defense and the subsequent reorganization of RSC. A significant portion of these costs are eligible for future recovery through the pricing of products and services to the U.S. government. There were no major activities that were not continued as a result of these actions.

Employee-related exit costs included severance and other termination benefit costs for employees in various functional areas including manufacturing, engineering, and administration. Facility-related exit costs included the costs for lease termination, building closure and disposal, and equipment disposition. Exit costs accrued in connection with the acquisition of TI Defense and the merger with Hughes Defense also included employee relocation and program moves. Owned facilities that were vacated in connection with the restructuring activities were sold. The Company terminated leases or subleased space for non-owned facilities vacated in connection with restructuring. The Company essentially completed all restructuring actions during 2000 except for ongoing idle facility costs. While these actions were intended to improve the Company's competitive position, there can be no assurances as to their ultimate success or that additional restructuring actions will not be required.

Exit Costs

(In millions except employee data)	2001	2000	1999
Accrued liability at beginning of year	\$ 47	\$ 144	\$ 399
Charges and liabilities accrued			
Severance and other employee-related costs	--	--	33
Facility closure and related costs	--	--	14
	--	--	47
Changes in estimate			
Severance and other employee-related costs	--	(7)	--
Facility closure and related costs	--	(5)	--
	--	(12)	--
Costs incurred			
Severance and other employee-related costs	3	56	130
Facility closure and related costs	27	29	172
	30	85	302
Accrued liability at end of year	\$ 17	\$ 47	\$ 144
Cash expenditures	\$ 18	\$ 85	\$ 302
Number of employee terminations due to restructuring actions	--	900	3,300
Number of square feet exited due to restructuring actions	--	1.6	4.6

Restructuring

(In millions except employee data)	2001	2000	1999
Accrued liability at beginning of year	\$ 28	\$ 130	\$ 164
Charges and liabilities accrued			
Severance and other employee-related costs	--	--	55
Facility closure and related costs	--	--	47
	--	--	102
Changes in estimate			

Severance and other employee-related costs	(4)	(38)	(20)
Facility closure and related costs	(4)	(36)	(45)
	(8)	(74)	(65)

Costs incurred			
Severance and other employee-related costs	6	17	36
Facility closure and related costs	7	11	35
	13	28	71

Accrued liability at end of year	\$ 7	\$ 28	\$ 130
=====			
Cash expenditures	\$ 8	\$ 28	\$ 71
Number of employee terminations due to restructuring actions	--	600	1,000
Number of square feet exited due to restructuring actions	--	1.2	1.6

In addition to the \$43 million, \$113 million, and \$373 million of restructuring and exit costs incurred in 2001, 2000, and 1999, respectively, the Company also incurred \$11 million, \$131 million, and \$265 million of capital expenditures and period expenses in 2001, 2000, and 1999, respectively, related to restructuring and consolidation activities. Note P, Business Segment Reporting, contains additional disclosures related to restructuring and exit costs and activities by segment.

The cumulative number of employee terminations due to restructuring actions for exit costs and restructuring was 7,600 and 4,800, respectively. The cumulative number of square feet exited due to restructuring actions for exit costs and restructuring was 8.2 million and 4.1 million, respectively.

During 2001, Raytheon Aircraft recorded a charge of \$15 million to eliminate 1,800 positions across various administrative, managerial, and production functions. Also during 2001, Commercial Electronics recorded a charge of \$2 million to eliminate 100 positions primarily across various administrative and engineering functions at its RF Components and ELCAN units. During 2000, the Company recorded an \$8 million restructuring charge to eliminate 100 positions

primarily at a foreign location. These actions were completed in 2001.

Special Charges

In 1999, the Company recorded a \$35 million special charge to write down its minority investment and receivables related to Iridium LLC, which filed for Chapter 11 protection from creditors on August 13, 1999. The Company also recorded a \$33 million special charge to write down inventory and receivables related to a Korean business venture and a \$6 million special charge to exit the personal rapid transit (PRT) business, including the costs to dispose of a test track.

Note E: Contracts in Process

Contracts in process consisted of the following at December 31, 2001:

(In millions)	Cost Type	Fixed Price	Total
U.S. government end-use contracts			
Billed	\$ 234	\$ 249	\$ 483
Unbilled	1,036	3,567	4,603
Less progress payments	-	(2,165)	(2,165)
	1,270	1,651	2,921
Other customers			
Billed	12	280	292
Unbilled	4	1,335	1,339
Less progress payments	-	(1,060)	(1,060)
	16	555	571
Total	\$ 1,286	\$ 2,206	\$ 3,492

Contracts in process consisted of the following at December 31, 2000:

(In millions)	Cost Type	Fixed Price	Total
U.S. government end-use contracts			
Billed	\$ 293	\$ 325	\$ 618
Unbilled	1,007	3,604	4,611
Less progress payments	(6)	(1,742)	(1,748)
	1,294	2,187	3,481
Other customers			
Billed	22	345	367
Unbilled	24	1,205	1,229
Less progress payments	-	(1,016)	(1,016)
	46	534	580
Total	\$ 1,340	\$ 2,721	\$ 4,061

The U.S. government has title to the assets related to unbilled amounts on contracts that provide for progress payments. Unbilled amounts are primarily recorded on the percentage of completion method and are recoverable from the customer upon shipment of the product, presentation of billings, or completion of the contract.

Included in contracts in process at December 31, 2001 and 2000 was approximately \$195 million and \$149 million, respectively, related to claims on contracts, which are recorded at their estimated realizable value. The Company believes that it has a contractual or legal basis for pursuing recovery of these claims, and that collection is probable. The settlement of these amounts depends on individual circumstances and negotiations with the counterparty, therefore, the timing of the collection will vary and approximately \$67 million of collections are expected to extend beyond one year.

Billed and unbilled contracts in process include retentions arising from contractual provisions. At December 31, 2001, retentions amounted to \$48 million and are anticipated to be collected as follows: 2002 - \$35 million, 2003 - \$4 million, and the balance thereafter.

Note F: Inventories

Inventories consisted of the following at December 31:

(In millions)	2001	2000
Finished goods	\$ 642	\$ 327
Work in process	1,244	1,191
Materials and purchased parts	441	529
Excess of current cost over LIFO value	(147)	(135)

	2,180	1,912
Less progress payments	(6)	(4)

Total	\$ 2,174	\$ 1,908
=====		

The gross value of inventory maintained on a last-in, first-out (LIFO) basis was \$1,065 million and \$1,082 million at December 31, 2001 and 2000, respectively. The value of inventory maintained on a first-in, first-out or average cost basis was \$1,262 million and \$965 million at December 31, 2001 and 2000, respectively. The liquidation of certain LIFO layers decreased cost of sales by \$5 million and \$8 million in 2000 and 1999, respectively.

Note G: Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at December 31:

(In millions)	2001	2000

Land	\$ 82	\$ 75
Buildings and leasehold improvements	1,878	1,920
Machinery and equipment	2,972	2,522
Equipment leased to others	101	388

	5,033	4,905
Less accumulated depreciation and amortization	(2,680)	(2,414)

Total	\$ 2,353	\$ 2,491
=====		

Depreciation expense was \$308 million, \$276 million, and \$283 million in 2001, 2000, and 1999, respectively. Accumulated depreciation of equipment leased to others was \$50 million and \$21 million at December 31, 2001 and 2000, respectively. Future minimum lease payments from non-cancelable aircraft operating leases, which extend to 2014, amounted to \$72 million.

At December 31, 2001, these payments were due as follows:

(In millions)	2002	\$ 18
	2003	14
	2004	10
	2005	7
	2006	4
	Thereafter	19

Note H: Other Assets

Other assets consisted of the following at December 31:

(In millions)	2001	2000
Computer software	\$ 348	\$ 245
Employee benefit-related items	290	243
Investments	183	193
Long-term receivables		
Due from customers in installments to 2014	419	197
Sales-type leases, due in installments to 2014	29	41
Other, principally due through 2008	46	12
Other noncurrent assets	282	367
Total	\$ 1,597	\$ 1,298

The increase in computer software was 2001 was due to the Company's conversion of significant portions of its existing financial systems to a new integrated financial package. Accumulated amortization of computer software was \$210 million and \$133 million at December 31, 2001 and 2000, respectively.

Investments consisted of the following at December 31:

(In millions)	Ownership %	2001	2000
Equity method investments:			
Space Imaging	30.9	\$ 48	\$ 65
Raytheon Espana	49.0	38	29
HRL	33.3/(1)/	28	35
Thales Raytheon Systems	50.0	18	-
Indra	49.0	12	12
Hughes Saudi Arabia	49.0	7	6
		151	147
Other investments:			
Alliance Laundry Systems		19	19
Other		13	27
		32	46
Total		\$ 183	\$ 193

/(1)/The Company sold 17.7 percent of its investment in HRL in 2001.

In 1994, the Company invested in Space Imaging and currently has a 31 percent equity investment in Space Imaging LLC. Since 1996, the Company has guaranteed a portion of Space Imaging's debt and currently guarantees 50 percent of a \$300 million Space Imaging loan facility that matures in 2003. There was \$279 million of Space Imaging borrowings outstanding under this facility at December 31, 2001. To date, Space Imaging has purchased a significant amount of equipment from its primary investors, including the Company. The Company's investment in and other assets related to Space Imaging totaled \$84 million at December 31, 2001. Space Imaging is pursuing its business plan, including assessments relative to future investment in replacement satellites and related financing requirements, and the Company, as an investor and partner, is working with its other partners and Space Imaging in this regard.

During 2001, the Company formed a joint venture, Thales Raytheon Systems, that has two major operating subsidiaries, one of which the Company controls and consolidates. In addition, the Company enters into joint ventures whereby the Company receives a subcontract from the joint venture in its capacity as prime contractor. Accordingly, the Company records the work it performs for the joint venture as operating activity. Certain joint ventures are not included in the table above as the Company's investment in these entities is less than \$1 million.

In 2001, the Company sold a majority interest in its aviation support business and retained \$66 million in preferred and common equity in the business. The \$66 million represents a 26 percent stake and is recorded at zero because the new entity is highly-leveraged. This investment will remain at zero until the new entity generates enough cash flow to show that the new entity will be able to liquidate the Company's investment after satisfying its third party debt service payments. The Company also has a 20 percent equity investment in Exostar LLC. Due to equity method losses recorded since formation, substantially all of the Company's investment in Exostar has been written off.

In 2001, the Company announced its intention to form a joint venture with Flight Options, Inc. whereby the Company will contribute its Raytheon Travel Air fractional ownership business. Raytheon Travel Air customers have the contractual ability to require the Company to buy back their fractional share based on the then current fair market value. The estimated value of this potential obligation, which will be assumed by Flight Options in connection with the formation of the joint venture, was approximately \$475 million at December 31, 2001.

The Company provides long-term financing to its aircraft customers. Long-term receivables include commuter airline receivables of \$193 million and \$115 million at December 31, 2001 and 2000, respectively. The underlying aircraft serve as collateral for the general aviation and commuter aircraft receivables.

The Company maintains an ongoing program under which an indirect subsidiary of the Company sells general aviation and commuter aircraft long-term receivables to Raytheon Aircraft Receivables Corporation (RARC), a special

purpose entity. RARC is a separate legal entity with its own creditors that, upon liquidation of RARC, will be satisfied out of RARC's assets prior to any amounts becoming available to its equity holders. RARC sells undivided interests in the receivables to a bank syndicate and other financial institutions that purchase these interests for cash under a \$1.8 billion receivables purchase facility (the "Aircraft Receivables Facility") that contains covenants requiring the maintenance of certain financial ratios and requires cash collateral in the event of a downgrade in the Company's debt rating. The purchasers have a first priority claim on all proceeds, including the underlying aircraft and any insurance proceeds, and have recourse against the Company, at varying percentages, depending on the character of the receivables sold. The recourse percentages are: U.S. general aviation and certain international general aviation receivables - 25 percent; certain international general aviation and U.S. commuter receivables - 75 percent; and international commuter receivables - 90 percent. For the general aviation and commuter aircraft long-term receivables, the underlying aircraft serve as collateral for the aircraft receivables, and the future resale value of the aircraft is an important consideration in the transaction.

In 2001, the Company recorded a charge of \$693 million related to the commuter aircraft business. This was a result of continued weakness in the commuter aircraft market and the impact of September 11, 2001. The charge consisted of an impairment charge for commuter aircraft and the establishment of a \$345 million reserve for estimated exposures on customer financed assets due to defaults, refinancings, and remarketing of used aircraft.

The (loss) gain resulting from the sale of receivables was \$(7) million, \$3 million, and \$(3) million in 2001, 2000, and 1999, respectively. The outstanding balance of receivables sold under the Aircraft Receivables Facility was \$1,448 million at December 31, 2001, of which \$327 million represented past due amounts (including \$301 million of commuter receivables), on which the Company's recourse obligation was \$1,097 million. The outstanding balance of receivables sold under the Aircraft Receivables Facility was \$1,755 million at December 31, 2000, of which \$242 million represented past due amounts (including \$154 million of commuter receivables), on which the Company's recourse obligation was \$1,302 million.

When the Company sells receivables, it retains interest-only strips and servicing rights and receives a servicing fee. Any gain or loss on the sale of receivables depends, in part, on the carrying amount of the receivables sold allocated between the receivables and the retained interests, based on their relative fair value at the date of sale and is recognized in the period in which the sale occurs. The retained interests, which are not material, include interest-only strips, servicing rights, and subordinated certificates, and are recorded at estimated fair value. The Company estimates fair value based on the present value

of expected future cash flows using the Company's best estimates of the key assumptions commensurate with the risks involved including credit losses, prepayment timing, forward yield curves, and discount rates. The Company's retained interests are subject to credit, prepayment, and interest rate risks on the receivables sold.

Note I: Notes Payable and Long-term Debt

(In millions)	2001	2000
Notes payable at a weighted average interest rate of 2.54% for 2001 and 5.90% for 2000	\$ 167	\$ 26
Current portion of long-term debt	1,197	851
Notes payable and current portion of long-term debt	1,364	877
Notes due 2001, 5.95%, not redeemable prior to maturity	--	500
Notes due 2001, floating rate, 7.09%, not redeemable prior to maturity	--	350
Notes due 2002, 6.45%, not redeemable prior to maturity	997	991
Notes due 2002, floating rate, 7.37%, not redeemable prior to maturity	200	200
Notes due 2003, 5.70%, not redeemable prior to maturity	377	398
Notes due 2003, 7.90%, not redeemable prior to maturity	773	797
Notes due 2005, 6.30%, not redeemable prior to maturity	437	448
Notes due 2005, 6.50%, not redeemable prior to maturity	685	740
Notes due 2006, 8.20%, redeemable at any time	797	845
Notes due 2007, 6.75%, redeemable at any time	916	970
Notes due 2008, 6.15%, redeemable at any time	550	745
Notes due 2010, 6.00%, redeemable at any time	231	249
Notes due 2010, 6.55%, redeemable at any time	256	298
Notes due 2010, 8.30%, redeemable at any time	397	397
Debentures due 2018, 6.40%, redeemable at any time	413	544
Debentures due 2018, 6.75%, redeemable at any time	272	346
Debentures due 2025, 7.375%, redeemable after 2005	205	364
Debentures due 2027, 7.20%, redeemable at any time	357	467
Debentures due 2028, 7.00%, redeemable at any time	184	248
Other notes with varying interest rates	25	8
Less installments due within one year	(1,197)	(851)
Long-term debt	6,875	9,054
Total debt issued and outstanding	\$ 8,239	\$ 9,931

The debentures due in 2025 are redeemable at the option of the Company after July 15, 2005 at redemption prices no greater than 103 percent of par. The notes and debentures redeemable at any time are at redemption prices equal to the present value of remaining principal and interest payments.

In 2001, the Company repurchased long-term debt with a par value of \$1.4 billion and recorded an extraordinary loss of \$24 million pretax, \$16 million after-tax, or \$0.04 per diluted share.

In 2001, the Company entered into various interest rate swaps that correspond to a portion of the Company's fixed rate debt. The total notional value of the interest rate swaps, which expire on various dates between July 2005 and August 2007, is \$1.2 billion, effectively converting 15 percent of the Company's total debt to variable interest rates. Under the interest rate swaps, the Company pays a variable rate of interest based on 3-month LIBOR and receives fixed rates of interest ranging from 4.4% to 5.8%. Variable interest rates are reset quarterly and the net interest amounts are paid semiannually.

In 2000, the Company issued \$2.25 billion of long-term debt to repay outstanding short-term debt, extending the maturity of the Company's debt obligations. In 2000, the Company issued \$350 million of floating rate notes due in 2001 to partially refinance \$500 million of long-term debt that matured in 2000.

The aggregate amounts of installments due on long-term debt for the next five years are:

(In millions)	2002	\$
	2003	1,154
	2004	--
	2005	1,122
	2006	797

Lines of credit with certain commercial banks exist to provide short-term liquidity. The lines of credit bear interest based upon LIBOR and were \$2.4 billion at December 31, 2001, consisting of \$140 million which matures in May 2002, \$1.0 billion which matures in November 2002, and \$1.3 billion which matures in 2006. The lines of credit were \$3.0 billion at December 31, 2000. There was \$140 million outstanding under the lines of credit at December 31, 2001. There were no borrowings under the lines of credit at December 31, 2000. Credit lines with banks were also maintained by certain foreign subsidiaries to provide them with a limited amount short-term liquidity. These lines of credit were \$129 million and \$147 million at December 31, 2001 and 2000, respectively. There was \$26 million outstanding under these lines of credit at December 31, 2001 and 2000. Compensating balance arrangements are not material.

The principal amounts of long-term debt were reduced by debt issue discounts and interest rate hedging costs of \$84 million and \$105 million, respectively, on the date of issuance, and are reflected as follows at December 31:

(In millions)	2001	2000
---------------	------	------

Principal	\$ 8,162	\$ 10,033
Unamortized issue discounts	(41)	(60)
Unamortized interest rate hedging costs	(49)	(68)
Installments due within one year	(1,197)	(851)
Total	\$ 6,875	\$ 9,054

The Company's most restrictive bank agreement covenant is an interest coverage ratio that currently requires earnings before interest, taxes, depreciation, and amortization (EBITDA), including discontinued operations, to be at least 2.5 times net interest expense for the prior four quarters. In July 2001, the covenant was amended to exclude charges of \$597 million related to discontinued operations. In October 2001, the covenant was further amended to exclude charges of \$745 million related to the Company's commuter and used general aviation aircraft businesses. The Company was in compliance with the interest coverage ratio covenant, as amended, during 2001.

Total cash paid for interest was \$687 million, \$703 million, and \$700 million in 2001, 2000, and 1999, respectively, including amounts classified as discontinued operations.

Note J: Equity Security Units

In May 2001, the Company issued 17,250,000, 8.25% equity security units for \$50 per unit totaling \$837 million, net of offering costs of \$26 million. Approximately \$20 million of the offering costs were allocated to equity and \$6 million were allocated to the mandatorily redeemable equity securities. The net proceeds of the offering were used to reduce debt and for general corporate purposes. Each equity security unit consists of a contract to purchase shares of the Company's common stock on May 15, 2004 which will result in cash proceeds to the Company of \$863 million, and a mandatorily redeemable equity security, with a stated liquidation amount of \$50 due on May 15, 2006 which will require a cash payment by the Company of \$863 million. The contract obligates the holder to purchase, for \$50, shares of common stock equal to the settlement rate. The settlement rate is equal to \$50 divided by the average market value of the Company's common stock at that time. The settlement rate cannot be greater than 1.8182 or less than 1.4903 shares of common stock per purchase contract. Using the treasury stock method, there is no effect on the computation of

shares for diluted earnings per share if the average market value of the Company's common stock is between \$27.50 and \$33.55 per share. The mandatorily redeemable equity security represents an undivided interest in the assets of RC Trust I, a Delaware business trust formed for the purpose of issuing these securities and whose assets consist solely of subordinated notes issued by the Company. The contract requires a quarterly distribution, which is recorded as a reduction in additional paid-in capital, of 1.25% per year of the stated amount of \$50 per purchase contract. Cash paid for the quarterly distribution on the contract was \$6 million in 2001. The mandatorily redeemable equity security pays a quarterly distribution, which is included in interest expense, of 7% per year of the stated liquidation amount of \$50 per mandatorily redeemable equity security until May 15, 2004. Cash paid for the quarterly distribution on the mandatorily redeemable equity security was \$31 million in 2001. On May 15, 2004, following a remarketing of the mandatorily redeemable equity securities, the distribution rate will be reset at a rate equal to or greater than 7% per year.

Note K: Stockholders Equity

In May 2001, the Company issued 14,375,000 shares of common stock for \$27.50 per share. In October 2001, the Company issued 31,578,900 shares of common stock for \$33.25 per share. The proceeds of the offerings were \$1,388 million, net of \$56 million of offering costs, and were used to reduce debt and for general corporate purposes.

The changes in shares of common stock outstanding were as follows:

(In thousands)

Balance at December 31, 1998	336,798
Common stock plan activity	4,613
Treasury stock activity	(2,651)
Balance at December 31, 1999	338,760
Common stock plan activity	1,337
Treasury stock activity	523
Balance at December 31, 2000	340,620
Issuance of common stock	45,954
Common stock plan activity	2,085
Treasury stock activity	6,773
Balance at December 31, 2001	395,432

The Company issued 6,809,000 and 547,000 shares out of treasury during 2001 and 2000, respectively, to fund a portion of the Company Match and Company Contributions, as described in Note 0, Pension and Other Employee Benefits.

Basic earnings per share (EPS) is computed by dividing net income by the weighted average shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

The weighted average shares outstanding for basic and diluted EPS were as follows:

(In thousands)	2001	2000	1999
Average common shares outstanding for basic EPS	356,717	338,407	337,351
Dilutive effect of stock options and restricted stock	4,606	2,711	3,433
Shares for diluted EPS	361,323	341,118	340,784

Stock options to purchase 20.5 million, 22.3 million, and 12.5 million shares of common stock outstanding at December 31, 2001, 2000, and 1999, respectively, did not affect the computation of diluted EPS. The exercise prices for these options were greater than the average market price of the Company's common stock during the respective years.

Stock options to purchase 15.5 million, 10.1 million, and 12.4 million shares of common stock outstanding at December 31, 2001, 2000, and 1999, respectively, had exercise prices that were less than the average market price of the Company's common stock during the respective periods and are included in the dilutive effect of stock plans in the table above.

In 2001, the Company eliminated its dual class capital structure and reclassified its Class A and Class B common stock into a single new class of common stock. The Company also effected a 20-for-1 reverse-forward stock split that resulted in holders of fewer than 20 shares of common stock being cashed out of their holdings.

In 1995, the Board of Directors authorized the repurchase of up to 12 million shares of the Company's common stock to allow the Company to repurchase shares from time to time when warranted by market conditions. In 1998, the Board of Directors ratified and reauthorized the repurchase of 2.5 million shares that remained under the original authorization. There have been 11.8 million shares purchased under these authorizations through December 31, 2001. There were no shares repurchased under this program during 2001 and 2000. There were 0.7 million shares repurchased under this program during 1999.

In 1999, the Board of Directors authorized the repurchase of up to an additional 6 million shares of the Company's common stock over the next three

years. There have been no shares repurchased under this program.

In 1998, the Board of Directors authorized the purchase of up to 5 million shares of the Company's common stock per year to counter the dilution due to the exercise of stock options. There were no shares repurchased under this program during 2001 and 2000. There were 1.9 million shares repurchased under this program during 1999 to partially offset 4.2 million shares issued due to the exercise of stock options during 1999.

The Board of Directors is authorized to issue up to 200,000,000 shares of preferred stock, \$0.01 par value per share, in multiple series with terms as determined by the Board of Directors.

In 1997, in connection with the merger with Hughes Defense, the Company adopted a shareholder rights plan. The plan protects the Company and its stockholders against hostile takeover tactics. The rights entitle the holder, other than a potential acquirer, to purchase shares of the Company's common stock at a 50 percent discount to the market price if certain triggering events occur, such as the acquisition of 15 percent or more of the Company's common stock by a person or group.

Note L: Federal and Foreign Income Taxes

Income reported for federal and foreign tax purposes differs from pretax accounting income due to differences between U.S. Internal Revenue Code requirements and the Company's accounting practices.

The provisions for federal and foreign income taxes consisted of the following:

(In millions)	2001	2000	1999
Current income tax expense			
Federal	\$ 61	\$ 71	\$ 53
Foreign	4	9	6
Deferred income tax expense (benefit)			
Federal	10	277	314
Foreign	37	22	23
Total	\$112	\$379	\$396

The provision for state income taxes was included in general and administrative expenses which are primarily allocable to government contracts.

The provision for income taxes differs from the U.S. statutory rate due to the following:

	2001	2000	1999
Tax at statutory rate	35.0%	35.0%	35.0%
Goodwill amortization	101.7	11.5	11.1
Foreign sales corporation tax benefit	(32.5)	(3.1)	(2.4)
ESOP dividend deduction benefit	(9.9)	--	--
Research and development tax credit	(4.3)	(0.9)	(0.6)
Other, net	5.7	0.7	1.0
Total	95.7%	43.2%	44.1%

The higher effective tax rate in 2001 resulted from the increased effect of non-deductible amortization of goodwill on lower income before taxes resulting primarily from the charge at Raytheon Aircraft. Effective January 1, 2002, the Company will discontinue the amortization of goodwill as required by SFAS No. 142, as described in Note A, Accounting Policies, and expects a commensurate reduction in its effective tax rate.

In 2001, 2000, and 1999, domestic income (loss) before taxes amounted to \$(1) million, \$788 million, and \$816 million, respectively, and foreign income before taxes amounted to \$118 million, \$89 million, and \$82 million, respectively. Cash refunds (payments) were \$27 million, \$22 million, and \$(102) million in 2001, 2000, and 1999, respectively.

Deferred federal and foreign income taxes consisted of the following at December 31:

(In millions)	2001	2000
Current deferred tax assets		
Other accrued expenses	\$ 426	\$ 117
Contracts in process and inventories	166	222
Accrued salaries and wages	99	137
Deferred federal and foreign income taxes--current	\$ 691	\$ 476
Noncurrent deferred tax (liabilities) assets		
Prepaid pension	\$(805)	\$(627)
Depreciation and amortization	(480)	(418)
Revenue on leases and other	(131)	(85)
Net operating loss and foreign tax credit carryforwards	478	34
Accrued retiree benefits	360	323
Deferred federal and foreign income taxes--noncurrent	\$(578)	\$(773)

There were \$17 million and \$25 million of taxes refundable included in prepaid expenses and other current assets at December 31, 2001 and 2000, respectively. Federal tax benefits related to discontinued operations were \$391 million in 2001 and \$156 million in 2000 and were included in deferred federal and foreign income taxes in the table above.

At December 31, 2001, the Company had net operating loss carryforwards of \$1.2 billion that expire in 2020 and 2021 and foreign tax credit carryforwards of \$58 million that expire in 2004 through 2006. The Company believes it will be able to utilize all of these carryforwards over the next 2 to 4 years.

Note M: Commitments and Contingencies

At December 31, 2001, the Company had commitments under long-term leases requiring approximate annual rentals on a net lease basis as follows:

(In millions)	2002	\$	281
	2003		229
	2004		176
	2005		158
	2006		139
	Thereafter		507

In 1998 and 1997, respectively, the Company entered into a \$490 million and a \$150 million property sale and five-year operating lease facility. Under these lease facilities property, plant, and equipment was sold and leased back in order to diversify the Company's sources of funding and extend the term of a portion of the Company's financing obligations. In 2003, the Company is required to buy back the assets remaining in the lease facilities for approximately \$229 million. Remaining lease payments under the lease facilities at December 31, 2001, which are included in the table above, approximate \$57 million in 2002 and \$27 million in 2003. Rent expense in 2001, 2000, and 1999 was \$286 million, \$292 million, and \$358 million, respectively.

At December 31, 2001, the Company had commitments under an agreement to outsource a significant portion of its information technology function requiring approximate minimum annual payments as follows:

(In millions)	2002	\$	61
	2003		66
	2004		68
	2005		67

Defense contractors are subject to many levels of audit and investigation. Agencies that oversee contract performance include: the Defense Contract Audit Agency, the Department of Defense Inspector General, the General Accounting Office, the Department of Justice, and Congressional Committees. The Department of Justice, from time to time, has convened grand juries to investigate possible irregularities by the Company in U.S. government contracting. Except as noted in the following two paragraphs, individually and in the aggregate, these investigations are not expected to have a material adverse effect on the Company's financial position or results of operations.

The Department of Justice has informed the Company that the U.S. government has concluded its investigation of the contemplated sale by the Company of troposcatter radio equipment to a customer in Pakistan. The Company has produced documents in response to grand jury subpoenas and grand jury appearances have taken place. The Company has cooperated fully with the investigation. The U.S. government has not informed the Company of a final decision with respect to this matter. An adverse decision in this matter could have a material adverse effect on the Company's financial position or results of operations.

The Company is permitted to charge to its U.S. government contracts an allocable portion of the amount that the Company accrues for self-insurance. There is a disagreement between the Company and the U.S. government about the way the Company allocated self-insurance charges for product liability risks at Raytheon Aircraft. The government has not asserted a claim for a specific amount, but since the allocation practice at issue was adopted in 1988, any potential government claim could have a material adverse effect on the Company's financial position or results of operations.

The Company self-insures for losses and expenses for aircraft product liability up to a maximum of \$10 million per occurrence and \$50 million annually. Insurance is purchased from third parties to cover excess aggregate liability exposure from \$50 million to \$1.2 billion. This coverage also includes the excess of liability over \$10 million per occurrence.

The aircraft product liability reserve was \$17 million and \$23 million at December 31, 2001 and 2000, respectively.

The Company is involved in various stages of investigation and cleanup related to remediation of various environmental sites. The Company's estimate of total environmental remediation costs expected to be incurred is \$134 million. On a discounted basis, the Company estimates the liability to be \$84 million before U.S. government recovery. The Company has reduced its environmental liability for the estimated future recovery considered probable through the pricing of products and services to the U.S. government. The present value of the Company's environmental liability of \$45 million, net of expected U.S. government recovery, has been accrued at December 31, 2001. Due to the complexity of environmental laws and regulations, the varying costs and effectiveness of alternative cleanup methods and technologies, the uncertainty of insurance coverage, and the unresolved extent of the Company's responsibility, it is difficult to determine the ultimate outcome of these matters, however, any additional liability is not expected to have a material effect on the Company's financial position or results of operations.

The Company issues guarantees and has banks and insurance companies issue, on its behalf, letters of credit to meet various bid, performance, warranty, retention, and advance payment obligations. Approximately \$1,350 million and \$1,330 million of these contingent obligations were outstanding at December 31, 2001 and 2000, respectively. These instruments expire on various dates primarily through 2006. In the normal course of operations, the Company guarantees the performance of its subsidiaries on certain contracts and projects directly or through surety companies. In addition, at December 31, 2001, the amount of letters of credit, performance bonds, and parent guarantees, for which there were stated values, that remained outstanding was \$419 million, \$377 million, and \$31 million, respectively, related to discontinued operations, however, additional guarantees of project performance for which there is no stated value also remain outstanding.

In 1997, the Company provided a first loss guarantee of \$133 million on \$1.3 billion of U.S. Export-Import Bank debt through 2015 related to the Brazilian government's System for the Vigilance of the Amazon (SIVAM) program. The Company has also guaranteed 50 percent of Space Imaging's debt as described in Note H, Other Assets.

The Company continues to cooperate with the staff of the Securities and Exchange Commission (SEC) on an investigation, which began and was disclosed in May 2001, related to the Company's former engineering and construction business and related accounting and other matters. The Company has been responding to subpoenas and providing documents and information to the SEC staff. The Company is unable to predict the outcome of the inquiry or any action that the SEC might take.

In late 1999, the Company and two of its officers were named as defendants in several class action lawsuits which were consolidated into a single complaint in June 2000, when four additional former or present officers were named as defendants (the "Consolidated Complaint"). The Consolidated Complaint principally alleges that the defendants violated federal securities laws by making misleading statements and by failing to disclose material information concerning the Company's financial performance during the class period of October 7, 1998 through October 12, 1999. In September 2000, the Company and the individual defendants filed a motion to dismiss, which the plaintiffs opposed. The court heard arguments on the motion in February 2001. In August 2001, the court issued an order dismissing most of the claims asserted against the Company and the individual defendants. Discovery is proceeding on the two circumstances that remain the subject of claims.

In 1999 and 2000, the Company was also named as a nominal defendant and all of its directors at the time (except one) were named as defendants in three derivative lawsuits. The derivative complaints contain allegations similar to those included in the Consolidated Complaint and further allege that the defendants breached fiduciary duties to the Company and allegedly failed to exercise due care and diligence in the management and administration of the affairs of the Company. In March 2000, one of the derivative lawsuits was dismissed. In December 2001, the Company and the individual defendants filed a motion to dismiss one of the remaining derivative lawsuits.

In June 2001, a class action lawsuit was filed on behalf of all purchasers of common stock or senior notes of WGI during the class period of April 17, 2000 through March 1, 2001 (the WGI Complaint). The plaintiff class claims to have suffered harm by purchasing WGI securities because the Company and certain of its officers allegedly violated federal securities laws by misrepresenting the true financial condition of RE&C in order to sell RE&C to WGI at an artificially inflated price. An amended complaint was filed in October 2001 alleging similar claims. The Company and the individual defendants filed a motion seeking to dismiss the action in November 2001. The court heard arguments on that motion in March 2002, and is currently evaluating the parties arguments regarding dismissal.

In July 2001, the Company was named as a nominal defendant and all of its directors have been named as defendants in two identical derivative lawsuits. The derivative complaints contain allegations similar to those included in the WGI Complaint and further allege that the individual defendants breached fiduciary duties to the Company and failed to maintain systems necessary for prudent management and control of the Company's operations. In December 2001, the Company and the individual defendants filed a motion to dismiss one of the derivative lawsuits. Also in July 2001, the Company was named as a nominal defendant and members of its Board of Directors and several current and former officers have been named as defendants in another shareholder derivative action which contains allegations similar to those included in the WGI Complaint and further alleges that the individual defendants breached fiduciary duties to the Company and failed to maintain systems necessary for prudent management and control of the Company's operations.

Although the Company believes that it and the other defendants have meritorious defenses to each and all of the aforementioned complaints and intends to contest each lawsuit vigorously, an adverse resolution of any of the lawsuits could have a material adverse effect in the Company's financial position or results of operations in the period in which the lawsuits are resolved. The Company is not presently able to reasonably estimate potential losses, if any, related to any of the lawsuits.

In addition, various claims and legal proceedings generally incidental to the normal course of business are pending or threatened against the Company. While the ultimate liability from these proceedings is presently indeterminable, any additional liability is not expected to have a material adverse effect on the Company's financial position or results of operations.

Note N: Employee Stock Plans

The 2001 Stock Plan and 1995 Stock Option Plan provide for the grant of both incentive and nonqualified stock options at an exercise price which is not less than 100 percent of the fair value on the date of grant. The 1991 Stock Plan provided for the grant of incentive stock options at an exercise price which is 100 percent of the fair value on the date of grant and nonqualified stock options at an exercise price which may be less than the fair value on the date of grant. The 1976 Stock Option Plan provided for the grant of both incentive and nonqualified stock options at an exercise price which is 100 percent of the fair value on the date of grant. No further grants are allowed under the 1991 Stock Plan and 1976 Stock Option Plan. All of these plans were approved by the Company's stockholders.

The plans also provide that all stock options may generally be exercised in their entirety 1 to 6 years after the date of grant. Incentive stock options terminate 10 years from the date of grant, and those stock options granted after December 31, 1986 become exercisable to a maximum of \$100,000 per year. Nonqualified stock options terminate 11 years from the date of grant, 10 years and a day if issued in connection with the 1995 Stock Option Plan, or as determined by the Management Development and Compensation Committee of the Board of Directors (MDCC) if issued under the 2001 Stock Plan.

The 2001 Stock Plan and 1991 Stock Plan also provide for the award of restricted stock and restricted units. The 2001 Stock Plan also provides for the award of stock appreciation rights. The 1997 Nonemployee Directors Restricted Stock Plan provides for the award of restricted stock to nonemployee directors. Restricted stock, restricted unit, and stock appreciation rights awards are determined by the MDCC and are compensatory in

nature. Restricted stock, restricted units, and stock appreciation rights vest over a specified period of time as determined by the MDCC. Restricted stock awards entitle the participant to full dividend and voting rights. Unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances. Compensation expense is recognized over the vesting period.

No further grants are allowed under the 2001 Stock Plan, 1997 Nonemployee Directors Restricted Stock Plan, and 1995 Stock Option Plan after January 31, 2011, November 25, 2006, and March 21, 2005, respectively.

Awards of 207,100, 1,152,800, and 849,900 shares of restricted stock and restricted units were made to employees and directors at a weighted average fair value at the grant date of \$28.13, \$21.21, and \$45.68 in 2001, 2000, and 1999, respectively. The required conditions for 304,600, 140,900, and 72,600 shares of restricted stock and restricted units were satisfied during 2001, 2000, and 1999, respectively. There were 715,800, 285,900, and 275,600 shares of restricted stock and restricted units forfeited during 2001, 2000, and 1999, respectively. There were 1,249,300, 2,062,600, and 1,336,600 shares of restricted stock and restricted units outstanding at December 31, 2001, 2000, and 1999, respectively. The amount of compensation expense recorded was \$14 million, \$19 million, and \$16 million in 2001, 2000, and 1999, respectively. The balance of unearned compensation was \$17 million and \$30 million at December 31, 2001 and 2000, respectively.

There were 42.8 million, 49.2 million, and 51.0 million additional shares of common stock (including shares held in treasury) authorized for stock options and restricted stock awards at December 31, 2001, 2000, and 1999, respectively.

Stock option information for 2001, 2000, and 1999 follows:

(Share amounts in thousands)	Shares	Weighted Average Option Price
Outstanding at December 31, 1998	22,722	\$ 45.68
Granted	6,986	67.52
Exercised	(4,176)	40.82
Expired	(475)	55.13
Outstanding at December 31, 1999	25,057	\$ 52.40
Granted	12,565	19.81
Exercised	(253)	18.81
Expired	(3,276)	41.68
Outstanding at December 31, 2000	34,093	\$ 41.66
Granted	9,321	29.85
Exercised	(1,275)	20.68
Expired	(2,942)	43.79
Outstanding at December 31, 2001	39,197	\$ 39.38

The following tables summarize information about stock options outstanding and exercisable at December 31, 2001:

(Share amounts in thousands)	Options Outstanding		
	Shares Outstanding at December 31, 2001	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$18.19 to \$29.78	18,743	8.4 years	\$24.26
\$31.24 to \$49.19	5,546	5.3 years	\$37.39
\$51.06 to \$59.44	9,840	5.9 years	\$54.30
\$66.91 to \$73.78	5,068	7.5 years	\$68.49
Total	39,197		

(Share amounts in thousands)	Options Exercisable	
Exercise Price Range	Shares Exercisable at December 31, 2001	Weighted Average Exercise Price
\$18.19 to \$29.78	4,746	\$20.89
\$31.24 to \$49.19	4,527	\$38.61
\$51.06 to \$59.44	9,840	\$54.30
\$66.91 to \$73.78	5,068	\$68.49
Total	24,181	

Shares exercisable at the corresponding weighted average exercise price at December 31, 2001, 2000, and 1999, respectively, were 24.2 million at \$47.78, 21.1 million at \$48.51, and 14.9 million at \$45.14.

The Company applies Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, in accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized for its stock-based compensation plans other than for restricted

stock. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123), therefore, no compensation expense was recognized for the Company's stock option plans. Had compensation expense for the Company's stock option plans been determined based on the fair value at the grant date for awards under these plans, consistent with the methodology prescribed under SFAS No. 123, the Company's net income and earnings per share would have approximated the pro forma amounts indicated below:

(In millions except per share amounts)	2001	2000	1999
Net income (loss)	\$ (812)	\$ 57	\$ 332
Basic earnings (loss) per share	(2.28)	0.17	0.98
Diluted earnings (loss) per share	(2.25)	0.17	0.97

The weighted average fair value of each stock option granted in 2001, 2000, and 1999 was estimated as \$9.25, \$5.91, and \$22.25, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2001	2000	1999
Expected life	4 years	4 years	4 years
Assumed annual dividend growth rate	1%	1%	5%
Expected volatility	40%	40%	35%
Assumed annual forfeiture rate	12%	12%	5%

The risk free interest rate (month-end yields on 4-year treasury strips equivalent zero coupon) ranged from 3.7% to 5.0% in 2001, 5.3% to 6.7% in 2000, and 4.6% to 6.2% in 1999. The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts.

Note 0: Pension and Other Employee Benefits

The Company has pension and retirement plans covering the majority of its employees, including certain employees in foreign countries. Total pension income includes foreign pension expense of \$3 million in 2001, \$7 million in 2000, and \$10 million in 1999. In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's U.S. employees may become eligible for these benefits. The measurement date is October 31.

Plan assets consist primarily of publicly-traded equity securities (including 3,935,000 shares of the Company's common stock with a fair value of \$128 million at December 31, 2001 and 87,000 of the Company's equity security units, with a fair value of \$5 million at December 31, 2001) and publicly-traded fixed income securities.

The information presented below includes the effect of divestitures. In 2001, the Company recorded a \$17 million pension benefits curtailment gain and a \$1 million other benefits curtailment gain as a result of workforce reductions at RAC and the sale of a majority interest in the Company's aviation support business. The Company recorded a \$4 million other benefits curtailment gain in 2001 and a \$6 million pension benefits curtailment gain in 2000 as a result of the closure of the Company's Lewisville, TX operation. In 2000, the Company recorded a \$35 million pension benefits curtailment gain, which is included in discontinued operations, as a result of the sale of RE&C.

Change in Benefit Obligation

(In millions)	December 31:	Pension Benefits		Other Benefits	
		2001	2000	2001	2000
Benefit obligation at beginning of year	\$ 10,469	\$ 10,629	\$ 1,288	\$ 1,276	
Service cost	252	320	19	20	
Interest cost	780	763	95	92	
Plan participants' contributions	23	23	--	--	
Amendments	72	19	--	--	
Actuarial loss (gain)	480	(294)	291	19	
Divestitures	--	(28)	--	(4)	
Curtailments	(17)	(41)	(5)	--	
Benefits paid	(888)	(922)	(141)	(115)	
Benefit obligation at end of year	\$ 11,171	\$ 10,469	\$ 1,547	\$ 1,288	

Change in Plan Assets

(In millions)	December 31:	Pension Benefits		Other Benefits	
		2001	2000	2001	2000
Fair value of plan assets at beginning of year	\$ 13,821	\$ 13,522	\$ 425	\$ 387	
Actual return on plan assets	(2,839)	1,129	(40)	18	
Divestitures	--	(30)	--	--	
Company contributions	47	99	166	140	
Plan participants' contributions	23	23	--	--	
Benefits paid	(888)	(922)	(141)	(120)	
Fair value of plan assets at end of year	\$ 10,164	\$ 13,821	\$ 410	\$ 425	

Funded Status--unrecognized components

(In millions)	December 31:	Pension Benefits		Other Benefits	
		2001	2000	2001	2000
Funded status	\$ (1,007)	\$ 3,352	\$ (1,137)	\$ (863)	
Unrecognized actuarial loss (gain)	2,826	(1,811)	251	(119)	
Unrecognized transition (asset) obligation	(3)	(6)	210	236	
Unrecognized prior service cost	210	159	(6)	(7)	
Prepaid (accrued) benefit cost	\$ 2,026	\$ 1,694	\$ (682)	\$ (753)	

Funded Status--recognized in balance sheets

(In millions)	December 31:	Pension Benefits		Other Benefits	
		2001	2000	2001	2000
Prepaid benefit cost	\$ 2,246	\$ 2,090	\$ 31	\$ 22	

Accrued benefit liability	(514)	(429)	(713)	(775)
Intangible asset	120	7	--	--
Accumulated other comprehensive income	174	26	--	--

Prepaid (accrued) benefit cost	\$ 2,026	\$ 1,694	\$ (682)	\$ (753)
=====				

Components of Net Periodic Benefit (Income) Cost

	Pension Benefits		

(In millions)	2001	2000	1999

Service cost	\$ 252	\$ 320	\$ 365
Interest cost	780	763	720
Expected return on plan assets	(1,228)	(1,164)	(1,090)
Amortization of transition asset	(4)	(6)	(6)
Amortization of prior service cost	19	18	18
Recognized net actuarial gain	(114)	(81)	(28)
Loss (gain) due to curtailments/settlements	9	(36)	6

Net periodic benefit income	\$ (286)	\$ (186)	\$ (15)
=====			

The net periodic benefit income includes income from discontinued operations, including curtailment, of \$53 million and \$14 million in 2000 and 1999, respectively.

Components of Net Periodic Benefit Cost

	Other Benefits		

(In millions)	2001	2000	1999

Service cost	\$ 19	\$ 20	\$ 29
Interest cost	95	92	97
Expected return on plan assets	(34)	(31)	(27)
Amortization of transition obligation	25	25	25
Amortization of prior service cost	(1)	(1)	(1)
Recognized net actuarial gain	(10)	(7)	(1)
Gain due to curtailments/settlements	(5)	--	(1)

Net periodic benefit cost	\$ 89	\$ 98	\$ 121
=====			

Weighted Average Assumptions

	-----		-----		
	Pension Benefits		Other Benefits		
	-----		-----		
	December 31:	2001	2000	2001	2000

Discount rate		7.25%	7.75%	7.25%	7.75%
Expected return on plan assets		9.50%	9.50%	8.50%	8.50%
Rate of compensation increase		4.50%	4.50%	4.50%	4.50%
Health care trend rate in the next year				11.00%	8.25%
Gradually declining to a trend rate of				5.0%	5.0%
In the years beyond				2010	2006

The actual rate of return on pension plan assets was (0.7) percent, 8.2 percent, and 10.8 percent for the three, five, and 10-year periods ended December 31, 2001, respectively.

The effect of a one percent increase and decrease in the assumed health care trend rate for each future year for the aggregate of service and interest cost is \$9 million and \$(8) million, respectively, and for the accumulated postretirement benefit obligation is \$101 million and \$(87) million, respectively.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$1,621 million, \$1,565 million, and \$1,053 million, respectively, at December 31, 2001, and \$385 million, \$363 million, and \$72 million, respectively, at December 31, 2000.

The Company maintains an employee stock ownership plan (ESOP) which includes the Company's 401(k) plan (defined contribution plan), under which covered employee's are allowed to contribute up to a specific percentage of their pay, generally limited to \$35,000 in 2001 and \$30,000 in 2000 and 1999. The Company matches the employee's contribution, up to a maximum of generally between three and four percent of the employee's pay, by making a contribution to the Company stock fund (Company Match). Total expense for the defined contribution plan was \$183 million, \$176 million, and \$179 million in 2001, 2000, and 1999, respectively.

The Company also makes an annual contribution to the Company stock fund of approximately one-half of one percent of salaries and wages, limited to \$170,000 in 2001, 2000, and 1999, of most U.S. salaried and hourly employees (Company Contributions). The expense was \$28 million, \$26 million, and \$23 million and the number of shares allocated to participant accounts was 941,000, 1,455,000, and 271,000 in 2001, 2000, and 1999, respectively. The increase in the number of shares contributed was primarily the result of the significant decline in the price of the Company's stock during 1999.

The Company funded a portion of the Company Match and Company Contributions in 2001 and 2000 through the issuance of common stock.

At December 31, 2001, there was a total of \$7.1 billion invested in the Company's defined contribution plan. At December 31, 2001, there was a total of \$1.4 billion invested in the Company stock fund consisting of \$439 million of Company Match which must remain invested in the Company stock fund for five years from the year in which the contribution was made or the year in which the employee reaches age 55, whichever is earlier; \$195 million of Company Contributions which must remain invested in the Company stock fund until the employee reaches age 55 and completes 10 years of service; and \$749 million over which there are no restrictions.

Note P: Business Segment Reporting

Reportable segments have been determined based upon product lines and include the following: Electronic Systems; Command, Control, Communication and Information Systems; Technical Services; Aircraft Integration Systems; Commercial Electronics; and Aircraft.

Segment net sales and operating income include intersegment sales and profit recorded at cost plus a specified fee, which may differ from what the selling entity would be able to obtain on external sales. Corporate and Eliminations includes Company-wide accruals and over/under applied overhead that have not been attributed to a particular segment and intersegment sales and profit eliminations.

Electronic Systems (ES) is the largest segment and represents the majority of the Company's defense electronics businesses. ES focuses on missile systems including anti-ballistic missile systems; air defense; air-to-air, surface-to-air, and air-to-surface missiles; naval and maritime systems; ship self-defense systems; torpedoes; strike, interdiction and cruise missiles; and advanced munitions. ES also specializes in radar, electronic warfare, infrared, laser, and GPS technologies with programs focusing on land, naval, airborne, and spaceborne systems used for surveillance, reconnaissance, targeting, navigation, commercial, and scientific applications. Some of the leading programs in ES include: the Patriot Air Defense System; the ground based radar for the THAAD system; technologies for the U.S. Missile Defense Agency; the Tomahawk Cruise Missile program; airborne radar systems for the B-2, F-14, F-15, F/A-18, AV-8B, and the next generation F-22 programs; sensors for applications such as the Global Hawk and Predator Unmanned Aerial Vehicle Reconnaissance System; and advanced night vision technologies.

Command, Control, Communication and Information Systems (C3I) is involved in battle management systems; communication systems; network security software; fire control systems; high resolution space-based imaging systems; air traffic control systems; tactical radios; satellite communication ground control terminals; wide area surveillance systems; ground-based information processing systems; image processing; large scale information retrieval, processing, and distribution systems; and global broadcast systems. Some of the leading programs in C3I include: the U.S. Navy's Cooperative Engagement Capability program that integrates sensor information from multiple sources to provide ships, aircraft, and land-based installations an integrated air picture; the Brazilian System for the Vigilance of the Amazon program, which will provide an integrated information network linking numerous sensors to regional and national coordination centers; and air traffic control and weather systems at airports worldwide, including the Federal Aviation Administration/Department of Defense's Standard Terminal Automation Replacement System program. Through C3I, the Company formed a trans-atlantic joint venture, Thales Raytheon Systems, encompassing air defense/command and control centers, and ground-based air surveillance and weapon-locating radars.

Technical Services (TS) provides information technology services, training programs, and logistics and base operations support throughout the U.S. and in nearly 40 other countries. TS performs complete engineering and depot-level cradle-to-grave support to the Company's manufactured equipment and to various commercial and military customers. TS is a world leader in providing and supporting range instrumentation systems and bases worldwide for the Department of Defense. It also provides missile range calibration services for the U.S. Air Force, trains U.S. Army personnel in battlefield tactics, and supports undersea testing and evaluation for the U.S. Navy. TS provides operations and engineering support to the Atlantic Underwater Test and Evaluation Center, range technical support, and facilities maintenance at several Department of Defense facilities, including the U.S. Army's missile testing range in the Kwajalein Atoll.

Aircraft Integration Systems (AIS) focuses on the integration of airborne surveillance and intelligence systems and aircraft modifications. AIS develops and integrates complex electronic systems for airborne intelligence, surveillance, and reconnaissance missions. AIS modernizes aging aircraft through structural refurbishment and electronics upgrades. AIS also provides support to Special Operations forces. In March 2002, the Company sold AIS.

The Company's commercial electronics businesses produce, among other things, precision optical products for defense, medical, commercial, and telecommunications customers; gallium arsenide integrated circuits and power amplifiers for defense and wireless communications customers; thermal imaging products for the public safety, industrial, and automotive markets; navigation and communication systems for the commercial and military marine markets; and other electronic components for a wide range of applications.

Raytheon Aircraft Company (RAC) offers a broad product line of aircraft and aviation services in the general aviation market. RAC manufactures, markets, and supports business jets, turboprops, and piston-powered aircraft for the world's commercial, regional airlines, and military aircraft markets. RAC's piston-powered aircraft line includes the single-engine Beech Bonanza and the twin-engine Beech Baron aircraft for business and personal flying. The King Air turboprop series includes the Beech King Air C90B, B200, and 350. The jet line includes the Beechjet 400A light jet and the Hawker 800XP midsize business jet, and the Premier I entry-level business jet which completed FAA certification and had its first deliveries in 2001. A new super midsize business jet, the Hawker Horizon, is currently in development, with anticipated airplane certification in 2003. RAC supplies aircraft training systems, including the T-6A trainer selected as the next-generation trainer for the U.S. Air Force and Navy under the Joint Primary Aircraft Training System. Additionally, RAC produces special mission aircraft, including military versions of the King Air aircraft and the U-125 search-and-rescue variant of the Hawker 800. RAC also produces a 19-passenger regional airliner.

Segment financial results were as follows:

Net Sales

(In millions)	2001	2000	1999
Electronic Systems	\$ 8,000	\$ 7,584	\$ 8,001
Command, Control, Communication and Information Systems	3,770	3,419	3,767
Technical Services	2,042	1,810	1,885
Aircraft Integration Systems	1,120	1,220	1,094
Commercial Electronics	453	666	749
Aircraft	2,572	3,220	2,709
Corporate and Eliminations	(1,090)	(1,024)	(1,004)
Total	\$ 16,867	\$ 16,895	\$ 17,201

Operating Income

(In millions)	2001	2000	1999
Electronic Systems	\$ 1,098	\$ 1,039	\$1,156/(2)/
Command, Control, Communication and Information Systems	396	358	374/(3)/
Technical Services	159	124	122/(4)/
Aircraft Integration Systems	25	48	(61)/(5)/
Commercial Electronics	(57)	(4)	(30)/(6)/
Aircraft	(772)/(1)/	164	163
Corporate and Eliminations	(90)	(104)	(132)
Total	\$ 759	\$ 1,625	\$1,592

- (1) Includes charges of \$745 million.
- (2) Includes restructuring charges offset by favorable adjustments to restructuring-related reserves of \$41 million, net.
- (3) Includes restructuring and special charges offset by favorable adjustments to restructuring-related reserves of \$28 million, net.
- (4) Includes restructuring charges of \$7 million.
- (5) Includes restructuring charges of \$11 million.
- (6) Includes restructuring and special charges of \$44 million.

Operating Cash Flow

(In millions)	2001	2000	1999
Electronic Systems	\$ 692	\$ 611	\$ (77)
Command, Control, Communication and Information Systems	61	204	202
Technical Services	(57)	21	9
Aircraft Integration Systems	(20)	120	(138)
Commercial Electronics	(45)	63	(27)
Aircraft	(457)	(372)	(155)
Corporate	(47)	(129)	(544)
Total	\$ 127	\$ 518	\$ (730)

Operating cash flow, as defined by the Company to evaluate cash flow performance by the segments, includes capital expenditures and expenditures for internal use software.

Capital Expenditures

(In millions)	2001	2000	1999
Electronic Systems	\$ 250	\$ 197	\$ 287
Command, Control, Communication and Information Systems	86	70	77
Technical Services	4	5	7
Aircraft Integration Systems	16	10	17
Commercial Electronics	30	33	19
Aircraft	100	116	117
Total	\$ 486	\$ 431	\$ 524

Depreciation and Amortization

(In millions)	2001	2000	1999
Electronic Systems	\$ 343	\$ 328	\$ 333
Command, Control, Communication and Information Systems	158	160	173
Technical Services	37	35	37
Aircraft Integration Systems	53	52	57
Commercial Electronics	28	29	20
Aircraft	110	90	79
Total	\$ 729	\$ 694	\$ 699

Identifiable Assets at December 31:

(In millions)	2001	2000
Electronic Systems	\$10,481	\$11,356
Command, Control, Communication and Information Systems	5,113	5,117
Technical Services	1,656	1,611
Aircraft Integration Systems	1,627	1,712
Commercial Electronics	683	780
Aircraft	3,126	3,297
Corporate	3,950	2,890
Total	\$26,636	\$26,763

Intersegment sales in 2001, 2000, and 1999, respectively, were \$285 million, \$205 million, and \$194 million for Electronic Systems, \$117 million, \$122 million, and \$189 million for Command, Control, Communication and Information Systems, \$545 million, \$496 million, and \$505 million for Technical Services, \$33 million, \$32 million, and \$22 million for Aircraft Integration Systems, \$106 million, \$110 million, and \$81 million for Commercial Electronics, and \$4 million, \$59 million, and \$13 million for Aircraft.

The following tables summarize information related to the 1997-1999 restructuring and exit costs and activities by segment:

Restructuring and Exit Costs

(In millions)	Charges Accrued	Costs Incurred	Ending Balance
Electronic Systems	\$ 568	\$ 553	\$ 15
Command, Control, Communication and Information Systems	125	123	2
Technical Services	43	39	4
Aircraft Integration Systems	12	12	--
Commercial Electronics	3	3	--
Corporate	43	40	3
Total	\$ 794	\$ 770	\$ 24

Restructuring and Exit Activities

	Number of Employee Terminations	Square Feet Exited (thousands)
Electronic Systems	7,300	8,800
Command, Control, Communication and Information Systems	2,600	2,300
Technical Services	1,900	1,200
Aircraft Integration Systems	400	--
Commercial Electronics	100	--
Corporate	100	--
Total	12,400	12,300

Operations by Geographic Areas

(In millions)	United States	Outside United States (Principally Europe)	Consolidated
Sales			
2001	\$ 14,101	\$ 2,766	\$ 16,867
2000	13,847	3,048	16,895
1999	14,046	3,155	17,201
Long-lived assets at			
December 31, 2001	\$ 5,775	\$ 201	\$ 5,976
December 31, 2000	5,301	182	5,483

The country of destination was used to attribute sales to either United States or Outside United States. Sales to major customers in 2001, 2000, and 1999 were: U.S. government, including foreign military sales, \$11,969 million, \$11,116 million, and \$11,685 million, respectively, and U.S. Department of Defense, \$10,320 million, \$9,601 million, and \$9,561 million, respectively.

Note Q: Quarterly Operating Results (unaudited)

(In millions except per share amounts and stock prices)

2001	First	Second	Third	Fourth
Net sales	\$ 3,968	\$ 4,307	\$ 3,961	\$ 4,631
Gross margin	736	808	78	844
Income (loss) from continuing operations	97	113	(262)	57
Net loss	(124)	(188)	(285)	(166)
Earnings (loss) per share from continuing operations				
Basic	0.29	0.32	(0.73)	0.15
Diluted	0.28	0.32	(0.73)	0.15
Loss per share				
Basic	(0.36)	(0.54)	(0.79)	(0.44)
Diluted	(0.36)	(0.53)	(0.79)	(0.43)
Cash dividends per share				
Declared	0.20	0.20	0.20	0.20
Paid	0.20	0.20	0.20	0.20
Common stock prices				
Common Stock--High	--	32.03	34.80	36.30
Common Stock--Low	--	26.30	24.85	29.82
Class A--High	35.60	32.80	--	--
Class A--Low	26.00	27.45	--	--
Class B--High	36.59	32.85	--	--
Class B--Low	26.00	27.75	--	--
2000	First	Second	Third	Fourth
Net sales	\$ 4,231	\$ 4,124	\$ 4,160	\$ 4,380
Gross margin	750	835	843	937
Income from continuing operations	80	95	133	190
Net income (loss)	(181)	49	105	168

Earnings per share from continuing operations				
Basic	0.24	0.28	0.39	0.56
Diluted	0.24	0.28	0.39	0.55
Earnings (loss) per share				
Basic	(0.54)	0.14	0.31	0.50
Diluted	(0.54)	0.14	0.31	0.49
Cash dividends per share				
Declared	0.20	0.20	0.20	0.20
Paid	0.20	0.20	0.20	0.20
Common stock prices				
Class A--High	27.63	25.25	28.13	33.25
Class A--Low	17.88	18.50	19.25	25.00
Class B--High	28.50	25.19	29.56	35.81
Class B--Low	17.50	18.06	19.50	26.63

Note: Earnings per share are computed independently for each of the quarters presented, therefore, the sum of the quarterly earnings per share may not equal the total computed for the year. In the second quarter of 2001, the Company reclassified gains on debt repurchases of \$6 million pretax, \$4 million after-tax, or \$0.01 per diluted share, from income from continuing operations to extraordinary items. In the fourth quarter of 2001, the Company recorded an extraordinary loss on debt repurchases of \$30 million pretax, \$20 million after-tax, or \$0.04 per diluted share.

Note R: Financial Instruments

At December 31, 2001, in accordance with SFAS No. 133, the Company had recorded forward exchange contracts designated as cash flow hedges at their fair value. Unrealized gains of \$9 million were included in other noncurrent assets and unrealized losses of \$5 million were included in current liabilities. The offset was included in other comprehensive income, net of tax, of which approximately \$1 million of net unrealized gains are expected to be reclassified to earnings over the next twelve months as the underlying transactions mature. Gains and losses resulting from these cash flow hedges offset the foreign exchange gains and losses on the underlying assets or liabilities being hedged.

No cash flow hedges were discontinued in 2001. The maturity dates of the forward exchange contracts outstanding at December 31, 2001 extend through 2010. Certain immaterial contracts were not designated as effective hedges and therefore were included in other expense. The amount charged to other expense related to these contracts was less than \$1 million in 2001.

In 2001, the Company entered into interest rate swaps to hedge its exposure to interest rate risk by exchanging fixed rate interest on certain of its debt for variable rates as described in Note I, Notes Payable and Long-term Debt. These interest rate swaps were designated as fair value hedges. The Company recorded an asset of \$20 million related to these swaps through interest expense along with a corresponding increase to the hedged debt also recorded through interest expense. There was no hedge ineffectiveness during 2001.

The Company also has an interest rate swap, described below, under which it has exchanged variable rate interest on certain long-term receivables for a fixed rate. This interest rate swap is considered a cash flow hedge. At December 31, 2001, the Company had recorded the interest rate swap at fair value consisting of an unrealized loss of \$4 million included in other current liabilities with the offset included in other comprehensive income, net of tax, of which approximately \$2 million is expected to be reclassified to earnings over the next twelve months. The ineffective portion was not material in 2001.

The following table summarizes major currencies and the approximate amounts associated with foreign exchange contracts at December 31:

(In millions)	2001		2000	
	Buy	Sell	Buy	Sell
British Pounds	\$ 199	\$ 3	\$ 204	\$ 1
European Euros	41	31	19	3
Swiss Francs	--	29	--	29
Australian Dollars	12	--	--	--
Norwegian Kroner	5	--	--	--
German Marks	--	--	6	--
All other	3	2	8	3
Total	\$ 260	\$ 65	\$ 237	\$ 36

Buy amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies and sell amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies. Foreign exchange contracts that do not involve U.S. dollars have been converted to U.S. dollars for disclosure purposes.

The Company has one outstanding interest rate swap agreement related to long-term receivables at Raytheon Aircraft with a notional amount of \$80 million that matures in 2004. Under this agreement, the Company pays interest at a weighted average fixed rate of 6.2%, and receives a variable rate equal to one-month LIBOR. The weighted average variable rate applicable to this agreement was 1.9% at December 31, 2001.

Foreign currency forward contracts, used only to fix the dollar value of specific commitments and payments to international vendors and the value of foreign currency denominated receipts, have maturities at various dates through 2010 as follows: \$245 million in 2002, and \$61 million in 2003, \$12 million in 2004, \$3 million in 2005, and \$4 million thereafter.

Note S: Other Income and Expense

The components of other income (expense), net were as follows:

(In millions)	2001	2000	1999
Gain on sale of the recreational marine business	\$ 39	--	--
Gain on sale of the aviation support business	35	--	--
Equity losses in unconsolidated subsidiaries	(27)	\$ (28)	\$ (3)
Gain (loss) on sale of the flight simulation business	--	6	--
Gain on sale of the optical systems business	--	30	--
Gain on sale of Cedarapids	--	--	8
Gain (loss) on disposition of other non-core business operations	--	(1)	2
Gain on sale of investments	--	--	13
Iridium LLC special charge	--	--	(14)
Other	(29)	(19)	3
Total	\$ 18	\$ (12)	\$ 9

Note T: Subsequent Events

In March 2002, the Company sold its Aircraft Integration Systems business for \$1.1 billion.

Subsequent to year end, the Company repurchased \$96 million of long-term debt at a loss of \$2 million pretax.

Company Responsibility for Financial Statements

The financial statements and related information contained in this Annual Report have been prepared by and are the responsibility of the Company's management. The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and reflect judgments and estimates as to the expected effects of transactions and events currently being reported. The Company's management is responsible for the integrity and objectivity of the financial statements and other financial information included in this Annual Report. To meet this responsibility, the Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are properly executed and recorded. The system includes policies and procedures, internal audits, and Company officers' reviews.

The Audit Committee of the Board of Directors is composed solely of outside directors. The Audit Committee meets periodically and, when appropriate, separately with representatives of the independent accountants, Company officers, and the internal auditors to monitor the activities of each.

Upon recommendation of the Audit Committee, PricewaterhouseCoopers LLP, independent accountants, were selected by the Board of Directors to audit the Company's financial statements and their report follows.

/s/ Franklyn A. Caine	/s/ Daniel P. Burnham
Senior Vice President and	Chairman and
Chief Financial Officer	Chief Executive Officer

Report of Independent Accountants

To the Board of Directors and Stockholders of Raytheon Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholders equity and cash flows present fairly, in all material respects, the financial position of Raytheon Company and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A to the financial statements, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-5, Reporting on the Costs of Start-Up Activities, in 1999.

/s/ PricewaterhouseCoopers LLC
Boston, Massachusetts
January 24, 2002, except as to the second, sixth, and ninth paragraphs of Note B, the fourth paragraph of Note C, the sixth paragraph of Note P, and the information in Note T as to which the date is March 12, 2002

Raytheon Company Organizational Chart

Raytheon Company	
ALON Materials Technologies LLC	Delaware
Amber Engineering, Inc.	California
Thornwood Trust	Massachusetts
Constellation Communications, Inc.	Delaware
Data Logic, Inc.	Delaware
Electronica Nayarit, S.A.	Mexico
ESY Export Company, Inc.	Delaware
E-Systems Technologies Holding, Inc.	Delaware
E-Systems Technologies International, Inc.	Virgin Islands
EverythingAircraft LLC	Delaware
HE Microwave LLC	Delaware
HRL LLC	Delaware
Hughes Research Analytics, Inc.	Delaware
Holwood Realty Company	Delaware
Hughes (U.K.) Limited	England
Hughes Flight Training Limited	England
Groom Aviation Limited	England
Hughes Microelectronics Europa Limited	United Kingdom
Hughes Microelectronics Limited	United Kingdom
Raytheon Microelectronics Espana, S.A.	Spain
Hughes Aircraft Systems International	California
Hughes Europe N.V.	Belgium
Raytheon Systems Holding Company LLC	Delaware
Thales-Raytheon Systems Company Limited	Ireland
Thales-Raytheon Systems Company LLC	Delaware
ACCSCO S.A.	Belgium
Advanced Electronics Systems International L.P.	Delaware
Air Command Systems International S.A.S.	France
Command and Control Systems Company LLC	Delaware
Advanced Electronics Systems International L.P.	Delaware
Command and Control Systems International L.P.	Delaware
Hughes Aircraft Systems International L.P.	Delaware
Thales Raytheon Systems Arabia L.P.	Delaware
Command and Control Systems International L.P.	Delaware
Hughes Aircraft Systems International L.P.	Delaware
Raytheon Mideast Systems Company LLC	Delaware
First Communications Company	Saudi Arabia
Thales Raytheon Systems Arabia L.P.	Delaware
Thales-Raytheon Systems Company LLC	Delaware
ACCSCO S.A.	Belgium
Advanced Electronics Systems International L.P.	Delaware
Air Command Systems International S.A.S.	France
Command and Control Systems Company LLC	Delaware
Advanced Electronics Systems International L.P.	Delaware
Command and Control Systems International L.P.	Delaware
Hughes Aircraft Systems International L.P.	Delaware
Thales Raytheon Systems Arabia L.P.	Delaware
Command and Control Systems International L.P.	Delaware
Hughes Aircraft Systems International L.P.	Delaware
Raytheon Mideast Systems Company LLC	Delaware
First Communications Company	Saudi Arabia
Thales Raytheon Systems Arabia L.P.	Delaware
Hughes Airport Development Corporation Sdn Bhd	Malaysia
Hughes Asia Pacific Hong Kong Limited	Hong Kong

Raytheon Company Organizational Chart

Hughes Australia International PTY Limited	Australia
Hughes Defence Systems Limited	United Kingdom
Hughes Espana S.A.	Spain
Hughes Europe N.V.	Belgium
Hughes International Corporation	Delaware
Hughes (U.K.) Limited	England
Hughes Flight Training Limited	England
Groom Aviation Limited	England
Hughes Microelectronics Europa Limited	United Kingdom
Hughes Microelectronics Limited	United Kingdom
Raytheon Microelectronics Espana, S.A.	Spain
Hughes Asia Pacific Hong Kong Limited	Hong Kong
Hughes Australia International PTY Limited	Australia
MARCOS Vermögensverwaltung GmbH	Germany
Raytheon Training International GmbH	Germany
Hughes Nadge Corporation	Delaware
Hughes Simulation International, Inc.	California
Hughes Systems Management International	California
Hughes Training Italia Srl	Italy
International Electronics Systems, Inc.	California
Maritime Systems Alliance LLC	Delaware
Marshall Insurance Group, Ltd.	Bermuda
NEWCS, Inc.	Delaware
Patriot Overseas Support Company	Delaware
RAYCOM, INC.	Korea
Raytag Limited	Delaware
TAG Halbleiter GmbH	Germany
Raytheon Advanced Systems Company	Delaware
Raytheon Air Control Company	Delaware
Raytheon Aircraft Holdings, Inc.	Delaware
Raytheon Aircraft Charter & Management, Inc.	Kansas
Raytheon Aircraft Company	Kansas
Arkansas Aerospace, Inc.	Arkansas
Raytheon Aircraft (Bermuda) Ltd.	Bermuda
Raytheon Aircraft Parts Inventory & Distribution Company	Kansas
Raytheon Aircraft Quality Support Company	Kansas
Raytheon Aircraft Credit Corporation	Kansas
Beech Aircraft Leasing, Inc.	Kansas
Beech Airliner Lease Corporation	Kansas
Beechcraft BB-209 Leasing, Inc.	Kansas
Beechcraft Lease Corporation	Kansas
Beechcraft Lease Special Purpose Company	Kansas
Beechcraft UC-131 Leasing, Inc.	Kansas
Beechcraft UC-134 Leasing, Inc.	Kansas
Beechcraft UC-163 Leasing, Inc.	Kansas
Beechcraft UC-58 Leasing, Inc.	Kansas
Beechcraft UC-74 Leasing, Inc.	Kansas
Beechcraft UE-106 Leasing, Inc.	Kansas
Beechcraft UE-305 Leasing, Inc.	Kansas
Beechcraft UE-307 Leasing, Inc.	Kansas
Beechcraft UE-308 Leasing, Inc.	Kansas
Beechcraft UE-311 Leasing, Inc.	Kansas
Beechcraft UE-322 Leasing, Inc.	Kansas
Beechcraft UE-331 Leasing, Inc.	Kansas
Beechcraft UE-348 Leasing, Inc.	Kansas
Beechcraft UE-349 Leasing, Inc.	Kansas

Raytheon Company Organizational Chart

Beechcraft UE-50 Leasing, Inc.	Kansas
Beechcraft UE-54 Leasing, Inc.	Kansas
Franco-American Lease Corporation	Kansas
Franco-Kansas Lease Corporation	Kansas
International Lease Corporation	Kansas
Kansas Beechcraft Leasing, Inc.	Kansas
Raytheon Aircraft Credit Lease Corporation	Kansas
Raytheon Aircraft Credit Special Purpose Company	Kansas
Raytheon Aircraft Lease Corporation	Kansas
Raytheon Aircraft Lease Special Purpose Company	Kansas
Raytheon Aircraft Leasing, Inc.	Kansas
Raytheon Aircraft Receivables Corporation	Kansas
Raytheon Aircraft Special Purpose Company	Kansas
Raytheon Airliner Lease Corporation	Kansas
Raytheon-Kansas Lease Corporation	Kansas
UE-311 Leasing Corporation	Kansas
Raytheon Aircraft Regional Offices, Inc.	Kansas
Raytheon Aircraft Services, Inc.	Kansas
Raytheon Philippines, Inc.	Republic of the Philippines
Raytheon Travel Air Company	Kansas
Travel Air Insurance Company Ltd.	Kansas
Travel Air Insurance Company (Kansas)	Kansas
Raytheon Appliances Asia, Inc.	Delaware
Raytheon Australia Pty Ltd.	Australia
Raytheon Brasil Sistemas De Integracao Ltda	Brazil
Raytheon Canada Ltd.	Canada
Advanced Toll Management Corp.	Canada
Raytheon Charitable Foundation	Massachusetts
Raytheon Commercial Ventures, Inc.	Delaware
Raytheon Corporate Operations, Washington Inc.	Delaware
Raytheon Credit Company	Delaware
Raytheon Deutschland GmbH	Germany
Raytheon Marine G.m.b.H.	Germany
Anschutz Japan Co. Ltd.	Japan
Arbeitsmedizinische Betreuungsgesellschaft Kieler Betriebe GmbH	Germany
Raytheon E-Systems Limited	England
Raytheon ESSM Co.	California
Raytheon Engineering and Maintenance Company	Delaware
Raytheon Saudi Arabia Limited	Saudi Arabia
Raytheon Engineers & Constructors International, Inc.	Delaware
RE&C Receivables Corporation	Delaware
Raytheon Espana Limited	Delaware
Raytheon Europe International Company	Delaware
Raytheon Europe Management Services Ltd.	Delaware
Raytheon European Management Co., Inc.	Delaware
Raytheon European Management and Systems Company	Delaware
Raytheon Exchange Holdings II, Inc.	Delaware
Raytheon Exchange Holdings III, Inc.	Delaware
Raytheon Exchange Holdings IV, Inc.	Delaware
Raytheon Exchange Holdings V, Inc.	Delaware
Raytheon Exchange Holdings, Inc.	Delaware
Raytheon Gulf Systems Company	Delaware
Raytheon Hanford, Inc.	Delaware
Raytheon Holding LLC	Delaware

Raytheon Company Organizational Chart

Raytheon International Support Company	Delaware
Raytheon International Trade Ltd.	Virgin Islands
Raytheon International, Inc.	Delaware
Raytheon Do Brasil Ltda.	Sao Paulo
Raytheon International Korea, Inc.	Korea
Raytheon International, Mid-East Limited	Delaware
Raytheon Investment Company	Delaware
Raytheon Italy Liaison Company	Delaware
Raytheon Korean Support Company	Delaware
Raytheon Logistics Support & Training Company	Delaware
Raytheon Logistics Support Company	Delaware
Raytheon Marine Sales and Service Company	Delaware
Raytheon Mediterranean Systems Company	Delaware
Raytheon Middle East Systems Company	Delaware
Raytheon Overseas Limited	Delaware
Raytheon Pacific Company	Delaware
Raytheon Patriot Support Company	Delaware
Raytheon Peninsula Systems Company	Delaware
Raytheon Procurement Company, Inc.	Delaware
Comlog GmbH	Germany
Systems For Defense Company	Delaware
Raytheon Professional Services LLC	Delaware
Shanghai Raytheon Professional Services Consulting Company Ltd.	People's Republic of China
Raytheon Radar Ltd.	Delaware
Raytheon Receivables, Inc.	Delaware
Raytheon STI Company	Delaware
Raytheon Seismic Company	Delaware
Raytheon Southeast Asia Systems Company	Delaware
Raytheon Spanish Support Company	Delaware
Raytheon Systems Company LLC	Delaware
Raytheon Systems Development Company	Delaware
Raytheon Systems France S.A.R.L.	France
Raytheon Systems Holding Company LLC	Delaware
Thales-Raytheon Systems Company Limited	Ireland
Thales-Raytheon Systems Company LLC	Delaware
ACCSCO S.A.	Belgium
Advanced Electronics Systems International L.P.	Delaware
Air Command Systems International S.A.S.	France
Command and Control Systems Company LLC	Delaware
Advanced Electronics Systems International L.P.	Delaware
Command and Control Systems International L.P.	Delaware
Hughes Aircraft Systems International L.P.	Delaware
Thales Raytheon Systems Arabia L.P.	Delaware
Command and Control Systems International L.P.	Delaware
Hughes Aircraft Systems International L.P.	Delaware
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First Communications Company	Saudi Arabia
Thales Raytheon Systems Arabia L.P.	Delaware
Thales-Raytheon Systems Company LLC	Delaware
ACCSCO S.A.	Belgium
Advanced Electronics Systems International L.P.	Delaware
Air Command Systems International S.A.S.	France
Command and Control Systems Company LLC	Delaware
Advanced Electronics Systems International L.P.	Delaware
Command and Control Systems International L.P.	Delaware

Raytheon Company Organizational Chart

Hughes Aircraft Systems International L.P.	Delaware
Thales Raytheon Systems Arabia L.P.	Delaware
Command and Control Systems International L.P.	Delaware
Hughes Aircraft Systems International L.P.	Delaware
Raytheon Mideast Systems Company LLC	Delaware
First Communications Company	Saudi Arabia
Thales Raytheon Systems Arabia L.P.	Delaware
Raytheon Systems International Company	Delaware
Raytheon Brasil Sistemas De Integracao Ltda	Brazil
Raytheon Systems Israel Company	Delaware
Raytheon Systems Support Company	Delaware
Raytheon Technical Services Company	Delaware
Range Systems Engineering Company	Delaware
Range Systems Engineering Support Company	Delaware
Raytheon Canada Services Company Ltd.	Canada
Raytheon Services Company Puerto Rico	Delaware
Raytheon Support Services Company LLC	Delaware
Raytheon Technical Services Guam, Inc.	Guam
Raytheon Technical Services International Company	Delaware
Raytheon Technical Services Ukraine	Ukraine
Raytheon Technical Services Ukraine	Ukraine
Raytheon Technical and Administration Services Ltd.	Delaware
Raytheon Technologies Incorporated	California
Raytheon United Kingdom Limited	England
Computer Systems & Programming Limited	England
Data Logic Altergo, Ltd.	England
Data Logic Limited	England
Data Logic Properties Limited	England
Hallams (Electrical Contractors) Limited	England
Penmar & Company Ltd.	England
Raycab (North) Limited	England
Raycab (South) Limited	England
Raytheon Marine Europe Limited	England
Raytheon Systems Ltd.	England
Raytheon Aircraft Services Ltd.	England
Raytheon Computer Products Europe Limited	England
Raytheon TI Systems, Ltd.	England
Raytheon-Tag Components Limited	England
Square One Computer Services Limited	England
Seismograph Service Corporation	Delaware
Seismograph Service France	France
SilentRunner, Inc.	Delaware
Space Imaging, Inc.	Delaware
Subsidiary X Company	Delaware
Switchcraft de Mexico S.A. de C.V.	Mexico
Thoray Electronics Corporation	Delaware
Translant, Inc.	Texas
Tube Holding Company, Inc.	Connecticut
Xyplex Foreign Sales Corporation, Inc.	Virgin Islands

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File Nos. 333-71974, 333-58474 and 333-82529), Form S-4 (File Nos. 333-40646 and 333-78219) and Form S-8 (File No. 333-56117, 333-52536, 333-45629 and 333-64168) of Raytheon Company of our report dated January 24, 2002, except as to the second, sixth and ninth paragraphs of Note B, the fourth paragraph of Note C, the sixth paragraph of Note P and the information in Note T, as to which the date is March 12, 2002, relating to the consolidated financial statements, which appears in the 2001 Annual Report to Stockholders, which is included in Exhibit 13 to this Form 10-K. We also consent to the incorporation by reference of our report dated January 24, 2002 relating to the financial statement schedule, which appears in Exhibit 23.2 to this Form 10-K.

PricewaterhouseCoopers LLP

Boston, MA
March 18, 2002

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Raytheon Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Raytheon Company and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provided a reasonable basis for our opinion.

As discussed in Note A to the financial statements, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-5, Reporting on the Costs of Start-Up Activities, in 1999.

Boston, Massachusetts
January 24, 2002, except as to the second, sixth and ninth paragraphs of Note B, the fourth paragraph of Note C, the sixth paragraph of Note P, and the information in Note T, as to which the date is March 12, 2002.

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders of Raytheon Company:

Our audits of the consolidated financial statements referred to in our report dated January 24, 2002, except as to the second, sixth and ninth paragraphs of Note B, the fourth paragraph of Note C, the sixth paragraph of Note P and the information in Note T, as to which the date is March 12, appearing in the 2001 Annual Report to Stockholders of Raytheon Company, which report and consolidated financial statements are included in Exhibit 13 to this Form 10-K also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Boston, Massachusetts
January 24, 2002