Table of Contents

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, 2003.

☐ **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	**95-1778500**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

870 WINTER STREET, WALTHAM, MASSACHUSETTS 02451
(Address of Principal Executive Offices) (Zip Code)

(781) 522-3000
Registrant's telephone number, including area code

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** **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 ☐

Indicate by check mark whether the registrant is an accelerated filer. Yes ☒ No ☐

The aggregate market value of the voting stock held by non-affiliates of the Registrant, as of June 29, 2003, was approximately $13.3 billion.

Number of shares of Common Stock outstanding as of December 31, 2003: 418,136,000.

Documents incorporated by reference and made a part of this Form 10-K:

Portions of the Proxy Statement for Raytheon's 2004 Annual Meeting which will be filed with the Commission within 120 days after the close of Raytheon's fiscal year.	Part III

INDEX

Table of Contents

PART I

Item 1. Business

GENERAL

Raytheon Company ("Raytheon" or the "Company"), with worldwide 2003 sales of $18.1 billion, is an industry leader in defense and government electronics, space, information technology, technical services, and business and special mission aircraft. Raytheon was founded in 1922 and is currently incorporated in the state of Delaware. The Company is the surviving company of the 1997 merger of HE Holdings, Inc. and Raytheon Company.

Raytheon's government and defense business is currently aligned in six business segments: Integrated Defense Systems; Intelligence and Information Systems; Missile Systems; Network Centric Systems; Space and Airborne Systems; and Technical Services. 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 individual, corporate and government customers world-wide.

The Company's principal executive offices are located at 870 Winter Street, Waltham, Massachusetts 02451. The Company's Internet address is www.raytheon.com. The content on the Company's website is available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-K.

The Company makes available free of charge on or through its Internet website under the heading "Investor Relations," its report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the Securities and Exchange Commission.

BUSINESS SEGMENTS

Effective January 1, 2003, the Company began reporting its government and defense businesses in six segments. In addition, the Company's Commercial Electronics businesses were reassigned to the new Integrated Defense Systems and Network Centric Systems defense segments. The Company has conformed its segment reporting accordingly and has reclassified comparative prior period information to reflect this change. See "Note P - Business Segment Reporting" within Item 8 of this Form 10-K.

Integrated Defense Systems. The Integrated Defense Systems (IDS) segment is Raytheon's leader in mission systems integration. With a strong international and domestic customer base, including the U.S. Missile Defense Agency and the U.S. Armed Forces, IDS provides integrated air and missile defense and naval and maritime solutions.

IDS' major programs, products and initiatives currently include: DD(X), SPY-3 Radar, the Patriot Air and Missile Defense System, Early Warning Radars, the Cobra Judy Replacement program, Surface-Launched AMRAAM (SLAMRAAM), Complementary Low-Altitude Weapon System (CLAWS), Theater High Altitude Area Defense (THAAD) Radar, Sea-Based X-Band Radar (SBX), Ballistic Missile Defense System (BMDS), Upgraded Early Warning Radar (UEWR), Joint Land Attack Cruise Missile Defense Elevated Netted Sensor (JLENS), Landing Platform Dock Amphibious Ship LPD-17, Common Aviation Command and Control System (CAC2S), Combat System Mk2 (CCS Mk2), Ship Self-Defense System (SSDS) and Aegis Weapon Systems radar equipment.

Some specific IDS accomplishments in 2003 included:

- Award of a contract to provide engineering, construction, integration and testing of a forward-deployable BMDS radar. The BMDS radar, is a transportable, X-band, phased array radar with sufficient sensitivity to detect, track and discriminate between missile threats;
- Mission systems engineering, software development, and test and evaluation services as systems integrator on the DD(X) program, the U.S. Navy's next-generation surface combatant ship;
- Fabrication, assembly and testing of the Sea-based Test-XBR, a high powered, phased-array radar mounted on an ocean-going platform and designed to meet near-term ballistic missile threats;
- Design, production, integration, and testing of Cobra Judy Replacement Mission Equipment for the Naval Sea Systems Command. The existing Cobra Judy is an integrated, computer-driven surveillance and data collection radar system. IDS will replace the current Cobra Judy with a dual-band radar suite consisting of X-band and S-band active phased array sensors and other related mission equipment; and
- Development of the JLENS Spiral 2, a netted sensor system for cruise missile defense, for the U.S. Army Space and Missile Defense Command.

Product performance and support and price are among the principal competitive factors considered by IDS' customers, which include the U.S. Missile Defense Agency and the U.S. Armed Forces. IDS relies upon its domain knowledge and products to compete in the Missile Defense, Integrated Air Defense and other mission areas.

Intelligence and Information Systems. The Intelligence and Information Systems (IIS) segment is a leading provider of systems, subsystems, and software engineering services for national and tactical intelligence systems, as well as for homeland security and information technology solutions. Areas of special concentration include processing, analysis and dissemination of signals and imagery, production of geospatial intelligence, command and control of airborne and spaceborne platforms including unmanned aerial vehicles (UAV's) and satellites, and integrated ground systems for weather and environmental programs. IIS contracts encompass a broad range of products from signal intelligence (SIGINT) sensors (used on platforms such as U2) to mission management systems (used to manage operation and data for platforms like Global Hawk). In addition, IIS delivers integrated solutions for government IT requirements and knowledge driven homeland security solutions for customers worldwide.

IIS' major programs, products and initiatives currently include: UAV systems and Ground Stations, Signal and Imagery Intelligence Programs, Communications Systems, Information Solutions Programs, Department of Education Programs, Supercomputing, National Polar-orbiting Operational Environmental Satellite System Program, Mobile Very Small Aperture Satellite Terminal, Distributed Common Ground System, Managed Data Storage Solutions, Emergency Patient Tracking System, Global Broadcast System, RedWolf telecommunications surveillance products, plus numerous classified programs.

Some specific IIS accomplishments in 2003 included:

- Ground systems developer and integrator for the National Polar-orbiting Operational Environmental Satellite System (NPOESS). NPOESS is the low-Earth orbiting polar satellite system designed to meet the nation's future civilian science and military needs for accurate weather forecasting. NPOESS will replace the Department of Commerce's Polar-orbiting Operational Environmental Satellites and the Department of Defense's Defense Meteorological Satellite Program satellites. Included in 2003 accomplishments was the completion of the build of two NPOESS systems elements, C3S (Command, Control and Communications System) and IDPS (Integrated Data Processing System).
- Information technology operations and maintenance of NASA's Earth Observing System (EOS). EOS gathers, archives, and processes environmental earth observation data and then makes the data available to government and scientific communities. EOS serves more than two million users annually through a network of Distributed Active Archive Centers.
- Upgrading an intelligence system called the Distributed Common Ground System (DCGS), for the U.S. Air Force. The upgrade will transform the DCGS by integrating multiple intelligence systems into a single, worldwide network-centric Information Surveillance and Reconnaissance (ISR) enterprise, delivering time-critical, and decision quality information enabling war fighter dominance of the battlespace.
- Integrator of the ground system for a major classified modernization program, which the company transitioned to operations on schedule following a successful development and integration phase as well as receiving 100% Award Fees in 2003.
- Award of three competitive NSA programs, including one program for which IIS is the integrator for one of the customer's important new missions.
- Award of a prime contract, PROCON, for major operations, maintenance and engineering services for a classified customer. PROCON consolidated several contracts under one integrated team led by IIS, affording the customer more unified operations and cost savings, both immediate and long term.

Technical solutions, value, delivery schedules, and past performance, are among the principal competitive factors considered by IIS' customers, which include classified customers, the U.S. Air Force, NOAA, NASA, and the National Geospatial-Intelligence Agency (NGA). IIS relies upon its domain knowledge and ability to address customer issues, along with its program performance, to compete for its business.

Missile Systems. The Missile Systems (MS) segment provides ballistic missile defense systems; air defense; air-to-air, surface-to-air, surface-to-surface, and air-to-surface missiles; ship self-defense systems; strike, interdiction and cruise missiles; directed energy weapons; and guided projectiles and advanced technology.

MS' major programs, products and initiatives currently include: AMMRAAM, AIM-9X Sidewinder, ASRAAM infrared seeker, Evolved SeaSparrow, various guided projectile programs, TOW, Javelin, Stinger, SeaRAM, Standard Missile, Sparrow, Phalanx, Rolling Airframe, Exoatmospheric Kill Vehicle, Kinetic Energy Interceptor, High-Power Microwave Active Denial System, Tomahawk, Tactical Tomahawk cruise missiles, Paveway, Maverick, High-Speed Anti-Radiation Missile Targeting System, Advanced Cruise Missile, and Joint Stand-off Weapon.

Some specific MS accomplishments in 2003 included:

- Development of Tactical Tomahawk missiles. The Tactical Tomahawk missiles will incorporate innovative technologies to provide new operational capabilities while reducing acquisition and life cycle costs. Scheduled for fleet introduction in 2004, the Tactical Tomahawk will cost less than half of a newly built Block III missile and will have the capability to respond to changing battlefield conditions through the use of its loiter and mission flexibility features;
- Production of Paveway II Laser Guided Bomb Kits, the Air Intercept Missile (AIM-9X), the Evolved Sea Sparrow Missile (ESSM), the STANDARD Missile-2, the AIM-120 Advanced Medium Range Air-to-Air Missile (AMRAAM), the Exoatmospheric Kill Vehicle (EKV), and the Joint Standoff Weapon (JSOW). Since its inception in 1968, the Paveway series of laser-guided bombs has revolutionized tactical air-to-ground warfare. These semi-active laser guided munitions, which home on reflected energy directed on the target, not only reduce the numbers required to destroy a target, but also feature accuracy, reliability, and cost-effectiveness previously unattainable with conventional weapons. AIM-9X is a launch and leave, air combat missile that uses passive infrared (IR) energy for acquisition and tracking, which can be employed in the near beyond visual range and within visual range arenas. The Evolved Sea Sparrow Missile is an international cooperative upgrade of the RIM 7M/P NATO SeaSparrow Missile. It provides increased battle space against high-speed, highly maneuverable anti-ship missiles. The STANDARD Missile-2 (SM-2) provides area defense against enemy aircraft and anti-ship cruise missiles. The SM-2 Block IIIB is the latest version to enter the fleet, and incorporates a side-mounted infrared seeker. The SM-2 Block IV is the latest version to enter production and provides an extended range capability with the addition of a booster. The AIM-120 Advanced Medium Range Air-to-Air Missile (AMRAAM) provides operational and multi-shot capabilities. AMRAAM can be launched at an enemy aircraft day or night, and in all weather. It also allows the pilot to break away immediately after launch, permitting engagement of other targets and enhancing survivability. The Exoatmospheric Kill Vehicle (EKV) is the intercept component of the Ground Based Interceptor (GBI) of a potential system to protect the U.S. homeland from small-scale missile attacks. The EKV consists of an infrared seeker in a flight package used to detect and discriminate the reentry vehicle from other objects. The “hit-to-kill” concept involves colliding with the incoming warhead, completely pulverizing it. The Joint Standoff Weapon (JSOW) enables air strike launches from well beyond most enemy air defenses;
- Began Javelin production, through a joint venture, for the United Kingdom’s Ministry of Defence. The Javelin’s medium-range, anti-tank missile system is the world’s first one-man transportable and employable fire-and-forget anti-armor missile system. The compact, lightweight Javelin is well suited for single-soldier operation in all environments;
- Production of the Paveway IV began for the United Kingdom Ministry of Defence. Paveway IV provides state-of-the-art, all-weather precision munitions. Paveway IV utilizes second-generation GPS-aided inertial navigation that incorporates anti-spoofing and anti-jamming technology;
- Began development and demonstration of a Miniature Air-Launched Decoy (MALD) for the U.S. Air Force. The MALD is a low-cost expendable air-launched vehicle that mimics the radar signature and flight characteristics of fighter aircraft and bombers to deceive a threat air defense system;
- Began engineering development of the STANDARD Missile-3 (SM-3) for the U.S. Navy. STANDARD Missile-3 is being developed as part of the Navy Theater-Wide (NTW) Ballistic Missile Defense system which will provide “theater-wide” defense against medium and long range ballistic missiles;
- Commenced development, through a teaming arrangement with Northrop Grumman, development of the Kinetic Energy Interceptor (KEI) system for the Missile Defense Agency. The KEI is designed to shoot down medium and long-range ballistic missiles in their boost phase of flight; and
- Continued overhaul of the Phalanx Close-In Weapons System. This system is a fast reaction terminal self-protection system against low and high flying, high speed maneuvering anti-ship missile threats that have penetrated all other ships’ defenses.

Technical superiority, reputation, price, delivery schedules, financing, and reliability are among the principal competitive factors considered by MS customers, which include the U.S. Armed Forces and the U.S. Missile Defense Agency. As a result of consolidation in the defense industry, MS frequently partners on various programs with its major suppliers, some of whom are, from time to time, competitors on other programs.

Network Centric Systems. The Network Centric Systems (NCS) segment provides network centric solutions to integrate sensors, communications, and command and control to manage the battlespace. NCS provides superior mission integration for communication and information dominance, real-time shared knowledge, and sensor systems. Its sophisticated solutions integrate systems for all branches of the U.S. military, the National Guard, the Department of Homeland Security, the Federal Aviation Administration, other U.S. national security agencies, and international customers. NCS produces air traffic control systems and radars, along with data fusion software to combine various radar inputs for complete ATC system integration, through its Air Traffic Management Systems business unit; and electro-optical and fire control systems for military applications through its Combat Systems business unit. NCS provides integrated solutions, systems and supporting services in Net-Centric Warfare, command and control systems, and secure architectures and information systems through its Command & Control Systems business unit; communication links through its Homeland Security business unit; secure voice and switching systems, military radios and satellite communications through its Integrated Communications Systems business unit; and infrared and visible detectors through its Precision Technologies & Components business unit.

NCS' major programs, products and initiatives currently include: Standard Terminal Automation Replacement System (STARS), Long Range Advanced Scout Surveillance System (LRAS) 3, DD(X), Cooperative Engagement Capability (CEC) ship self-defense systems, Future Combat Systems (FCS), Secure Mobile Anti-Jam Reliable Tactical Terminal (SMART-T), Enhanced Position Location Reporting System (EPLRS) and the Navy/Marine Corps Intranet project (N/MCI).

Some specific NCS accomplishments in 2003 included:

- Supply and installation of radars throughout the United Kingdom for the United Kingdom's National Air Traffic Services.
- Production of ship self-defense systems for the U.S. Navy's Cooperative Engagement Capabilities (CEC) program. CEC is a sensor networking system that helps war fighters detect, target and kill fast-moving airborne weapons, such as cruise missiles, with extreme speed and accuracy. Considered an enabler of network centric warfare, CEC extracts data from sensors, turns the data into meaningful information and imparts knowledge to commanders. This knowledge helps commanders make weapon-firing decisions with speed and confidence; and
- Development of the Battle Command Mission Execution (BCME) component for the U.S. Army's Future Combat Systems (FCS). BCME is part of a command and control (C2) system that will give war fighters an integrated battlefield picture-that is, one view of all troops and platforms. This new capability will allow commanders to dispatch people and equipment to the right place at the right time.

Price and performance are among the principal competitive factors considered by NCS' customers. NCS relies upon its past performance reputation, technical expertise and pricing to compete for its business.

Space and Airborne Systems. The Space and Airborne Systems (SAS) segment provides electro-optic/ infrared sensors, airborne radars, solid state high energy lasers, precision guidance systems, electronic warfare systems, and space-qualified systems for civil and military applications. SAS is a leader in the design and development of integrated systems and solutions for advanced missions. These include: unmanned aerial operations, battle management command and control, electronic warfare, active electronically scanned array radars, airborne processors, weapon grade lasers, and missile defense, intelligence, surveillance and reconnaissance systems.

SAS' major programs, products and initiatives currently include: Space Tracking and Surveillance System (STSS), Global Hawk, ATFLIR Targeting Pod, APG-79 AESA Radar, Airborne Stand-off Radar (ASTOR), U2, plus numerous classified programs.

Some specific SAS accomplishments in 2003 included:

- Award of a contract for the production of electronic warfare equipment for the Advanced Self –Protection Integrated Suite (ASPIS II) for the Hellenic Air Force (HAF) Block 52+ F-16 aircraft fleet. The ASPIS II is a new, enhanced version of the original ASPIS system delivered in the late 1990s for the HAF Block 30/50 F-16s;
- Design and production of electro-optic sensor systems for use on board helicopters during day or night operations for the U.S. Army's Special Operations Command. The systems will contain laser range finders or laser spot trackers/designators, laser pointers, forward-looking infrared (FLIR) sensors, image intensified television (I2TV), and processing and control electronics;
- Modernization of the radar on the U.S. Air Force's B-2 "Spirit" Bomber with a new Ku band active array radar antenna;
- Continued development of the Multi-platform Radar Technology Insertion Program (MP-RTIP) for the U.S. Air Force. MP-RTIP is a follow on to the Joint Surveillance Target Attack Radar System (J-Stars) and will detect, track and identify both stationary and moving ground vehicles and low-flying cruise missiles; and

- Production of the AN/ASQ-228 Advanced Targeting Forward Looking Infrared (ATFLIR) pod for the U.S. Navy and Marine Corps' F/A-18 fleet. ATFLIR features state-of-the-art third generation mid-wave infrared targeting and navigation FLIRs, an electro-optic sensor, laser rangefinder and target designator, and laser spot tracker. ATFLIR provides naval aviation with an increase in laser designation performance, target recognition range, and better EO/IR imagery.

Price and delivery schedules are among the principal competitive factors considered by SAS' customers, which include Classified customers, the U.S. Navy, and the U.S. Air Force. As a result of consolidation in the defense industry, SAS frequently partners with its major suppliers, some of whom are, from time to time, competitors on other programs.

Technical Services. Raytheon Technical Services Company LLC (RTSC) provides technical, scientific, and professional services for defense, federal, and commercial customers worldwide.

RTSC provides integrated logistics support worldwide across product lines including base operations, logistics and maintenance support services for scientific research conducted by the National Science Foundation (NSF) on and around the continent of Antarctica, for U.S. Naval Facilities on Guam, and for several instrumented test and training ranges. RTSC also supplies comprehensive engineering, manufacturing and depot services. RTSC provides operations, maintenance and logistics services to secure and eliminate weapons of mass destruction, maintain safe conditions and monitor compliance with international treaties. RTSC also provides a significant amount of products and services to the Company's other segments.

RTSC's major programs, products and initiatives currently include: Scientific and Engineering Services - including space sciences, earth systems science, remote sensing, spacecraft and aeronautical engineering, science data systems implementation and operations and engineering services; Integrated Logistics Support - including procurement services, training, technical manuals, life cycle support, field engineering and flight test operations; Range Operations - including engineering, design, installation, and testing of instrumentation modifications, real-time mission data processing, test planning support, systems and software engineering, recovery of underwater weapons systems and total base support; Supply Chain Management - including inventory management, warehousing and distribution; Remote Site Logistics - including life support, training, requirements analysis, and facilities/equipment operations and maintenance; and Installation and Integration of Mission-Critical Equipment - including program management, engineering analysis and design, site survey/ preparation, construction management, equipment integration/installation, operator training and follow-on support, repair and refurbishment.

Some specific RTSC accomplishments in 2003 included:

- Support of facilities used to train astronauts and flight controllers on critical mission skills at NASA's Johnson Space Center;
- Performance on Cooperative Threat Reduction Integrating Contract (CTRIC) task orders for the Defense Threat Reduction Agency;
- Support of the U.S. Government's demilitarization activities in countries of the former Soviet Union; and
- Logistics and science support for the NSF's Antarctica program.

Price, performance, and innovative service solutions are among the principal competitive factors considered by RTSC's customers, which include all branches of the U.S. Armed Forces, NASA, NSF and foreign governments. RTSC relies upon its past performance reputation, service expertise and pricing to compete for its business.

Aircraft. Raytheon Aircraft Company (RAC) designs, manufactures, markets, and provides after-market support for business jets, turboprops, and piston-powered aircraft for the world's commercial, fractional ownership, and military aircraft markets.

RAC's major products and initiatives currently include:

- Aircraft and aviation services in the general aviation market, including a network of fixed-base operations providing business aviation services at airports throughout North America and in the United Kingdom;
- Supply of spare parts through its parts distribution business;
- Production, marketing and support of a piston-powered aircraft line that includes the single-engine Beech Bonanza A36 and the twin-engine Beech Baron 58 aircraft for business and personal flying;
- Production, marketing and support of the King Air turboprop series which includes the Beech King Air C90B, B200, and 350;

- Production, marketing and support of the Hawker 400XP light jet, the Hawker 800XP midsize business jet, and the Beechcraft Premier I entry-level business jet;
- Development of a new super midsize business jet, the Hawker Horizon;
- Production and support of special mission aircraft, including military versions of the King Air and the U-125 search-and-rescue variant of the Hawker 800; and
- 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).

In December 2003, RAC received an order from NetJets Inc. for 50 new Hawker 400XP light jets and 8 new Hawker 800XP mid-sized jets. These aircraft will be delivered through 2009 and have an aggregate value of $360 million. The order includes an option for an additional 50 Hawker 400XP aircraft, which brings the total potential order value to more than $600 million.

Other. Beginning in the fourth quarter of 2003, the Company further realigned its segments by creating the Other segment. The Other segment is comprised of Flight Options LLC (FO), Raytheon Airline Aviation Services LLC (RAAS), and Raytheon Professional Services LLC (RPS). FO offers services in the fractional jet industry. RAAS manages the Company's commuter aircraft business and Starship aircraft portfolio. RPS provides integrated learning solutions to commercial and government organizations worldwide.

Prior to the segment realignments in 2003, the Company's government and defense businesses were conducted through three segments: Electronic Systems; Command, Control, Communication and Information Systems; and Technical Services.

The Electronic Systems (ES) segment focused 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 specialized 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.

The IDS segment is a combination of the former Electronic Systems segment units of Air & Missile Defense Systems and Naval & Maritime Integrated Systems.

The MS segment is the Missile Systems business unit of the former Electronic Systems segment.

The SAS segment is a combination of the former Electronic Systems segment units of Surveillance & Reconnaissance Systems and Air Combat & Strike Systems.

The Command, Control, Communication and Information Systems segment ("C3I") was classified into the following five principal businesses: Intelligence, Surveillance, Reconnaissance ("ISR"); Air Traffic Management ("ATM"); Command and Control / Battle Management ("C2BM"); Communications; and Information Technology / Information Systems. C3I products included 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.

The NCS segment is a combination of the Tactical Systems unit of the former Electronic Systems segment and the Command, Control and Communications (C3S) business of the former Command, Control, Communication and Information Systems segment.

The IIS segment is a combination of the former Command, Control, Communication and Information Systems segment businesses of Imagery and Geospatial Systems and Strategic Systems.

SALES TO THE UNITED STATES GOVERNMENT

Sales to the United States Government (the "Government"), principally to the Department of Defense ("DoD"), were $13.4 billion in 2003 and $12.3 billion in 2002, representing 74% of total sales in 2003 and 73% of total sales in 2002. Of these sales, $0.9 billion in 2003 and $0.8 billion in 2002 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 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 11 of this Form 10-K, for a description of additional business risks.

See "Sales to the United States Government" on page 8 of this Form 10-K for information regarding the percentage of the Company's revenues generated from sales to the Government.

BACKLOG

The Company's backlog of orders was $27.5 billion at December 31, 2003 and $25.7 billion at December 31, 2002. The 2003 amount includes backlog of approximately $21.4 billion from the Government compared with $18.3 billion at the end of 2002.

Approximately $3.4 billion of the overall backlog figure represents the unperformed portion of direct orders from foreign governments. Approximately $1.2 billion of the overall backlog represents non-government foreign backlog.

Approximately $14.8 billion of the $27.5 billion 2003 year-end backlog is not expected to be filled during the following twelve months. For additional information related to backlog figures, see "Segment Results" within Item 7 of this Form 10-K.

RESEARCH AND DEVELOPMENT

During 2003, Raytheon expended $487 million on research and development efforts compared with $449 million in 2002 and $456 million in 2001. 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 – Accounting Policies" within Item 8 of this Form 10-K.

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 2004.

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 defense 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.

EMPLOYMENT

As of December 31, 2003, Raytheon had approximately 78,000 employees compared with approximately 76,400 employees at the end of 2002. The increase is mainly due to overall business growth in multiple market sectors and on multiple programs during 2003.

Raytheon considers its union-management relationships to be generally satisfactory. In 2003, there were no work stoppages at any of the Company's sites.

INTERNATIONAL SALES

Raytheon's sales to customers outside the United States (including foreign military sales) were 19% of total sales in 2003, 21% of total sales in 2002 and 22% of total sales in 2001. 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. See revenues derived from external customers and long-lived assets by geographical areas set forth in "Note P – Business Segment Reporting" within Item 8 of this Form 10-K.

Raytheon utilizes the services of sales representatives and distributors in connection with certain 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 U.S. Department of State under the Arms Export Control Act of 1976, as amended (formerly the Foreign Military Sales Act); or by the U.S. Department of Commerce under the Export Administration Act, as amended, and its implementing Regulations as kept in force by the International Emergency Economic Powers Act of 1977, as amended ("IEEPA"); or by the U.S. Department of the Treasury 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, the 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.

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 multiple year contracts may be planned 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 funds to a prospective program or 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
- foreign corruption

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 74% of our net sales in 2003 were for 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 2003, sales to international customers accounted for approximately 19% 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 for the export of many of our products are required from government agencies in accordance with various statutory authorities, including the Export Administration Act of 1979, the International Emergency Economic Powers Act, the Trading with the Enemy Act of 1917 and the Arms Export Control Act of 1976. 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. Department of State must notify the Congress at least 15 to 30 days, depending on the size and location of the sale, prior to authorizing these sales. During that time, the 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
- develop and 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.

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.

Our business could be adversely affected by a negative audit by the U.S. Government.

U.S. Government agencies such as the Defense Contract Audit Agency, or the DCAA, routinely audit and investigate government contractors. These agencies review a contractor’s performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. The DCAA also reviews the adequacy of, and a contractor’s compliance with, its internal control systems and policies, including the contractor’s purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed, while such costs already reimbursed must be refunded. If an audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. Government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us.

We use estimates in accounting for many programs. Changes in our estimates could adversely affect our future financial results.

Contract and program accounting require judgment relative to assessing risks, including risks associated with customer directed delays and reductions in scheduled deliveries, unfavorable resolutions of claims and contractual matters, judgments associated with estimating contract revenues and costs, and assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenues and cost at completion is complicated and subject to many variables. Assumptions have to be made regarding the length of time to complete the contract because costs also include expected increases in wages and prices for materials. Incentives or penalties related to performance on contracts are considered in estimating sales and profit rates, and are recorded when there is sufficient information for us to assess anticipated performance. Estimates of award fees are also used in estimating sales and profit rates based on actual and anticipated awards.

Because of the significance of the judgments and estimation processes described above, it is likely that materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may adversely affect future financial performance.

We consider several factors in determining lot size and use estimates in measuring average cost of manufacturing aircraft in the lot.

The Company uses lot accounting for new commercial aircraft such as the Beechcraft Premier I. Lot accounting involves selecting an initial lot size at the time a new aircraft begins to deliver and measuring an average cost over the entire lot for each aircraft sold. The Company determines lot size based on several factors, including the size of firm backlog, the expected annual production on the aircraft, and the anticipated market demand for the product.

Incorrect underlying assumptions, circumstances or estimates concerning the selection of the initial lot size or changes in market condition, along with a failure to realize predicted unit costs from cost reduction initiatives and repetition of task and production techniques as well as supplier cost reductions, may adversely affect future financial performance.

We consider several factors when determining the market or carrying value of used general aviation aircraft.

The Company considers independent published data on value of used aircraft, comparable like sales, and current market conditions. Changes in market or economic conditions and changes in products or competitive products may adversely impact the future valuation of used general aviation aircraft.

The level of returns on pension and retirement plans could affect our earnings in future periods.

Our earnings may be positively or negatively impacted by the amount of income or expense we record for our employee benefit plans. This is particularly true with income or expense for our pension plan. A lower return on assets will increase the funding requirements of the pension plans. 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. It uses a discount rate assumption that is determined by using a model consisting of a theoretical bond portfolio which matches the Company's pension liability duration. Pension funding requirements are generally recoverable costs under government contracting regulations.

We may incur additional charges relating to our former Engineering and Construction Business.

We have significant outstanding letters of credit, surety bonds, guarantees and other support agreements related to a number of contracts and leases of our engineering and construction business unit (E&C Business), which we sold to Washington Group International in July 2000. The Company has honored its obligations under those support agreements and is working to close out those projects. There are risks that the costs incurred on these projects will increase beyond the Company's estimates because of factors such as: equipment and subcontractor performance; risks associated with completing punch lists and warranty closeout; potential adverse resolution of claims and closeout issues under various contracts and leases; our lack of construction industry expertise due to the sale of the E&C Business; the recoverability and collection of claims and the outcome of defending claims asserted against us; and the risks inherent in the final resolution and closeout of large long-term fixed price contracts. 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.

During 2003, we recorded charges totaling $176 million due to increased costs for two large power plants being built in Massachusetts; $6 million primarily related to the settlement of warranty claims on one of the projects that had been rejected by Washington Group International in connection with its bankruptcy proceeding; and $49 million for legal, management, and other costs related to our E&C Business.

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 11,700 of our employees are unionized, which represented approximately 15% of our employees at December 31, 2003. 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 9 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.

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. If any of these sole-source suppliers 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
- regulatory developments
- general economic conditions, particularly the cyclical nature of the general aviation market in which we participate
- our ability to obtain licenses from the U.S. Government to sell products abroad.

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, 2003, the Company owns or leases approximately 36 million square feet of floor space for manufacturing, engineering, research, administration, sales and warehousing, approximately 91% of which was located in the United States. Of such total, approximately 43% was owned (or held under a long term ground lease with ownership of the improvements), approximately 46% was leased, and approximately 11% was made available under facilities contracts for use in the performance of United States Government contracts. At December 31, 2003 the Company had approximately 1 million square feet of additional floor space that was not in use, including approximately 219,000 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 suitable and adequate for the Company to operate at present levels, and the productive capacity and extent of utilization of the facilities are appropriate for the existing real estate requirements of the Company.

At December 31, 2003, the Company had major operations at the following locations:

- Network Centric Systems — Fullerton, CA; Goleta, CA; Largo, FL; St. Petersburg, FL; Ft. Wayne, IN; Towson, MD; Marlboro, MA; Dallas, TX; McKinney, TX; Plano, TX; Richardson, TX; Sherman, TX; Midland, Ontario, Canada; and Waterloo, Ontario, Canada;
- Raytheon Aircraft — Little Rock, AR; Atlanta, GA; and Wichita, KS;
- Space and Airborne Systems — El Segundo, CA; Goleta, CA; Forest, MS; and Dallas, TX**;**
- Integrated Defense Systems — San Diego, CA; Andover, MA; Bedford, MA; Sudbury, MA; Tewksbury, MA; Waltham; MA; Portsmouth, RI; Poulsbo, WA; and Kiel, Germany;
- Missile Systems — East Camden, AR; Tucson, AZ; and Louisville, KY;
- Raytheon Technical Services Company — Chula Vista, CA; Long Beach, CA; Pomona, CA; Van Nuys, CA; Indianapolis, IN; Burlington, MA; Norfolk, VA; Reston, VA; Canberra, Australia; and Tamuning, Guam;
- Intelligence and Information Systems — Aurora, CO; Landover, MD; Linthicum, MD; St. Louis, MO; Omaha, NE; State College, PA; Garland, TX; Falls Church, VA; Springfield, VA; and Reston, VA;
- Flight Options LLC — Richmond Heights, OH;
- Raytheon Airline Aviation Services, LLC — Wichita, KS;
- Raytheon Professional Services, LLC — Troy, MI;
- Raytheon United Kingdom — Harlow, England; and Glenrothes, Scotland;
- Administration and Services — Waltham, MA; and Arlington, VA.

A summary of the Company's owned and leased floor space at December 31, 2003, follows:

(in square feet with 000's omitted)

	LEASED	OWNED*	GOV'T OWNED	TOTAL
Network Centric Systems	2,556	4,305	0	6,861
Raytheon Aircraft Company	1,748	3,746	0	5,494
Space and Airborne Systems	2,487	2,823	13	5,323
Integrated Defense Systems	1,220	3,807	182	5,209
Missile Systems	3,002	721	1,247	4,970
Raytheon Technical Services Company LLC	1,990	125	2,416	4,531
Intelligence and Information Systems	2,237	855	0	3,092
Flight Options, LLC	138	125	0	263
Administration and Services	270	150	0	420
Raytheon United Kingdom	108	155	0	263
Raytheon Professional Services, LLC	123	0	0	123
Raytheon International, Inc.	79	0	0	79
Raytheon Airline Aviation Services, LLC	25	20	0	45
TOTALS	**15,983**	**16,832**	**3,858**	**36,673**

* Ownership may include either fee ownership of land and improvements or a long term land lease with ownership of improvements.

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 11 of this Form 10-K, in Item 3. "Legal Proceedings" immediately below, in "Commitments and Contingencies" within Item 7 of this Form 10-K and in "Note M – Commitments and Contingencies" within Item 8 of this Form 10-K.

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. Defense contractors are also 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.

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. In September 2000, the Company and the individual defendants filed a motion to dismiss the Consolidated Complaint. The plaintiffs opposed the motions. The court heard arguments in February 2001, and in August 2001 the court issued an order dismissing most of the claims asserted against the Company and the individual defendants. In March 2002, the court certified the class of plaintiffs as those people who purchased Raytheon stock between October 7, 1998 through October 12, 1999. On March 17, 2003 the named plaintiff filed a Second Consolidated and Amended Complaint which did not change the claims against the Company or the individual defendants, but which sought to add the Company's auditor as an additional defendant. In May 2003, the court issued an order dismissing one of the two claims that had been asserted in the Amended Consolidated Complaint against the Company's auditor. On February 20, 2004, the Company and the individual defendants filed a motion for summary judgment, which the plaintiff opposes. The Company's auditor also filed a motion for summary judgment which the plaintiff opposes. A hearing on the summary judgment motions is scheduled for April 8, 2004. The Court has scheduled a trial to begin on May 3, 2004.

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. In December 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.) The court has since consolidated the Mirachi and Chevedden actions, and plaintiffs have filed a Consolidated Amended Complaint under the caption In re: Raytheon Derivative Litigation (No. 17495-NC). On April 25, 2003, the defendants filed a motion to dismiss the Consolidated Amended Complaint which has not yet been heard as the briefing on the motion is not yet complete.

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 Washington Group International, Inc. ("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. On April 30, 2002, the Court denied the Company's and the individual defendants' motion to dismiss the complaint. Thereafter, the defendants filed a petition with the District Court requesting permission to seek an immediate appeal of the District Court's decision to the United States Court of Appeals for the Ninth Circuit, which the District Court granted on July 1, 2002. In August 2002, the Ninth Circuit issued an order denying the petition for interlocutory appeal. In April 2003, the District Court conditionally certified the class and defined the class period as that between April 17, 2000 and March 2, 2001, inclusive. Defendants have filed their answer to the amended complaint and discovery is proceeding.

As previously reported, the Company has been named as a nominal defendant and all of its directors at the time 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. Haar v. Barbara M. Barrett, et. al., (Civil Action No. 19018) and Howard Lasker v. Barbara M. Barrett, et. al., (Civil Action No. 19027). The Haar 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. In December 2001 the Company and the individual defendants filed a motion to dismiss the Haar complaint, the only one of these actions for which service was by then completed. Since then, the Haar and Lasker actions have been consolidated under the caption In re Raytheon Company Shareholders Litigation (No. 19018-NC). On January 30, 2004, the plaintiffs filed a Consolidated Amended Derivative Complaint. On March 1, 2004, the defendants filed a motion to dismiss the Consolidated Amended Derivative Complaint, which has not yet been heard as a briefing schedule for the motion has not been established. 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 June 28, 2002, all of the defendants in the Kager matter filed a motion to dismiss the complaint. In September 2002, the plaintiff agreed voluntarily to dismiss this action without prejudice so that the plaintiff may re-file the action in Delaware.

As previously reported, in May 2003 two purported class action lawsuits entitled, Benjamin Wall v. Raytheon Company et al. (Civil Action No. 03-10940-RGS) and Joseph I. Duggan, III v. Raytheon Company et al. (Civil Action No. 03-10995-RGS), were filed in federal court in Boston, Massachusetts on behalf of participants in the Company's savings and investment plans who invested in the Company's stock between August 19, 1999 and May 27, 2003. The two class action complaints are brought pursuant to the Employee Retirement Income Security Act (ERISA). Both complaints allege that the Company and certain officers and directors breached ERISA fiduciary and co-fiduciary duties arising out of the Company's savings and investment plans' investment in the Company stock. In September 2003, these actions were consolidated.

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

On February 27, 2003, the Company entered into a settlement agreement with the U.S. Attorney for the District of Massachusetts, the U.S. Customs Service, and the office of Defense Trade Controls of the U.S. Department of State to resolve the U.S. government's investigation of the contemplated sale by the Company of troposcatter radio equipment to a customer in Pakistan. According to the terms of the settlement, the Company paid a $23 million civil penalty, and will spend $2 million to improve the Company's export compliance program. In addition, the Company has agreed to appoint a special compliance officer from outside the Company to oversee the Company's export activities principally at the communications business of NCS.

As previously reported, in June 2002 the Company received service of a grand jury subpoena issued by the United States District Court for the Central District of California. The subpoena seeks documents relating to the activities of an international sales representative engaged by the Company relating to a foreign military sales contract in Korea in the late 1990s. The Company has cooperated fully in the investigation including, producing documents in response to the subpoena. The Company has in place appropriate compliance policies and procedures, and believes its conduct has been consistent with those policies and procedures.

The Company continues to cooperate with the staff of the Securities and Exchange Commission (SEC) on a formal investigation related to the Company's accounting practices primarily related to the commuter aircraft business and the timing of revenue recognition at Raytheon Aircraft. The Company has been providing documents and information to the SEC staff. In addition, certain present and former officers and employees of the Company have provided testimony in connection with this investigation. The Company is unable to predict the outcome of the investigation or any action that the SEC might take.

As previously reported, several claims have been asserted and certain proceedings have been commenced against the Company and certain third parties seeking schedule and performance liquidated damages and payment under certain outstanding Company guarantees in connection with the Jindal, Posven, Ratchaburi, Saltend, Ilijan and Red Oak construction contracts. These contracts were rejected by WGI in bankruptcy. Recently, the claims against the Company involving the Jindal contracts were resolved. The claims against the Company involving the Posven contracts also have been resolved, with the exception of two subcontractor-related disputes. Additionally, several other proceedings have been commenced against the Company by parties that had contractual relationships with certain former indirect subsidiaries of the Company which comprised its engineering and construction business. These former indirect subsidiaries were transferred to WGI in the sale of the engineering and construction business to WGI. The plaintiffs in these proceedings have alleged that the Company is responsible to them on various theories including alter ego liability and the assignment to, and/or the assumption by, the Company of the former indirect subsidiaries' obligations. 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.

The Company is involved in various stages of investigation and cleanup relative to remediation of various environmental sites. All appropriate costs expected to be 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 11 of this Report, in "Commitments and Contingencies" within Item 7 of this Form 10-K and in "Note M – Commitments and Contingencies" within Item 8 of this Form 10-K.

Accidents involving personal injuries and property damage occur in general aviation travel. When permitted by appropriate government agencies, Raytheon Aircraft investigates many 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 that 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 – Commitments and Contingencies" within Item 8 of this Form 10-K.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2003.

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.

Thomas M. Culligan: Executive Vice President - Business Development and CEO of Raytheon International, Inc. since March 2001. From 2000 to March 2001, Mr. Culligan was Vice President and General Manager of Defense and Space at Honeywell International Inc. From 1994 to 2000, Mr. Culligan held various positions at Allied Signal, including Vice President and General Manager, Vice President -Europe, Africa and the Middle East - Marketing, Sales and Service unit and President of Government Operations. Prior to joining Allied Signal, he held executive positions at McDonnell Douglas. Age 52.

Bryan J. Even: Vice President of Raytheon Company since April 2002 and President of Raytheon Technical Services Company (RTSC) since October 2001. Before assuming leadership of RTSC, Mr. Even had oversight for the Engineering and Production Support business unit in Indianapolis, formerly the Naval Air Warfare Center, from 1999 to 2001. From 1998 to 1999, Mr. Even was Director of East Coast Depot Operations for RTSC. Prior thereto, he was the Deputy General Manager of the Engineering and Depots Group of Raytheon Service Company. Age 43.

Louise L. Francesconi: Vice President of Raytheon Company and President of Missile Systems since September 2002. From November 1999 to September 2002, Ms. Francesconi was a vice president of Raytheon Company and General Manager of the Missile Systems business unit within Electronic Systems. From February 1998 to November 1999, she was Senior Vice President of the former Raytheon Systems Company and Deputy General Manager of the company's Defense Systems segment. Ms. Francesconi joined Raytheon in 1997 with the merger of Hughes, where she had served as the President of the Hughes Missile Company since 1996. Age 50.

Charles E. Franklin: Vice President of Raytheon Company leading the Raytheon Company Evaluation Team (RCET) since September 2003. President of Integrated Defense Systems (IDS) from September 2002 to September 2003. From 1998 to September 2002, Mr. Franklin was Vice President and General Manager of the Air and Missile Defense Systems business unit within Electronic Systems. From 1996 to 1998, Mr. Franklin was Vice President, Programs and Mission Success at Lockheed Martin Sanders Company. Age 65.

Richard A. Goglia: Vice President and Treasurer since January 1999. From March 1997 to January 1999, Mr. Goglia was Director, International Finance. Prior to joining the Company, Mr. Goglia spent 16 years in various positions at General Electric and General Electric Capital Corporation. Age: 52.

John D. Harris: Vice President of Contracts for Raytheon Company since June 2003. From September 2002 to June 2003, Mr. Harris was Vice President of Contracts for Raytheon's government and defense businesses. From April 2001 to September 2002, he was Vice President of Operations and Contracts for the former Electronic Systems business. Mr. Harris joined Raytheon in 1983 as a contract administrator and he has held positions of increasing responsibility with the Company since 1983. Age 42.

Jack R. Kelble: Vice President of Raytheon Company and President of Space and Airborne Systems (SAS) since September 2002. From October 2001 to September 2002, Mr. Kelble was Vice President and General Manager of the Surveillance and Reconnaissance business unit within Electronic Systems. From January 2000 to October 2001, Mr. Kelble was Vice President of Engineering for Electronic Systems. From October 1998 to January 2000, he was Senior Vice President and Deputy General Manager of the Sensors and Electronic Systems business unit within Electronic Systems. From January 1998 to October 1998, he was Vice President and General Manager of the Integrated Systems business unit within Electronic Systems. He joined Raytheon in 1979 and held positions of increasing responsibility within the Company. Age 61.

Michael D. Keebaugh: Vice President of Raytheon Company and President of Intelligence and Information Systems (IIS) since September 2002. From February 1998 to September 2002, Mr. Keebaugh was Vice President and General Manager of the Imagery and Geospatial Systems business unit within Command, Control, Communication and Information Systems. Mr. Keebaugh joined Raytheon in 1990 as a result of an acquisition and held other senior positions within the Company including Vice President and General Manager of Imagery and Geospatial Systems within Raytheon Systems Company. Age 58.

Keith J. Peden: Senior Vice President – Human Resources since March 2001. From November 1997 to March 2001, Mr. Peden was Vice President and Deputy Director – Human Resources. From April 1993 to November 1997, Mr. Peden was Corporate Director of Benefits and Compensation. Age 53.

Edward S. Pliner: Senior Vice President and Chief Financial Officer since December 2002. From April 2000 to December 2002, Mr. Pliner was Vice President and Corporate Controller. From September 1995 to April 2000, Mr. Pliner was a partner at PricewaterhouseCoopers LLP. Age 46.

Biggs C. Porter: Vice President and Corporate Controller since May 2003. From December 2000 to May 2003, Mr. Porter was corporate controller at TXU Corp. From 1996 to December 2000, he was chief financial officer of Northrop Grumman's Integrated Systems and Aerostructure Sector and its Commercial Aircraft Division. Age 50.

Rebecca B. Rhoads: Vice President and Chief Information Officer since April 2001. From February 2000 to April 2001, Ms. Rhoads was Vice President of Information Systems Technology for Electronic Systems. From July 1999 to February 2000, she was Vice President of Information Technology for the Defense Systems business unit of Raytheon Systems Company. From 1996 to 1999, Ms. Rhoads was Director of the Raytheon Test Systems Design Center. Age 46.

Colin Schottlaender: Vice President of Raytheon Company and President of Network Centric Systems (NCS) since September 2002. From November 1999 to September 2002, Mr. Schottlaender was Vice President and General Manager of the Tactical Systems business unit within Electronic Systems. From December 1997 to November 1999, Mr. Schottlaender was Vice President of Tactical Systems within the Sensors and Electronic Systems business unit of Raytheon Systems Company. He joined Raytheon in 1977 and held positions of increasing responsibility in domestic and international business development, program management, quality assurance, test engineering and product design/manufacture. Age 48.

James E. Schuster: Executive Vice President of Raytheon Company and Chief Executive Officer of Raytheon Aircraft Company since May 2001. From April 2000 to May 2001, Mr. Schuster was Vice President of Raytheon Company and President of Aircraft Integration Systems. From September 1999 to April 2000, he was Deputy General Manager for Aircraft Integration Systems. Age 50.

Gregory S. Shelton: Vice President – Engineering and Technology since May 2001. From 1998 to May 2001, Mr. Shelton served as Vice President of Engineering for Raytheon's Missile Systems business unit within the Electronic Systems segment. From 1996 to 1997, he was Vice President, Engineering for Hughes Weapons Systems. From 1995 to 1996, he served as Vice President and Product Line Manager, Air Missiles and Advanced Programs and Technology for Hughes Missile Systems Company. Age 53.

Daniel L. Smith: President of Raytheon Integrated Defense Systems (IDS) since September 2003. From August 2002 to September 2003, Mr. Smith was Vice President and Deputy of IDS. From October 1996 to August 2002, he served as Vice President and General Manager of Raytheon's Naval & Maritime Integrated Systems business unit. Mr. Smith joined Raytheon in 1996 as the manager of programs for U.S. Navy LPD-17 class ships. Age 51.

Jay B. Stephens: Senior Vice President and General Counsel of Raytheon since October 2002. From January 2002 to October 2002, Mr. Stephens was Associate Attorney General of the United States. From 1997 to 2001, Mr. Stephens was Corporate Vice President and Deputy General Counsel for Honeywell International (formerly AlliedSignal). From 1993 to 1997, he was a partner in the Washington office of the law firm of Pillsbury, Madison & Sutro (now Pillsbury and Winthrop). Mr. Stephens served as United States Attorney for the District of Columbia from 1988 to 1993. From 1986 to 1988, he served in the White House as Deputy Counsel to the President. Age 57.

William H. Swanson: Chairman since January 2004; Chief Executive Officer since July 2003; President since July 2002. Mr. Swanson joined Raytheon in 1972 and has held increasingly responsible management positions, including: Executive Vice President of Raytheon Company and President of Raytheon's Electronic Systems segment from January 2000 to July 2002; Executive Vice President of Raytheon Company and Chairman and CEO of Raytheon Systems Company from January 1998 to January 2000; Executive Vice President of Raytheon Company and General Manager of Raytheon's Electronic Systems segment from March 1995 to January 1998; and Senior Vice President and General Manager of Missile Systems Division from August 1990 to March 1995. Age 55.

PART II

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

At December 31, 2003, there were approximately 71,000 record holders of the Company's common stock. The Company's common stock is traded on the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Exchange under the symbol RTN. For information concerning stock prices and dividends paid during the past two years, see "Note Q – Quarterly Operating Results (unaudited)" within Item 8 of this Form 10-K.

Item 6. Selected Financial Data

FIVE-YEAR STATISTICAL SUMMARY

(In millions except share amounts and total employees)	**2003**	2002	2001	2000	1999
Results of Operations					
Net sales	**$ 18,109**	$ 16,760	$ 16,017	$ 15,817	$ 16,142
Operating income	**1,316**	1,783	766[1]	1,580	1,645
Interest expense	**537**	497	696	761	724
Income from continuing operations	**535**	756	2[1]	477	546
Loss from discontinued operations, net of tax	**(170)**	(887)	(757)	(339)	(94)
Cumulative effect of change in accounting principle, net of tax	**—**	(509)	—	—	(53)
Net income (loss)	**365**	(640)	(755)[1]	138	399
Diluted earnings per share from continuing operations	**$ 1.29**	$ 1.85	$ 0.01[1]	$ 1.40	$ 1.60
Diluted earnings (loss) per share	**0.88**	(1.57)	(2.09)[1]	0.40	1.17
Dividends declared per share	**0.80**	0.80	0.80	0.80	0.80
Average diluted shares outstanding *(in thousands)*	**415,429**	408,031	361,323	341,118	340,784
Financial Position at Year-End					
Cash and cash equivalents	**$ 661**	$ 544	$ 1,214	$ 871	$ 230
Current assets	**6,585**	7,190	9,647	9,444	10,732
Property, plant, and equipment, net	**2,711**	2,396	2,196	2,339	2,224
Total assets	**23,668**	23,946	26,773	27,049	28,222
Current liabilities	**3,849**	5,107	5,815	5,071	7,998
Long-term liabilities (excluding debt)	**3,281**	2,831	1,846	2,021	1,886
Long-term debt	**6,517**	6,280	6,874	9,051	7,293
Subordinated notes payable	**859**	858	857	—	—
Total debt	**7,391**	8,291	9,094	9,927	9,763
Stockholders' equity	**9,162**	8,870	11,381	10,906	11,045
General Statistics					
Total backlog	**$ 27,542**	$ 25,666	$ 25,605	$ 25,709	$ 24,034
U.S. government backlog included above	**21,353**	18,254	16,943	16,650	14,575
Capital expenditures	**428**	458	461	421	507
Depreciation and amortization	**393**	364	677	642	646
Total employees from continuing operations	**77,700**	76,400	81,100	87,500	90,600

[1] Includes charges of $745 million pretax related to the Company's commuter aircraft business and Starship aircraft portfolio, $484 million after-tax, or $1.34 per diluted share.

Certain prior year amounts have been reclassified to conform with the current year presentation.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of 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, NATO, and many allied governments. 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 businesses are well positioned to capitalize on emerging opportunities in missile defense; precision engagement; intelligence, surveillance, and reconnaissance; and homeland security. Due to the multi-year defense spending cycle, recent increased budget authorizations in these areas are expected to favorably impact the Company's defense businesses over the next several years.

Raytheon Aircraft is a leading provider of business and special mission aircraft and delivers a broad line of jet, turboprop, and piston-powered airplanes to individual, corporate, and government customers worldwide.

Defense Industry Considerations

Recent events, including the global War on Terrorism, Operation Enduring Freedom, and Operation Iraqi Freedom, have altered the defense and security environment of the United States. These events have had, and for the foreseeable future are likely to continue to have, a significant impact on the markets for defense and advanced technology systems and products. The U.S. Department of Defense continues to focus on both supporting ongoing operations and transforming our military to confront future threats. Our customers plan to operate in a new paradigm. They define an approach that emphasizes speed, precision, and flexibility, by sharing superior knowledge, enabling forces to seize and sustain initiative, concentrate combat power, and prevent an enemy response. In this new environment, the need for advanced technology and defense electronics is clear.

The recent growth in military expenditures is driven by the multi-pronged approach required to fight the War on Terrorism, replenish war materials consumed during continued operations in Afghanistan and Iraq, and sustain the momentum in pursuit of transformation.

The Company's strategy is designed to capitalize on the breadth and depth of the Company's technology and extensive domain expertise in order to meet the evolving needs of the Company's customers. The Company is focusing on the following Strategic Business Areas, which are aligned with the ongoing military operations and Department of Defense transformation goals:

- Missile Defense
- Precision Engagement
- Intelligence, Surveillance and Reconnaissance
- Homeland Security

Missile Defense

The Company provides an extensive array of technologies and is a major partner in missile defense. The Company is committed to helping the U.S. Missile Defense Agency, the organization responsible for developing an operational Ballistic Missile Defense System achieve its objectives. The President's commitment to have a U.S. missile defense system operational by 2004 is reinforced by the increase in emphasis and funding in the latest budgets. The Company's broad array of technologies covers all three phases of the missile defense system – boost, midcourse, and terminal defense – and includes Standard Missile-3, Space Tracking and Surveillance System, Cobra Judy, Exo-Atmospheric Kill Vehicle, Early Warning Radar, Sea-Based X-Band Radar, High Power Discriminator, Terminal High-Altitude Area Defense, and Patriot.

Precision Engagement

The Company provides mission solutions across the entire precision engagement chain. The Company's customers are increasingly looking for mission solutions that address the need to operate jointly (across services and between allied forces), work in a new net-centric paradigm, minimize collateral damage, and strike time sensitive targets. The Company's precision engagement systems include: U-2 sensor suite, F-15 and F/A-18 Active Electronically Scanned Array radars, Advanced Medium Range Air-to-Air Missile, Situation Awareness Data Link, NetFires, Joint Standoff Weapon, Paveway, Tactical Tomahawk, F/A-18 Radar Warning Receiver, High Power Microwave, and High Energy Lasers.

Intelligence, Surveillance and Reconnaissance

The Company's innovative sensing, processing, and dissemination technologies effectively compress the information gap from hours to minutes. The Company provides integrated systems solutions for observing, locating, processing, deciding, and disseminating actionable information, enabling network-centric operations for decision makers. These abilities are crucial for war fighters to achieve information dominance throughout the entire battlespace. The Company's key ISR programs include: Global Hawk sensor suite, E-10A Battle Management Command and Control, Space Based Radar, National Polar-orbiting Operational Environmental Satellite Systems, Future Combat Systems, DD(X), and numerous classified programs.

Homeland Security

In the area of Homeland Security, the Company has skills, experience, and technology in areas such as airport security; command, control, and communication; and the integration and fusion of sensory inputs for real-time decision support. This is still a new market with significant uncertainty and the ultimate customers and available funding have yet to be determined.

Unlike many major defense contractors, the Company provides electronics for a wide range of missions and platforms. The Company has several thousand programs which the Company believes reduces some of the risk and volatility often inherent in the defense industry.

The Company generally acts as a prime contractor or subcontractor on its programs. The funding of U.S. government programs is subject to Congressional authorization and appropriation. While Congress generally appropriates funds on a fiscal year basis, major defense programs are usually conducted under binding contracts over multiple years. The termination of funding for a U.S. government program could result in a loss of future revenues, which would have a negative effect on the Company's financial position and results of operations. U.S. government contracts are also 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 financial position or results of operations.

Aircraft Industry Considerations

The health of the markets for Raytheon Aircraft's products and services is influenced by a number of key economic and environmental factors including:

- Economic growth or sustained market stability
- The industry-wide level of inventory of used aircraft available for sale
- Regulatory and environmental factors including continued open access to national airspace and airports and operational equipment requirements
- Introduction of new products

While the economy has shown signs of recovery by most measures including GDP, corporate profits, and personal disposable income, the general aviation market continues to be depressed from its peak performance in 2001. Historically, the industry has lagged the U.S. economic recovery by 12 -18 months.

Traditionally, the used aircraft market has led the recovery of the new aircraft market by approximately nine months, however, the current size of the worldwide fleet of used aircraft available for sale and a slower economic recovery could delay market demand for new aircraft.

The size of the worldwide fleet of used aircraft available for sale has created intense price pressure on new aircraft and, as a result, many manufacturers have reduced line or production rates to avoid oversupplying the market with products that will only be moved through deep discounting. To support a recovery of the new aircraft market, the current worldwide inventory of used aircraft must be reduced.

Despite the increased activity in the used aircraft market during the last half of 2003 and strong fourth quarter sales activity for new aircraft, driven in large part by the bonus depreciation benefit of the Jobs Growth Tax Relief Reconciliation Act of 2003, the industry consensus is that the market for new aircraft will remain flat to slightly higher through 2005 with a modest recovery beginning in 2006.

Financial Summary

As discussed in more detail throughout Management's Discussion and Analysis of Financial Condition and Results of Operations:

Gross bookings were $22.7 billion in 2003, $17.9 billion in 2002, and $17.0 billion in 2001 resulting in backlog of $27.5 billion, $25.7 billion, and $25.6 billion at December 31, 2003, 2002, and 2001, respectively. Backlog represents future sales and cash flow that will be recognized over the next several years.

Net sales were $18.1 billion in 2003, $16.8 billion in 2002, and $16.0 billion in 2001. The increase in sales was a result of strong growth at the defense businesses, primarily Integrated Defense Systems, Missile Systems, and Space and Airborne Systems.

Operating income was $1.3 billion in 2003, $1.8 billion in 2002, and $0.8 billion in 2001. Operating income as a percent of net sales was 7.3 percent, 10.6 percent, and 4.8 percent in 2003, 2002, and 2001, respectively. Included in operating income was a FAS/CAS Pension Adjustment, described below in Consolidated Results of Operations, of $109 million of expense in 2003, $210 million of income in 2002, and $386 million of income in 2001. The FAS/CAS Pension Adjustment in 2004 is expected to be approximately $450 million of expense. Also included in operating income were 2003 charges at Network Centric Systems and Technical Services of $276 million, 2001 charges at Raytheon Airline Aviation Services of $745 million, and 2001 goodwill amortization of $334 million.

Operating cash flow from continuing operations was $2.1 billion in 2003, $2.2 billion in 2002, and $0.8 billion in 2001. The increase from 2001 was due to better working capital management at the defense businesses and better inventory management at Raytheon Aircraft. Although the Company will continue to focus on working capital management at the defense businesses, this level of improvement is not expected to continue into the foreseeable future.

CRITICAL 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 government contracts are recorded under the percentage of completion method. Incurred 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 using the Company's estimates of costs and contract value. Cost estimates include direct and indirect costs

such as labor, materials, warranty, and overhead. Some contracts contain incentive provisions based upon performance in relation to established targets which are included at estimated realizable value. Contract change orders and claims are included when they can be reliably estimated and realization is probable. Due to the long-term nature of many of the Company's programs, developing estimates of costs and contract value 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, 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, award fee estimations, and the recoverability of claims. In 2003, 2002, and 2001, operating income as a percent of net sales for the defense businesses did not vary by more than 1.5 percent. If operating income as a percent of net sales for the defense businesses had been higher or lower by 1.5 percent in 2003, the Company's operating income would have changed by approximately $250 million.

The Company uses lot accounting for new commercial aircraft introductions at Raytheon Aircraft. Lot accounting involves selecting an initial lot size at the time a new aircraft begins to be delivered 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 in the lot and are determined under the learning curve concept which anticipates a predictable decrease in unit costs from cost reduction initiatives and as tasks and production techniques become more efficient through repetition. Once production costs stabilize, which is expected by the time the initial lot has been completed, 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 for the aircraft, and experience on similar new aircraft. The size of the initial lot for the Beechcraft Premier I, the only aircraft the Company is currently utilizing lot accounting for, is 200 units. In 2003, the Company recorded a pretax charge of $22 million to reflect the expected loss on the initial lot. A five percent increase in the remaining estimated cost to produce the aircraft would reduce the Company's operating income by approximately $20 million.

The valuation of used aircraft in inventories, which are stated at cost, but not in excess of realizable value, requires significant judgment. As part of the assessment of realizable 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. A five percent decrease in the aggregate realizable value of used aircraft in inventory at December 31, 2003, would result in an impairment charge of approximately $20 million. The valuation of aircraft materials and parts which support the worldwide fleet of aircraft, which are stated at cost, but not in excess of realizable value, also requires significant judgment. As part of the assessment of realizable value, the Company must evaluate many factors including the expected useful life of the aircraft, some of which have remained in service for up to 50 years. A five percent decrease in the aggregate realizable value of aircraft materials and purchased parts at December 31, 2003, would result in an impairment charge of approximately $15 million.

The Company evaluates the recoverability of long-lived assets upon indication of possible impairment by measuring the carrying amount of the assets against the related estimated undiscounted cash flows. When an evaluation indicates that the future undiscounted cash flows are not sufficient to recover the carrying value of the assets, the asset is adjusted to its estimated fair value. The determination of what constitutes an indication of possible impairment, the estimation of future cash flows, and the determination of estimated fair value are all significant judgments. In addition, the Company performs an annual goodwill impairment test in the fourth quarter of each year. The Company estimates the fair value of reporting units using a discounted cash flow model based on the Company's most recent five-year plan and compares the estimated fair value to the net book value of the reporting unit, including goodwill. Preparation of forecasts for use in the five-year plan involve significant judgments. Changes in these forecasts could affect the estimated fair value of certain of the Company's reporting units and could result in a goodwill impairment charge in a future period.

The Company has pension plans covering the majority of its employees, including certain employees in foreign countries. The selection of the assumptions used to determine pension expense or income involves significant judgment. The Company's long-term return on asset (ROA) and discount rate assumptions are considered to be the key variables in determining pension expense or income. To develop the long-term ROA assumption, the Company considered the current level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset classes in which the Company has invested pension plan assets, and the expectations for future returns of each asset class. Since the Company's investment policy is to employ active management strategies in all asset classes, the potential exists to outperform the broader markets, therefore, the expected returns were adjusted upward. The expected return for each asset class was then weighted based on the target asset allocation to develop the long-term ROA assumption. The long-term ROA assumption is based on target asset allocations of between 65 and 70 percent equities with a 9.75% expected return, between 20 and 25 percent fixed income with a 5.25% expected return, up to 5 percent real estate with an 8.25% expected return, and between 5 and 10 percent other (including private equity and cash) with a 10.5% expected return. The long-term ROA assumption for the Company's domestic pension plans in 2004 is 8.75%. The discount rate assumption was determined by using a model consisting of a theoretical bond portfolio that matches the Company's

pension liability duration. The discount rate assumption for the Company's domestic pension plans in 2004 is 6.25%. The Company's pension expense is expected to be approximately $700 million in 2004 and $750 million in 2005. For every 2.5 percent that in the actual domestic pension plan asset return exceeds or is less than the long-term ROA assumption for 2004, the Company's pension expense for 2004 will change by approximately $15 million. If the Company adjusts the discount rate assumption for 2005 up or down by 25 basis points, the Company's pension expense would change by approximately $40 million.

Effective January 1, 2004, the Company changed the measurement date for its pension and other postretirement benefit plans from October 31 to December 31. This change in measurement date will be accounted for as a change in accounting principle. The cumulative effect of this change in accounting principle is anticipated to be a gain of $34 million after-tax for pension benefits and a gain of $7 million after-tax for other postretirement benefits and will be recognized in 2004. Using the Company's year end as the measurement date for pension and other postretirement benefit plans more appropriately reflects the plans' financial status for the years then ended.

CONSOLIDATED RESULTS OF OPERATIONS

Net sales were $18.1 billion in 2003, $16.8 billion in 2002, and $16.0 billion in 2001. The increase in sales was due primarily to higher U.S. Department of Defense expenditures in the Company's defense businesses, primarily Integrated Defense Systems, Missile Systems, and Space and Airborne Systems. Sales to the U.S. Department of Defense were 65 percent of sales in 2003, 62 percent in 2002, and 59 percent in 2001. Total sales to the U.S. government, including foreign military sales, were 74 percent of sales in 2003, 73 percent in 2002, and 70 percent in 2001. International sales, including foreign military sales, were 19 percent of sales in 2003, 21 percent in 2002, and 22 percent in 2001. While international sales have remained flat, the amount as a percent of sales has declined as a result of increased sales to the U.S. Department of Defense.

Gross margin (net sales less cost of sales) was $3.1 billion in 2003, $3.4 billion in 2002, and $2.4 billion in 2001, or 17.2 percent of sales in 2003, 20.3 percent in 2002, and 14.7 percent in 2001. Included in gross margin was a FAS/CAS Pension Adjustment, described below, of $109 million of expense, $210 million of income, and $386 million of income in 2003, 2002, and 2001, respectively. The change in the FAS/CAS Pension Adjustment was due primarily to the reduction in the Company's long-term return on asset assumption and the actual rate of return on pension plan assets over the last several years. The decrease in gross margin as a percent of sales in 2003 was due, in part, to charges of $237 million at Network Centric Systems and $39 million at Technical Services, described below in Segment Results. Included in gross margin in 2001 was goodwill amortization of $334 million, which was discontinued January 1, 2002 as described below. Excluding goodwill amortization, gross margin was $2.7 billion or 16.8 percent of sales in 2001. Included in gross margin in 2001 were charges of $745 million at Raytheon Aviation Airline Services, described below in Segment Results.

Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions (SFAS No. 87), outlines the methodology used to determine pension expense or income for financial reporting purposes, which is not necessarily indicative of the funding requirements of pension plans, which are determined by other factors. A major factor for determining pension funding requirements are Cost Accounting Standards (CAS) that proscribe the allocation to and recovery of pension costs on U.S. government contracts. The Company now reports the difference between SFAS No. 87 (FAS) pension expense or income and CAS pension expense as a separate line item in the Company's segment results called FAS/CAS Pension Adjustment. The results for each segment only include pension expense as determined under CAS, which can generally be recovered through the pricing of products and services to the U.S. government.

Administrative and selling expenses were $1,306 million or 7.2 percent of sales in 2003, $1,170 million or 7.0 percent of sales in 2002, and $1,131 million or 7.1 percent of sales in 2001. Included in administrative and selling expenses in 2002 was a $29 million gain on the sale of the Company's corporate headquarters.

Research and development expenses were $487 million or 2.7 percent of sales in 2003, $449 million or 2.7 percent of sales in 2003, and $456 million or 2.8 percent of sales in 2001.

Operating income was $1,316 million or 7.3 percent of sales in 2003, $1,783 million or 10.6 percent of sales in 2002, and $766 million or 4.8 percent of sales in 2001. Excluding goodwill amortization, operating income was $1,100 million or 6.9 percent of sales in 2001. The changes in operating income by segment are described below in Segment Results.

Interest expense from continuing operations was $537 million in 2003, $497 million in 2002, and $696 million in 2001. In 2002 and 2001, the Company allocated $79 million and $18 million, respectively, of interest expense to discontinued operations. The Company did not allocate interest expense to discontinued operations in 2003 as described below in Discontinued Operations. Total interest expense was $576 million in 2002 and $714 million in 2001. The decrease in interest expense in 2003 was due to a lower weighted-average cost of borrowing. The decrease in 2002 was due to lower average debt and a lower weighted-average cost of borrowing due, in part, to the interest rate swaps entered into in 2001, described below in Capital Structure and Resources. The weighted-average cost of borrowing was 6.0 percent in 2003, 6.7 percent in 2002, and 7.1 percent in 2001.

Interest income was $50 million in 2003, $27 million in 2002, and $36 million in 2001. The increase in interest income was due to interest on long-term receivables brought onto the Company's books as part of the buy-out of the Aircraft Receivables Facility in the fourth quarter of 2002, described below in Financial Condition and Liquidity.

Other expense, net was $67 million in 2003, $237 million in 2002, and $6 million in 2001. Included in other expense, net in 2003 was a $77 million charge related to the Company's repurchase of long-term debt, described below in Capital Structure and Resources, and $20 million of equity losses related to Flight Options LLC, offset by an $82 million gain from the sale of the Company's investment in its former aviation support business, both described below in Major Affiliated Entities. Included in other expense, net in 2002 was a $175 million charge to write-off the Company's investment in Space Imaging and accrue for a related credit facility guarantee which the Company paid in 2003, described below in Major Affiliated Entities. Other income and expense also includes 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 29.8 percent in 2003 and 29.7 percent in 2002, reflecting the U.S. statutory rate of 35 percent reduced by ESOP dividend deductions, foreign sales corporation tax credits, and research and development tax credits applicable to certain government contracts. The effective tax rate was 98.0 percent in 2001, reflecting the U.S. statutory rate of 35 percent reduced by foreign sales corporation tax credits and research and development tax credits applicable to certain government contracts, increased by non-deductible amortization of goodwill. Excluding the effect of goodwill amortization, the effective tax rate was 29.3 percent in 2001. At December 31, 2003, the Company had net operating loss carryforwards of $1.4 billion that expire in 2020 through 2023. The Company believes it will be able to utilize all of these carryforwards over the next 3 years.

Income from continuing operations was $535 million or $1.29 per diluted share on 415.4 million average shares outstanding in 2003, $756 million or $1.85 per diluted share on 408.0 million average shares outstanding in 2002, and $2 million or $0.01 per diluted share on 361.3 million average shares outstanding in 2001. Excluding goodwill amortization, income from continuing operations was $307 million or $0.85 per diluted share in 2001. The increase in average shares outstanding in 2003 was due primarily to benefit plan-related activity. The increase in average shares outstanding in 2002 was due primarily to the issuance of 14,375,000 and 31,578,900 shares of common stock in May and October 2001, respectively.

The loss from discontinued operations, net of tax, described below in Discontinued Operations, was $170 million or $0.41 per diluted share in 2003, $887 million or $2.17 per diluted share in 2002, and $757 million or $2.10 per diluted share in 2001.

Effective January 1, 2002, the Company adopted 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. In accordance with SFAS No. 142, goodwill amortization was discontinued as of January 1, 2002. In 2002, the Company recorded a goodwill impairment charge of $360 million related to its former Aircraft Integration Systems business (AIS) as a cumulative effect of change in accounting principle. Due to the non-deductibility of this goodwill, the Company did not record a tax benefit in connection with this impairment. Also in 2002, the Company completed the transitional review of the other businesses for potential goodwill impairment in accordance with SFAS No. 142 and recorded a goodwill impairment charge of $185 million pretax or $149 million after-tax, which represented all of the goodwill at Raytheon Aircraft, as a cumulative effect of change in accounting principle. The Company also determined that there was no impairment of goodwill related to any of the defense businesses beyond the $360 million related to AIS. The total goodwill impairment charge in 2002 was $545 million pretax, $509 million after-tax, or $1.25 per diluted share.

Net income was $365 million or $0.88 per diluted share in 2003 versus a net loss of $640 million or $1.57 per diluted share in 2002 and a net loss of $755 million or $2.09 per diluted share in 2001. Excluding goodwill amortization, the net loss was $422 million or $1.17 per diluted share in 2001.

SEGMENT RESULTS

Reportable segments have been determined based upon product lines and include the following: Integrated Defense Systems, Intelligence and Information Systems, Missile Systems, Network Centric Systems, Space and Airborne Systems, Technical Services, Aircraft, and Other. In 2003, the Company began reporting its defense businesses in six segments. In addition, the Company's Commercial Electronics businesses were reassigned to the new defense businesses. Also, the Company created an Other segment comprised of Flight Options LLC, Raytheon Airline Aviation Services LLC, and Raytheon Professional Services LLC. Also in 2003, the Company changed the way pension expense or income is reported in the Company's segment results as described above in Consolidated Results of Operations. Information for all periods presented was restated to reflect these changes.

Table of Contents

Net Sales

(In millions)	**2003**	2002	2001
Integrated Defense Systems	**$ 2,864**	$ 2,366	$ 2,265
Intelligence and Information Systems	**2,045**	1,887	1,736
Missile Systems	**3,538**	3,038	2,901
Network Centric Systems	**2,809**	3,091	2,865
Space and Airborne Systems	**3,677**	3,243	2,738
Technical Services	**1,963**	2,133	2,050
Aircraft	**2,088**	2,040	2,471
Other	**573**	210	207
Corporate and Eliminations	**(1,448)**	(1,248)	(1,216)
Total	**$ 18,109**	$ 16,760	$ 16,017

Operating Income

(In millions)	**2003**	2002	2001
Integrated Defense Systems	**$ 331**	$ 289	$ 238
Intelligence and Information Systems	**194**	180	139
Missile Systems	**424**	373	257
Network Centric Systems	**19**	278	246
Space and Airborne Systems	**492**	428	339
Technical Services	**107**	116	123
Aircraft	**2**	(39)	(77)
Other	**(34)**	(12)	(758)
FAS/CAS Pension Adjustment	**(109)**	210	386
Corporate and Eliminations	**(110)**	(40)	(127)
Total	**$ 1,316**	$ 1,783	$ 766

Operating Margin

	2003	**2002**	**2001**
Integrated Defense Systems	**11.6%**	12.2%	10.5%
Intelligence and Information Systems	**9.5**	9.5	8.0
Missile Systems	**12.0**	12.3	8.9
Network Centric Systems	**0.7**	9.0	8.6
Space and Airborne Systems	**13.4**	13.2	12.4
Technical Services	**5.5**	5.4	6.0
Aircraft	**0.1**	(1.9)	(3.1)
Other	**(5.9)**	(5.7)	(366.2)
FAS/CAS Pension Adjustment			
Corporate and Eliminations			
Total	**7.3%**	10.6%	4.8%

Integrated Defense Systems (IDS) provides mission systems integration for the air, surface, and subsurface battlespace. IDS had 2003 sales of $2.9 billion versus $2.4 billion in 2002 and $2.3 billion in 2001. The increase in sales in 2003 was due to continued growth on DD(X), the Navy's future destroyer program, as well as strong missile defense sales. The increase in sales in 2002 was due to higher missile defense volume. Operating income was $331 million in 2003 versus $289 million in 2002 and $238 million in 2001. Excluding goodwill amortization, operating income was $256 million in 2001 or 11.3 percent of net sales. The decrease in operating margin in 2003 was due to lower volume on higher margin international programs.

Intelligence and Information Systems (IIS) provides signal and image processing, geospatial intelligence, airborne and spaceborne command and control, ground engineering support, weather and environmental management, and information technology. IIS had 2003 sales of $2.0 billion versus $1.9 billion in 2002 and $1.7 billion in 2001. The increase in sales in 2003 and 2002 was due to strong growth in classified programs, as well as the start-up of the NPOESS (National Polar-orbiting Operational Environmental Satellite Systems) program. Operating income was $194 million in 2003 versus $180 million in 2002 and $139 million in 2001. Excluding goodwill amortization, operating income was $179 million in 2001 or 10.3 percent of net sales.

Missile Systems (MS) provides air-to-air, precision strike, surface Navy air defense, and land combat missiles, guided projectiles, kinetic kill vehicles, and directed energy weapons. MS had 2003 sales of $3.5 billion versus $3.0 billion in 2002 and $2.9 billion in 2001. The increase in sales in 2003 was due to the Tomahawk remanufacture program reaching full rate production and several production programs transitioning from engineering development to low rate initial production including Air Intercept Missile (AIM-9X), Evolved Sea Sparrow Missile (ESSM), and Tactical Tomahawk. Sales also increased on several missile defense programs in order to meet accelerated deployment. The increase in sales in 2002 was due to the ramp up on the Exo-Atmospheric Kill Vehicle program and the transition of the ESSM program to full rate production. Operating income was $424 million in 2003 versus $373 million in 2002 and $257 million in 2001. Excluding goodwill amortization, operating income was $356 million in 2001 or 12.3 percent of net sales.

Network Centric Systems (NCS) provides network centric solutions to integrate sensors, communications, and command and control to manage the battlespace. NCS had 2003 sales of $2.8 billion versus $3.1 billion in 2002 and $2.9 billion in 2001. Operating income was $19 million in 2003 versus $278 million in 2002 and $246 million in 2001. Excluding goodwill amortization, operating income was $313 million in 2001 or 10.9 percent of net sales. The decrease in sales and operating income in 2003 was due to charges affecting operating income totaling $237 million which also resulted in a $228 million reduction in sales. Performance deterioration in ten programs primarily within the Air Traffic Management Systems business and the Communications business resulted in a charge in the third quarter of 2003 of $147 million. There were a number of unfavorable events that occurred on these ten programs including unsuccessful resolution of technical issues, inability to achieve production rates and milestones, customer directed delays and reductions in scheduled deliveries, and unfavorable rulings and negotiations on contractual matters. In the first six months of 2003, the Company recorded a $50 million charge on two of these programs related to schedule and production delays. In addition to the ten programs, the Company recorded a charge of $40 million in the third quarter of 2003 resulting from negative developments on a few claims and other performance issues in other parts of the business.

Space and Airborne Systems (SAS) provides electro-optical/ infrared sensors, airborne radars, solid state high energy lasers, precision guidance systems, electronic warfare systems, and

space-qualified systems for civil and military applications. SAS had 2003 sales of $3.7 billion versus $3.2 billion in 2002 and $2.7 billion in 2001. The increase in sales in 2003 was due to higher sales on classified and Airborne Radar programs for the Air Force such as Multi-platform Radar Technology Insertion Program, B-2 Radar Modernization Program, F-15 Korea, and increased production of the F/A-22 Radar. Operating income was $492 million in 2003 versus $428 million in 2002 and $339 million in 2001. Excluding goodwill amortization, operating income was $416 million in 2001 or 15.2 percent of net sales.

Technical Services (TS) provides technical, scientific, and professional services for defense, federal, and commercial customers worldwide. TS had 2003 sales of $2.0 billion versus $2.1 billion in 2002 and 2001. The decrease in sales in 2003 was due to the loss of several key programs. Operating income was $107 million in 2003 versus $116 million in 2002 and $123 million in 2001. Excluding goodwill amortization, operating income was $148 million in 2001 or 7.2 percent of net sales. The decrease in operating income in 2003 was primarily due to write-offs of $39 million related to an unfavorable change in scope on a long-term contract of $22 million and a provision for the collectibility of certain unbilled costs of $17 million. Included in operating income for 2002 was a $28 million write-off of contract costs that the Company determined to be unbillable. The decrease was offset by a similarly sized reserve at corporate established by the Company in the second half of 2001 to address the issue.

Raytheon Aircraft Company (RAC) designs, manufactures, markets, and provides after-market support for business jets, turbo-props, and piston-powered aircraft for the world's commercial, fractional ownership, and military aircraft markets. RAC had 2003 sales of $2.1 billion versus $2.0 billion in 2002 and $2.5 billion in 2001. The decrease in sales in 2002 was due to lower aircraft deliveries, the divestiture of a majority interest in the Company's aviation support business in June 2001, and the divestiture of a majority interest in the Company's aircraft fractional ownership business in March 2002. Operating income was $2 million in 2003 versus an operating loss of $39 million in 2002 and $77 million in 2001. Excluding goodwill amortization, RAC had an operating loss of $69 million in 2001 or (2.8) percent of net sales.

The increase in operating income in 2003 was due to higher productivity and cost saving initiatives implemented over the last year. Included in 2003 operating income was a $46 million favorable profit adjustment on the Joint Primary Aircraft Training System (JPATS) program partially offset by a $22 million charge on the Premier program reflecting cost estimate increases. Included in 2002 operating income was a $26 million favorable profit adjustment on the JPATS program. The Company has made a significant investment in its Premier aircraft, the realization of which is contingent upon future sales at forecasted prices and reductions in production costs on future deliveries. The Company continues to monitor the development costs and certification and delivery schedule of the Horizon aircraft with anticipated certification in the third quarter of 2004 and first delivery by year-end 2004. The Company continues to believe there is risk in the market outlook for both new and used aircraft.

The Other segment, which is comprised of Flight Options LLC (FO), Raytheon Airline Aviation Services LLC (RAAS), and Raytheon Professional Services LLC (RPS) had 2003 sales of $573 million versus $210 million in 2002 and $207 million in 2001. FO offers services in the aircraft fractional ownership industry. RAAS is a unit formed to manage the Company's commuter aircraft business and Starship aircraft portfolio. RPS works with customers to design and execute learning solutions. The increase in sales was due to the consolidation of FO in June 2003 as described below in Major Affiliated Entities. The Other segment had an operating loss of $34 million in 2003 versus $12 million in 2002 and $758 million in 2001. The loss in 2003 included a $32 million operating loss at RAAS due, in part, to an increase in a loan reserve on one major customer.

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. During the first half of 2001, the Company experienced a significant decrease in the volume of used commuter aircraft sales. An evaluation of commuter aircraft market conditions and the events of September 11, 2001 indicated the market weakness would continue into the foreseeable future. As a result, the Company completed an analysis of the estimated fair value of the various models of commuter aircraft and reduced the book value of commuter aircraft inventory and equipment leased to others accordingly. In addition, the Company adjusted the book value of notes receivable and established a reserve for off balance sheet receivables where there was recourse to the Company based on the Company's estimate of exposures on customer financed assets due to defaults, refinancing, and remarketing of these aircraft. Immediately prior to the charge, the Company had exposure on approximately $1,600 million of commuter-related assets consisting of 511 aircraft including financing receivables, inventory, and leases. At December 31, 2003 and 2002, the Company's exposure on commuter-related assets was approximately $650 million consisting of 349 aircraft and approximately $800 million consisting of 433 aircraft, respectively. Commuter aircraft customers are generally thinly capitalized companies that are dependant on the commuter aircraft industry. A downturn in this industry could have a material adverse effect on these customers and the Company.

The Company also recorded a $52 million charge related to a fleet of Starship aircraft in 2001. During the first three quarters of 2001, the Company had not sold any of these aircraft and recorded a charge to reduce the value of the aircraft to their estimated fair value.

In 2002, the Company bought back the remaining off balance sheet receivables, described below in Financial Condition and Liquidity. In connection with the buyback of the off balance sheet receivables, the Company recorded the long-term receivables at estimated fair value, which included an assessment of the value of the underlying aircraft. As a result of this assessment, the Company adjusted the value of certain underlying aircraft, including both

commuter and Starship aircraft, some of which were written down to scrap value. There was no net income statement impact as a result of this activity.

Backlog at December 31

(In millions)	**2003**	2002	2001
Integrated Defense Systems	**$ 6,526**	$ 5,011	$ 4,400
Intelligence and Information Systems	**3,899**	3,540	3,052
Missile Systems	**5,028**	3,509	3,437
Network Centric Systems	**3,259**	2,853	3,208
Space and Airborne Systems	**4,865**	4,523	5,075
Technical Services	**1,510**	1,603	1,958
Aircraft	**2,279**	4,396	4,114
Other	**176**	231	361
Total	**$ 27,542**	$ 25,666	$ 25,605
Funded backlog included above	**$ 17,532**	$ 17,062	$ 17,057
U.S. government backlog included above	**$ 21,353**	$ 18,254	$ 16,943

Funded backlog excludes U.S. and foreign government contracts for which funding has not been appropriated.

Gross Bookings

(In millions)	**2003**	2002	2001
Integrated Defense Systems	**$ 4,344**	$ 2,987	$ 2,558
Intelligence and Information Systems	**2,371**	2,478	1,957
Missile Systems	**5,117**	3,110	3,236
Network Centric Systems	**3,118**	2,582	2,534
Space and Airborne Systems	**3,619**	2,372	2,471
Technical Services	**1,398**	1,339	1,250
Aircraft	**2,207**	2,953	2,783
Other	**519**	99	228
Total	**$ 22,693**	$ 17,920	$ 17,017

The increase in backlog in 2003 was due to strong bookings across the defense businesses, particularly several large contract awards at Integrated Defense Systems and Missile Systems. In 2003, the Company reduced its reported Aircraft backlog by $834 million related to an order received from Flight Options as a result of Flight Options being consolidated with the Company in the second quarter of 2003 as described below in Major Affiliated Entities. In addition, an Aircraft customer canceled its order for 50 Hawker Horizon aircraft resulting in an $895 million backlog reduction.

DISCONTINUED OPERATIONS

In 2000, the Company sold its Raytheon Engineers & Constructors businesses (RE&C) to Washington Group International, Inc. (WGI). In May 2001, WGI filed for bankruptcy protection. As a result of the sale and the WGI bankruptcy, the Company was required to perform various contract and lease obligations in connection with a number of different projects under letters of credit, surety bonds, and guarantees (Support Agreements) that it had provided to project owners and other parties.

Among the projects involved were two construction projects, the Mystic Station facility in Everett and the Fore River facility in Weymouth (the “Massachusetts Projects”). Following WGI’s abandonment of these projects in 2001, the Company undertook construction efforts on these projects, subsequently delivered care, custody, and control of these projects to their owners, and, as of December 31, 2003, was continuing to perform work on these projects. On February 23, 2004, the Company closed on a settlement agreement with the project owners and other interested parties. The settlement included, among other things, a payment to the Company of approximately $30 million, the return to the Company of approximately $73 million in letters of credit the Company had provided to the project owners, and a release of various claims related to these projects. In addition, under the settlement, the Company remained responsible for all subcontractor and vendor claims prior to the settlement and the project owners assumed responsibility for all post-settlement obligations, including completing the construction of the projects, and all punch list and warranty obligations. The Company believes that the obligations retained on these projects are not material.

The Company recorded charges of $176 million in 2003, $796 million in 2002, and $814 million in 2001 related to the Massachusetts Projects. The charges resulted from delays, labor and material cost growth, productivity issues, equipment and subcontractor performance, schedule liquidated damages, inaccurate estimates of field engineered materials, and disputed changes.

In addition to the Massachusetts Projects, the Company has or had obligations under Support Agreements on a number of other projects. In several cases, the Company has entered into settlement agreements that resolve the Company’s obligations under the related Support Agreements. In connection with a number of other projects on which the Company has obligations under Support Agreements, the Company is continuing to undertake the final stages of work, which includes warranty obligations, commercial closeout, and claims resolution. In 2003, the Company recorded charges of $6 million primarily related to the settlement of warranty claims on one of these projects. In 2002 and 2001, the Company recorded charges of $53 million and $210 million, respectively, for various issues in connection with these projects, including but not limited to, punch list items, start-up costs, reliability testing, and turbine-related delays. Finally, there are projects with Support Agreements provided by the Company on which WGI is continuing to perform work, which could present risk to the Company if WGI fails to meet its obligations in connection with those projects.

In performing its obligations under the remaining Support Agreements, the Company has various risks and exposures, including delays, equipment and subcontractor performance, warranty closeout, various liquidated damages issues, collection of amounts due under contracts, and potential adverse claims

resolution under various contracts and leases. In addition, the Company's cost estimates for these obligations are heavily dependent upon third parties, including WGI, and their ability to perform construction

management, cost estimating, and other tasks requiring industry expertise that the Company no longer possesses.

In 2003, the Company recorded charges of $49 million for legal, management, and other costs related to RE&C versus $38 million in 2002 and $30 million in 2001. In 2002 and 2001, the Company allocated $79 million and $18 million, respectively, of interest expense to RE&C based upon actual cash outflows since the date of disposition. Since the Massachusetts Projects were nearing completion, the Company did not allocate interest expense to RE&C in 2003. In addition, in 2001, the Company recorded a charge of $71 million to write off certain assets and liabilities as a result of the WGI bankruptcy filing.

In 2003, 2002, and 2001, the pretax loss from discontinued operations related to RE&C was $231 million, $966 million, and $1,143 million, respectively.

Net cash used in operating activities from discontinued operations related to RE&C was $513 million in 2003 versus $1,129 million in 2002 and $635 million in 2001. The Company expects its operating cash flow to be negatively affected by approximately $50 million to $75 million in 2004 which includes project completion, legal, and management costs related to RE&C. Further increases to project costs may increase the estimated operating cash outflow for RE&C in 2004.

In 2002, the Company sold its Aircraft Integration Systems business (AIS) for $1,123 million, net, subject to purchase price adjustments. The Company is currently involved in a purchase price dispute related to the sale of AIS. There was no pretax gain or loss on the sale of AIS, however, due to the non-deductible goodwill associated with AIS, the Company recorded a tax provision of $212 million, resulting in a $212 million after-tax loss on the sale of AIS. As part of the transaction, the Company retained the responsibility for performance of the Boeing Business Jet (BBJ) program. The Company also retained $106 million of BBJ-related assets, $18 million of receivables and other assets, and rights to a $25 million jury award related to a 1999 claim against Learjet. At December 31, 2003, the balance of these retained assets was $45 million.

In 2003, the Company recorded charges related to AIS of $17 million related to cost growth on the BBJ program and $13 million as a result of continued difficulty the Company has been experiencing liquidating the BBJ-related assets. In 2002, the Company recorded charges of $66 million, which included a $23 million write-down of a BBJ-related aircraft owned by the Company, a $28 million charge for cost growth on one of the two BBJ aircraft not yet delivered, and a $10 million charge to write down other BBJ-related assets to the then estimated net realizable value, offset by a $13 million gain resulting from the finalization of the 1999 claim, described above. The write-down of the BBJ-related aircraft resulted from the Company's decision to market this aircraft unfinished due to the environment of declining prices for BBJ-related aircraft at the time. The Company was previously marketing this aircraft as a customized executive BBJ.

In 2003 and 2002, the pretax loss from discontinued operations related to AIS was $30 million and $47 million, respectively. In 2001, pretax income from discontinued operations related to AIS was $5 million.

FINANCIAL CONDITION AND LIQUIDITY

Net cash provided by operating activities in 2003 was $1,569 million versus $1,039 million in 2002 and $155 million in 2001. Net cash provided by operating activities from continuing operations was $2,102 million in 2003 versus $2,235 million in 2002 and $751 million in 2001. The increase in net cash provided by operating activities from continuing operations from 2001 was due to better working capital management at the defense businesses, better inventory management at Raytheon Aircraft, a $156 million tax refund received in 2002 as a result of the Job Creation and Worker Assistance Act of 2002, and $95 million received from the close-out of certain interest rate swaps, described below in Capital Structure and Resources. Although the Company will continue to focus on working capital management at the defense businesses, this level of improvement is not expected to continue into the foreseeable future. As the Company continues to convert portions of existing financial systems to a new integrated financial package, certain planned delays in billings to customers may occur during 2004, however, the Company does not expect these delays to negatively impact full year cash flow results.

Savings and investment plan activity includes certain items related to Company's 401(k) plan that were funded through the issuance of the Company's common stock and are non-cash operating activities included on the statement of cash flows. In 2004, these items may be funded by the issuance of the Company's common stock or through purchases of the Company's common stock on the open market.

Net cash used in investing activities was $243 million in 2003 versus $719 million in 2002 and $47 million in 2001. The Company provides long-term financing to its aircraft customers. Origination of financing receivables was $402 million in 2003, $431 million in 2002, and $663 million in 2001. In 2003, the Company received proceeds of $279 million related to the sale of certain general aviation finance receivables, described below in Off Balance Sheet Financing Arrangements. The Company also maintained a program under which it sold general aviation and commuter aircraft long-term receivables under a receivables purchase facility through the end of 2002. Sale of financing receivables was $263 million in 2002 and $696 million in 2001. The Company bought out the receivables that remained in the facility in 2002 for $1,029 million, brought the related assets onto the Company's books, and eliminated the associated $1.4 billion receivables purchase

facility. Repurchase of financing receivables was $347 million in 2002 and $329 million in 2001.

Capital expenditures were $428 million in 2003, $458 million in 2002, and $461 million in 2001. Capital expenditures in 2004 are expected to approximate $475 million. In 1998, the Company entered into a $490 million property sale and five-year operating lease (synthetic lease) facility under which property, plant, and equipment was sold and leased back to the Company. In 2003, the lease facility expired and the Company bought back the assets remaining in the lease facility for $125 million. Proceeds from sales of property, plant, and equipment were $25 million in 2003, $11 million in 2002, and $9 million in 2001. Capitalized expenditures for internal use software were $98 million in 2003, $138 million in 2002, and $149 million in 2001. Capitalized expenditures for internal use software in 2004 are expected to approximate $160 million. In 2003, the Company paid $130 million related to the Space Imaging credit facility guarantee, described below in Major Affiliated Entities.

Proceeds from the sale of operating units and investments were $111 million in 2003 versus $1,166 million in 2002 and $266 million in 2001. In 2003, the Company sold the remaining interest in its former aviation support business for $97 million and other investments for $14 million. In 2002, the Company sold its AIS business for $1,123 million, described above in Discontinued Operations, and an investment for $43 million, described below in Major Affiliated Entities. 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 the businesses divested in 2001 were $248 million and $13 million, respectively, in 2001.

Payments for purchases of acquired companies, net of cash received, were $60 million in 2003 versus $10 million in 2002. There were no acquisitions in 2001.

In October 2001, the Company and Hughes Electronics agreed to a settlement regarding the purchase price adjustment related to the Company's merger with the defense business of Hughes Electronics Corporation (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 2002. The settlement resulted in a $555 million reduction in goodwill.

Net cash used in financing activities was $1,209 million in 2003 versus $990 million in 2002. Net cash provided by financing activities was $235 million in 2001. Dividends paid to stockholders were $331 million in 2003, $321 million in 2002, and $281 million in 2001. The quarterly dividend rate was $0.20 per share for each of the four quarters of 2003, 2002, and 2001.

CAPITAL STRUCTURE AND RESOURCES

Total debt was $7.4 billion at December 31, 2003 and $8.3 billion at December 31, 2002. Cash and cash equivalents were $661 million at December 31, 2003 and $544 million at December 31, 2002. The Company's outstanding debt has interest rates ranging from 1.6% to 8.3% and matures at various dates through 2028. Total debt as a percentage of total capital was 44.7 percent and 48.3 percent at December 31, 2003 and 2002, respectively.

In 2003, the Company issued $425 million of long-term debt and used the proceeds to reduce the amounts outstanding under the Company's lines of credit. Also in 2003, the Company issued $500 million of fixed rate long-term debt and $200 million of floating rate notes and used the proceeds to partially fund the repurchase of long-term debt with a par value of $924 million. The Company has on file a shelf registration with the Securities and Exchange Commission registering the issuance of up to $3.0 billion in debt securities, common or preferred stock, warrants to purchase any of the aforementioned securities, and/or stock purchase contracts, under which $1.3 billion remained outstanding at December 31, 2003.

In December 2003, the Company entered into various interest rate swaps that correspond to a portion of the Company's fixed rate debt in order to effectively hedge interest rate risk. The $250 million notional value of the interest rate swaps effectively converted a portion of the Company's total debt to variable rate debt.

In 2002, the Company issued $575 million of long-term debt to reduce the amounts outstanding under the Company's lines of credit. Also in 2002, the Company repurchased debt with a par value of $96 million.

In 2001, the Company entered into various interest rate swaps that corresponded to a portion of the Company's fixed rate debt in order to effectively hedge interest rate risk. In 2002, the Company closed out these interest rate swaps and received proceeds of $95 million which are being amortized over the remaining life of the debt as a reduction to interest expense. At December 31, 2003, the unamortized balance was $45 million. Also in 2001, the Company repurchased long-term debt with a par value of $1,375 million.

The Company's most restrictive bank agreement covenant is an interest coverage ratio that currently requires earnings before interest, taxes, depreciation, and amortization (EBITDA), excluding certain charges, to be at least 2.5 times net interest expense for the prior four quarters. In July 2003, the covenant was amended to exclude pretax charges of $100 million related to RE&C and in October 2003, the covenant was further amended to exclude $226 million of pretax charges related to Network Centric Systems and Technical Services and $78 million of pretax charges related to RE&C. In July 2002, the covenant was amended to exclude charges of $450 million related to discontinued operations. In the third quarter of 2004, the interest coverage ratio will require EBITDA to be at least 3.0 times net interest expense for the prior four quarters. The Company was in compliance with the interest

coverage ratio covenant, as amended, during 2003 and expects to continue to be in compliance throughout 2004.

Credit ratings for the Company were assigned by Fitch's at F3 for short-term borrowing and BBB- for senior debt, by Moody's at P-3 for short-term borrowing and Baa3 for senior debt, and by Standard and Poor's at A-3 for short-term borrowing and BBB- 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 $2.7 billion at December 31, 2003, consisting of $1.4 billion which matures in November 2004 and $1.3 billion which matures in 2006. The lines of credit were $2.85 billion at December 31, 2002. There were no borrowings under the lines of credit at December 31, 2003, however, the Company had approximately $300 million of outstanding letters of credit which effectively reduced the Company's borrowing capacity under the lines of credit to $2.4 billion. There were no borrowings under the lines of credit at December 31, 2002.

Credit lines with banks are also maintained by certain foreign subsidiaries to provide them with a limited amount of short-term liquidity. These lines of credit were $99 million and $79 million at December 31, 2003 and 2002, respectively. There was $1 million outstanding under these lines of credit at December 31, 2003 and 2002.

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, 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. The terms of the equity security units required that the mandatorily redeemable equity securities be remarketed. On February 11, 2004, the mandatorily redeemable equity securities were remarketed and the quarterly distribution rate was reset at 7%. The Company did not receive any proceeds from the remarketing. The proceeds were pledged to collateralize the holders' obligations under the contract to purchase the Company's common stock on May 15, 2004.

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 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, 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 and for the foreseeable future.

OFF BALANCE SHEET FINANCING ARRANGEMENTS

In 2003, the Company sold $337 million of general aviation finance receivables to a qualifying special purpose entity which in turn issued beneficial interests in these receivables to a commercial paper conduit, received proceeds of $279 million, retained a subordinated interest in and servicing rights to the receivables, and recognized a gain of $2 million. The sale was non-recourse to the Company, and effectively reduced the Company's exposure to general aviation market risk for receivables by approximately 25 percent.

MAJOR AFFILIATED ENTITIES

In 2002, the Company formed a joint venture, Flight Options LLC (FO), whereby the Company contributed its Raytheon Travel Air fractional ownership business and loaned the new entity $20 million. In June 2003, the Company participated in a financial recapi-talization of FO. As a result of this recapitalization, the Company now owns approximately 66 percent of FO and is consolidating FO's results in its financial statements. Prior to the financial recapitalization, 100 percent of FO's $20 million of losses were recorded in other expense in the first six months of 2003 since the Company had been meeting all of FO's financing requirements. The consolidation of FO did not have a significant effect on the Company's financial position or results of operations, although the Company's reported revenue, operating income, and other expense changed as a result of the consolidation of FO's results. FO's customers, in certain instances, have the contractual ability to require FO to buy back their fractional share based on its current fair market value. The estimated value of this potential obligation was approximately $575 million at December 31, 2003.

In 1995, through the acquisition of E-Systems, Inc., the Company invested in Space Imaging and currently has a 31 percent equity investment in Space Imaging LLC. In 2002, the Company recorded a $175 million charge to write-off the Company's investment in Space Imaging and accrue for payment under the Company's guarantee of a Space Imaging credit facility that matured in March 2003. In the first quarter of 2003, the Company paid $130 million related to the credit facility guarantee. In exchange for this payment, the Company received a note from Space Imaging for this amount that the Company has valued at zero.

Investments, which are included in other assets, consisted of the following at December 31:

(In millions)	2003 Ownership %	2003	2002
Equity method investments:			
Thales-Raytheon Systems Co. Ltd.	50.0	**$ 78**	$ 59
HRL Laboratories, LLC	33.3	**30**	29
Indra ATM S.L.	49.0	**12**	12
TelASIC Communications	23.5	**7**	2
Hughes Arabia Limited	49.0	**1**	13
Raytheon Aerospace	—	**—**	5
Other	n/a	**8**	—
		136	120
Other investments:			
Alliance Laundry Systems		**—**	19
Other		**10**	15
		10	34
Total		**$ 146**	$ 154

In 2003, the Company sold the remaining interest in its former aviation support business (Raytheon Aerospace) for $97 million and recorded a gain of $82 million. The Company had sold a majority interest in Raytheon Aerospace in 2001 for $154 million in cash and retained $47 million in trade receivables and $66 million in preferred and common equity in the business. The $66 million represented a 26 percent ownership interest and was recorded at zero because the new entity was highly leveraged.

In 2003, the Company sold its investment in Alliance Laundry Systems for $15 million and recorded a loss of $4 million. The Company had sold its commercial laundry business unit to Alliance in 1998 for $315 million in cash and $19 million in securities.

In 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. TRS is a system of systems integrator and provides fully customized solutions through the integration of command and control centers, radars, and communication networks. HRL Laboratories is a scientific research facility whose staff engages in the areas of space and defense technologies. Indra develops flight data processors for air traffic control automation systems. TelASIC Communications delivers high performance, cost-effective radio frequency (RF), analog mixed signal, and digital solutions for both the commercial and defense electronics markets. Hughes Arabia Limited was formed in connection with the award of the Peace Shield program and offers certain tax advantages to the Company.

In addition, the Company has entered into joint ventures formed specifically to facilitate a teaming arrangement between two contractors for the benefit of the customer, generally the U.S. government, whereby the Company receives a subcontract from the joint venture in the joint venture's capacity as prime contractor. Accordingly, the Company records the work it performs for the joint venture as operating activity.

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. Except as noted in the following 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.

In 2002, the Company received service of a grand jury subpoena issued by the United States District Court for the Central District of California. The subpoena seeks documents related to the activities of an international sales representative engaged by the Company related to a foreign military sales contract in Korea in the late 1990s. The Company has cooperated fully in the investigation including producing documents in response to the subpoena. The Company has in place appropriate compliance policies and procedures, and believes its conduct has been consistent with those policies and procedures.

The Company continues to cooperate with the staff of the Securities and Exchange Commission (SEC) on a formal investigation related to the Company's accounting practices primarily related to the commuter aircraft business and the timing of revenue recognition at Raytheon Aircraft. The Company has been providing documents and information to the SEC staff. In addition, certain present and former officers and employees of the Company have provided testimony in connection with this investigation. The Company is unable to predict the outcome of the investigation 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 purported class period. In March 2000, the court certified the class of plaintiffs as those people who purchased the Company's stock between October 7, 1998 and October 12, 1999. In August 2001, the court issued an order dismissing most of the claims asserted against the Company and the individual defendants. In March 2003, the plaintiff filed an amendment to the Consolidated Complaint which sought to add the Company's independent auditor as an additional defendant. In May 2003, the court issued an order dismissing one of the two claims that had been asserted against the Company's independent auditor. In February 2004, the Company and the individual defendants filed a motion for summary judgment, which the plaintiff opposes. A hearing on the summary judgment motion is scheduled for April 2004. The Court has scheduled a trial to begin in May 2004. The Company's independent auditor has also filed a motion for summary judgment which the plaintiff opposes.

In 1999 and 2000, the Company was named as a nominal defendant and all of its directors at the time (except one) were named as defendants in purported 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 December 2001, the Company and the individual defendants filed a motion to dismiss one of the derivative lawsuits. These actions have since been consolidated, and the plaintiffs have filed a consolidated amended complaint. In April 2003, the defendants filed a motion to dismiss the consolidated amended complaint.

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. In April 2002, the motion to dismiss was denied. The defendants have filed their answer to the amended complaint and discovery is proceeding. In April 2003, the District Court conditionally certified the class and defined the class period as that between April 17, 2000 and March 2, 2001, inclusive. The defendants have filed their answer to the amended complaint and discovery is proceeding.

In July 2001, the Company was named as a nominal defendant and all of its directors at the time have been named as defendants in two identical purported derivative lawsuits. These lawsuits were consolidated into one action (the "Consolidated Amended Derivative Complaint") in January 2004 and 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. The defendants filed a motion to dismiss the Consolidated Amended Derivative Complaint in March 2004.

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 purported 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. In June 2002, the defendants filed a motion to dismiss the complaint. In September 2002, the plaintiff agreed to voluntarily dismiss this action without prejudice so that it can be re-filed in another jurisdiction.

In May 2003, two purported class action lawsuits were filed on behalf of participants in the Company's savings and investment plans who invested in the Company's stock between August 19, 1999 and May 27, 2003. The two class action complaints are brought pursuant to the Employee Retirement Income Security Act (ERISA). Both lawsuits are substantially similar and have been consolidated into a single action. The complaints allege that the Company and certain members of the Company's Investment Committee breached ERISA fiduciary and co-fiduciary duties by allegedly failing to (1) disseminate necessary information regarding the savings and investment plans' investment in the Company's stock, (2) diversify the savings and investment plans' assets away from the Company's stock, (3) monitor investment alternatives to the Company's stock, and (4) avoid conflicts of interest.

Although the Company believes that it and the other defendants have meritorious defenses to each and all of the aforementioned class action and derivative 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. 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.

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 $119 million. Discounted at 8.5 percent, the Company estimates the liability to be $72 million before U.S. government recovery and had this amount accrued at December 31, 2003. A portion of these costs are eligible for future recovery through the pricing of products and services to the U.S. government. The recovery of environmental cleanup costs from the U.S. government is considered probable based on the Company's long history of receiving reimbursement for such costs. Accordingly, the Company has recorded $47 million at December 31, 2003 for the estimated future recovery of these costs from the U.S. government, which is included in contracts in process. The Company leases certain government-owned properties and is generally not liable for environmental remediation at these sites, therefore, no provision has been made in the financial statements for these costs. 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 issues guarantees and has banks and surety companies issue, on its behalf, letters of credit and surety bonds to meet various bid, performance, warranty, retention, and advance payment obligations. Approximately $1,316 million, $890 million,

and $389 million of these guarantees, letters of credit, and surety bonds, for which there were stated values, were outstanding at December 31, 2003, respectively and $1,614 million, $1,227 million, and $458 million were outstanding at December 31, 2002, respectively. These instruments expire on various dates through 2007. At December 31, 2003, the amount of guarantees, letters of credit, and surety bonds, for which there were stated values, that remained outstanding was $90 million, $146 million, and $283 million, respectively, related to discontinued operations and are included in the numbers above. 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 following is a schedule of the Company's contractual obligations outstanding (excluding working capital items) at December 31, 2003:

(In millions)	Total	Less than 1 Year	1–3 years	4–5 years	After 5 years
Debt	$ 6,564	$ 15	$ 1,208	$ 1,709	$ 3,632
Subordinated notes payable	863	—	863	—	—
Interest payments	7,031	395	740	592	5,304
Operating leases	1,477	294	507	349	327
IT outsourcing	392	68	131	128	65
Equity security unit distributions	156	65	91	—	—
Pension contributions	635	320	315	—	—
Total	$ 17,118	$ 1,157	$ 3,855	$ 2,778	$ 9,328

Interest payments include interest on debt that is redeemable at the option of the Company.

The Company currently estimates that pension plan cash contributions will be approximately $320 million in 2004 and $315 million in 2005. These estimates are based upon certain assumptions, outlined above in Critical Accounting Policies, and contemplate passage of the Pension Funding Equity Act, which will provide a certain amount of pension funding relief to the Company. The estimate for 2005 is subject to change and will not be known with certainty until the Company's SFAS No. 87 assumptions are updated at the end of 2004. Estimates for 2006 and beyond have not been provided due to the significant uncertainty of these amounts, which are subject to change until the Company's SFAS No. 87 assumptions can be updated at the appropriate times. In addition, pension contributions are eligible for future recovery through the pricing of products and services to the U.S. government, therefore, the amounts noted above are not necessarily indicative of the impact these contributions will have on the Company's liquidity.

At December 31, 2003, RAC had unconditional purchase obligations of $29 million primarily related to component parts for the Horizon aircraft with varying purchase quantities for up to 200 aircraft. In addition, the Company's defense businesses may enter into purchase commitments which can generally be recovered through the pricing of products and services to the U.S. government. These unconditional purchase obligations are not included in the table above.

ACCOUNTING STANDARDS

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (FIN 46). FIN 46 addresses the consolidation of certain variable interest entities (VIEs) and may be applied prospectively with a cumulative effect adjustment or by restating previously issued financial statements with a cumulative effect adjustment as of the beginning of the first year restated. In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (FIN 46R). FIN 46R significantly narrowed the original scope of FIN 46 by excluding entities possessing certain characteristics, among other things. FIN 46R deferred the effective date of FIN 46 for interests held in VIEs created before February 1, 2003, except for special purpose entities as defined by FIN 46R, until the end of the first interim period ending after March 15, 2004. The adoption of FIN 46R is not expected to have a material effect on the Company's financial position or results of operations.

In December 2003, the FASB issued Statement of Financial Accounting Standards No. 132 (revised 2003), Employers' Disclosures about Pensions and Other Postretirement Benefits, an amendment of FASB Statements No. 87, 88, and 106. Information about foreign plans is required by this accounting standard for fiscal years ending after June 15, 2004, including additional disclosures about assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans.

Item 7A. Quantitative and Qualitative Disclosures About 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 firm commitment is in place. The Company has used a special purpose entity to sell aircraft receivables and retains a partial interest that includes 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, 2003 and 2002, which are subject to interest rate risk resulting from a hypothetical increase in interest rates of 10 percent, was less than $1 million after-tax for both years. Fixed rate financial instruments were not evaluated, as the risk exposure is not material.

Table of Contents

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED BALANCE SHEETS

(In millions except share amounts)	December 31: **2003**	2002
Assets		
Current assets		
Cash and cash equivalents	**$ 661**	$ 544
Accounts receivable, less allowance for doubtful accounts of $35 in 2003 and $73 in 2002	**485**	675
Contracts in process	**2,762**	3,016
Inventories	**1,998**	2,032
Deferred federal and foreign income taxes	**466**	601
Prepaid expenses and other current assets	**154**	247
Assets from discontinued operations	**59**	75
Total current assets	**6,585**	7,190
Property, plant, and equipment, net	**2,711**	2,396
Deferred federal and foreign income taxes	**337**	281
Prepaid retiree benefits	**703**	676
Goodwill	**11,479**	11,170
Other assets, net	**1,853**	2,233
Total assets	**$ 23,668**	$ 23,946
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current portion of long-term debt	**$ 15**	$ 1,153
Advance payments, less contracts in process of $1,071 in 2003 and $1,688 in 2002	**1,038**	819
Accounts payable	**833**	776
Accrued salaries and wages	**767**	710
Other accrued expenses	**1,153**	1,316
Liabilities from discontinued operations	**43**	333
Total current liabilities	**3,849**	5,107
Accrued retiree benefits and other long-term liabilities	**3,281**	2,831
Long-term debt	**6,517**	6,280
Subordinated notes payable	**859**	858
Commitments and contingencies (note M)		
Stockholders' equity		
Preferred stock, par value $0.01 per share, 200,000,000 shares authorized, none outstanding in 2003 and 2002		
Common stock, par value $0.01 per share, 1,450,000,000 shares authorized, 418,136,000 and 408,209,000 shares outstanding in 2003 and 2002, respectively, after deducting 168,000 and 97,000 treasury shares in 2003 and 2002, respectively	**4**	4
Additional paid-in capital	**8,421**	8,146
Accumulated other comprehensive income	**(2,194)**	(2,180)
Treasury stock, at cost	**(6)**	(4)
Retained earnings	**2,937**	2,904
Total stockholders' equity	**9,162**	8,870
Total liabilities and stockholders' equity	**$ 23,668**	$ 23,946

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions except per share amounts)	Years Ended December 31: **2003**	2002	2001
Net sales	**$ 18,109**	$ 16,760	$ 16,017
Cost of sales	**15,000**	13,358	13,664
Administrative and selling expenses	**1,306**	1,170	1,131
Research and development expenses	**487**	449	456
Total operating expenses	**16,793**	14,977	15,251
Operating income	**1,316**	1,783	766
Interest expense	**537**	497	696
Interest income	**(50)**	(27)	(36)
Other expense, net	**67**	237	6
Non-operating expense, net	**554**	707	666
Income from continuing operations before taxes	**762**	1,076	100
Federal and foreign income taxes	**227**	320	98
Income from continuing operations	**535**	756	2
Loss from discontinued operations, net of tax	**(170)**	(887)	(757)
Income (loss) before accounting change	**365**	(131)	(755)
Cumulative effect of change in accounting principle, net of tax	**—**	(509)	—
Net income (loss)	**$ 365**	$ (640)	$ (755)
Earnings per share from continuing operations			
Basic	**$ 1.30**	$ 1.88	$ 0.01
Diluted	**1.29**	1.85	0.01
Earnings (loss) per share			
Basic	**$ 0.88**	$ (1.59)	$ (2.12)
Diluted	**0.88**	(1.57)	(2.09)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2003, 2002, and 2001 *(In millions except per share amounts)*	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2000	$ 3	$ 6,477	$ (106)	$ (382)	$ 4,914	$ 10,906
Net loss					(755)	(755)
Other comprehensive income						
Minimum pension liability			(100)			(100)
Foreign exchange translation			(4)			(4)
Unrealized losses on interest-only strips			(2)			(2)
Comprehensive income						(861)
Dividends declared–$0.80 per share					(292)	(292)
Issuance of common stock	1	1,369				1,370
Common stock plan activity		36				36
Trust preferred security distributions		(6)				(6)
Treasury stock activity		(153)		381		228
Balance at December 31, 2001	4	7,723	(212)	(1)	3,867	11,381
Net loss					(640)	(640)
Other comprehensive income						
Minimum pension liability			(2,002)			(2,002)
Interest rate lock			(2)			(2)
Foreign exchange translation			31			31
Cash flow hedges			5			5
Comprehensive income						(2,608)
Dividends declared–$0.80 per share					(323)	(323)
Issuance of common stock		328				328
Common stock plan activity		106				106
Trust preferred security distributions		(11)				(11)
Treasury stock activity				(3)		(3)
Balance at December 31, 2002	4	8,146	(2,180)	(4)	2,904	8,870
Net income					**365**	**365**
Other comprehensive income						
Minimum pension liability			**(118)**			**(118)**
Foreign exchange translation			**82**			**82**
Cash flow hedges			**19**			**19**
Unrealized gains on residual interest securities			**2**			**2**
Interest rate lock			**1**			**1**
Comprehensive income						**351**
Dividends declared–$0.80 per share					**(332)**	**(332)**
Issuance of common stock		**264**				**264**
Common stock plan activity		**22**				**22**
Trust preferred security distributions		**(11)**				**(11)**
Treasury stock activity				**(2)**		**(2)**
Balance at December 31, 2003	**$ 4**	**$ 8,421**	**$ (2,194)**	**$ (6)**	**$ 2,937**	**$ 9,162**

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Years Ended December 31: 2003	2002	2001
Cash flows from operating activities			
Income from continuing operations	**$ 535**	$ 756	$ 2
Adjustments to reconcile income from continuing operations to net cash provided by operating activities from continuing operations, net of the effect of acquisitions and divestitures			
Depreciation and amortization	**393**	364	677
Deferred federal and foreign income taxes	**94**	264	7
Net gain on sales of operating units and investments	**(82)**	(4)	(74)
Savings and investment plan activity	**190**	181	193
Decrease (increase) in accounts receivable	**193**	(20)	(20)
Decrease in contracts in process	**285**	152	528
Decrease (increase) in inventories	**110**	10	(288)
Decrease (increase) in prepaid expenses and other current assets	**78**	124	(74)
Increase (decrease) in advance payments	**136**	(52)	(268)
Increase (decrease) in accounts payable	**26**	(105)	(109)
Increase in accrued salaries and wages	**60**	137	57
(Decrease) increase in other accrued expenses	**(163)**	223	251
Other adjustments, net	**247**	205	(131)
Net cash provided by operating activities from continuing operations	**2,102**	2,235	751
Net cash used in operating activities from discontinued operations	**(533)**	(1,196)	(596)
Net cash provided by operating activities	**1,569**	1,039	155
Cash flows from investing activities			
Origination of financing receivables	**(402)**	(431)	(663)
Sale of financing receivables	**279**	263	696
Repurchase of financing receivables	**—**	(347)	(329)
Collection of financing receivables not sold	**588**	156	121
Buy-out of off balance sheet receivables facility	**—**	(1,029)	—
Expenditures for property, plant, and equipment	**(428)**	(458)	(461)
Synthetic lease maturity payment	**(125)**	—	—
Proceeds from sales of property, plant, and equipment	**25**	11	9
Capitalized expenditures for internal use software	**(98)**	(138)	(149)
Increase in other assets	**(3)**	(36)	(6)
Space Imaging debt guarantee payment	**(130)**	—	—
Proceeds from sales of operating units and investments	**111**	1,166	266
Payment for purchases of acquired companies, net of cash received	**(60)**	(10)	—
Hughes Defense settlement	**—**	134	500
Net cash used in investing activities from continuing operations	**(243)**	(719)	(16)
Net cash used in investing activities from discontinued operations	**—**	—	(31)
Net cash used in investing activities	**(243)**	(719)	(47)
Cash flows from financing activities			
Dividends	**(331)**	(321)	(281)
(Decrease) increase in short-term debt and other notes	**—**	(163)	140
Issuance of long-term debt, net of offering costs	**1,113**	566	—
Repayments of long-term debt	**(2,078)**	(1,294)	(1,910)
Issuance of equity security units	**—**	—	837
Issuance of common stock	**74**	147	1,426
Proceeds under common stock plans	**13**	75	25
Net cash (used in) provided by financing activities from continuing operations	**(1,209)**	(990)	237
Net cash used in financing activities from discontinued operations	**—**	—	(2)
Net cash (used in) provided by financing activities	**(1,209)**	(990)	235
Net increase (decrease) in cash and cash equivalents	**117**	(670)	343
Cash and cash equivalents at beginning of year	**544**	1,214	871
Cash and cash equivalents at end of year	**$ 661**	$ 544	$ 1,214

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 (except for RC Trust I, as described in Note J, Equity Security Units). 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 government contracts are recorded under the percentage of completion method. Incurred 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 Company's estimates of costs and contract value. Cost estimates include direct and indirect costs such as labor, materials, warranty, and overhead. Some contracts contain incentive provisions based upon performance in relation to established targets, which are included at estimated realizable value. Contract change orders and claims are included when they can be reliably estimated and realization is probable. Since many contracts extend over a long period of time, revisions in cost and contract value 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 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 period. Service revenue is recognized ratably over contractual periods or as services are performed.

PRODUCT WARRANTY Costs incurred under warranty provisions performed under long-term contracts are accounted for as contract costs as the work is performed. The estimation of these costs is an integral part of the determination of the pricing of the Company's products and services.

Warranty provisions related to aircraft sales are determined based upon an estimate of costs that may be incurred under warranty and other post-sales support programs. Activity related to aircraft warranty provisions was as follows:

(In millions)	
Balance at December 31, 2001	$ 19
Accruals for aircraft deliveries in 2002	25
Accruals related to prior year aircraft deliveries	10
Warranty services provided in 2002	(27)
Balance at December 31, 2002	27
Accruals for aircraft deliveries in 2003	**27**
Accruals related to prior year aircraft deliveries	**8**
Warranty services provided in 2003	**(23)**
Balance at December 31, 2003	**$ 39**

LOT ACCOUNTING The Company uses lot accounting for new commercial aircraft introductions at Raytheon Aircraft. Lot accounting involves selecting an initial lot size at the time a new aircraft begins to be delivered 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 in the lot and are determined under the learning curve concept, which anticipates a predictable decrease in unit costs from cost reduction initiatives and as tasks and production techniques become more efficient through repetition. Costs incurred on in-process and delivered aircraft in excess of the estimated average cost were included in inventories and totaled $84 million and $110 million at December 31, 2003 and 2002, respectively. Once production costs stabilize, which is expected by the time the initial lot has been completed, 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 Beechcraft Premier I, the only aircraft for which the Company is currently utilizing lot accounting for, 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.

ALLOWANCE FOR DOUBTFUL ACCOUNTS The Company maintains an allowance for doubtful accounts to provide for the estimated amount of accounts receivable that will not be collected. The allowance is based upon an assessment of customer credit-

worthiness, historical payment experience, the age of outstanding receivables, and collateral to the extent applicable. Activity related to the allowance for doubtful accounts was as follows:

(In millions)	
Balance at December 31, 2000	$ 132
Provisions	2
Utilizations	(21)
Balance at December 31, 2001	113
Provisions	2
Utilizations	(42)
Balance at December 31, 2002	73
Provisions	**1**
Utilizations	**(39)**
Balance at December 31, 2003	**$ 35**

PREPAID EXPENSES AND OTHER CURRENT ASSETS Included in prepaid expenses and other current assets at December 31, 2002 was $56 million of cash received in 2002 that was restricted for payment in connection with the Company's merger with the defense business of Hughes Electronics Corporation in December 1997. Also included at December 31, 2002 was $48 million of restricted cash from the sale of the Company's corporate headquarters. This cash was used to fund the construction of the Company's new corporate headquarters and the acquisition of three other properties. In June 2003, the restrictions related to the use of this cash expired, therefore, the remaining $10 million that had not yet been spent was reflected in the statement of cash flows as proceeds from sales of property, plant, and equipment in 2003.

CONTRACTS IN PROCESS Contracts in process are stated at cost plus estimated profit but not in excess of realizable value.

INVENTORIES Inventories are stated at cost (principally first-in, first-out or average cost), but not in excess of realizable value. A provision for excess or inactive inventory is recorded based upon an analysis that considers current inventory levels, historical usage patterns, and future sales expectations.

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. Gains and losses resulting from the sale of property, plant, and equipment at the defense businesses are included in overhead and reflected in the pricing of products and services to the U.S. government.

Provisions for depreciation are generally computed using 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.

IMPAIRMENT OF LONG-LIVED ASSETS Effective January 1, 2002, the Company adopted 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.

In 2002, the Company recorded a goodwill impairment charge of $360 million related to its former Aircraft Integration Systems business (AIS) as a cumulative effect of change in accounting principle. The fair value of AIS was determined based upon the proceeds received by the Company in connection with the sale, as described in Note B, Discontinued Operations. Due to the non-deductibility of this goodwill, the Company did not record a tax benefit in connection with this impairment. Also in 2002, the Company completed the transitional review for potential goodwill impairment in accordance with SFAS No. 142 and recorded a goodwill impairment charge of $185 million pretax or $149 million after-tax, which represented all of the goodwill at Raytheon Aircraft, as a cumulative effect of change in accounting principle. The fair value of Raytheon Aircraft was determined using a discounted cash flow approach. The total goodwill impairment charge in 2002 was $545 million pretax, $509 million after-tax, or $1.25 per diluted share. The Company performs the annual impairment test in the fourth quarter of each year. There was no goodwill impairment associated with the annual impairment test performed in the fourth quarter of 2003 and 2002.

The amount of goodwill by segment at December 31, 2003 was $751 million for Integrated Defense Systems, $1,349 million for Intelligence and Information Systems, $3,438 million for Missile Systems, $2,306 million for Network Centric Systems, $2,639 million for Space and Airborne Systems, $868 million for Technical Services, and $128 million for Other. Information about additions to goodwill in 2003 is included in Note C, Acquisitions and Divestitures and Note H, Other Assets.

In accordance with SFAS No. 142, goodwill amortization was discontinued as of January 1, 2002. The following adjusts reported income from continuing operations and basic and diluted earnings

per share (EPS) from continuing operations to exclude goodwill amortization:

(In millions except per share amounts)	2001
Reported income from continuing operations	$ 2
Goodwill amortization, net of tax	305
Adjusted income from continuing operations	$ 307
Reported basic EPS from continuing operations	$ 0.01
Goodwill amortization, net of tax	0.86
Adjusted basic EPS from continuing operations	$ 0.87
Reported diluted EPS from continuing operations	$ 0.01
Goodwill amortization, net of tax	0.84
Adjusted diluted EPS from continuing operations	$ 0.85

The following adjusts reported net loss and basic and diluted loss per share to exclude goodwill amortization:

(In millions except per share amounts)	2001
Reported net loss	$ (755)
Goodwill amortization, net of tax	333
Adjusted net loss	$ (422)
Reported basic loss per share	$ (2.12)
Goodwill amortization, net of tax	0.94
Adjusted basic loss per share	$ (1.18)
Reported diluted loss per share	$ (2.09)
Goodwill amortization, net of tax	0.92
Adjusted diluted loss per share	$ (1.17)

Intangible assets subject to amortization consisted primarily of drawings and intellectual property totaling $59 million (net of $38 million of accumulated amortization) at December 31, 2003 and $27 million (net of $30 million of accumulated amortization) at December 31, 2002. Amortization expense is expected to approximate $11 million for each of the next five years.

In 2002, the Company adopted Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Accordingly, upon indication of possible impairment, the Company evaluates the recoverability of held-for-use long-lived assets 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 order for long-lived assets to be considered held-for-disposal, the Company must have committed to a plan to dispose of the assets.

During the first half of 2001, the Company experienced a significant decrease in the volume of used commuter aircraft sales. An evaluation of commuter aircraft market conditions and the events of September 11, 2001 indicated the market weakness would continue into the foreseeable future. As a result, the Company completed an analysis of the estimated fair value of the various models of commuter aircraft and reduced the book value of commuter aircraft inventory and equipment leased to others accordingly. In addition, the Company adjusted the book value of notes receivable and established a reserve for off balance sheet receivables based on the Company's estimate of exposures on customer financed assets due to defaults, refinancing, and remarketing of these aircraft. As a result of these analyses, the Company recorded a charge of $693 million in the third quarter of 2001 which consisted of a reduction in inventory of $158 million, a reduction of equipment leased to others of $174 million, a reserve for notes receivable of $16 million, and a reserve for off balance sheet receivables of $345 million. The balance of this reserve was $361 million at December 31, 2001. In 2002, the Company utilized $121 million of this reserve, leaving a balance of $240 million at the time the Company bought back the remaining off balance sheet receivables, as described in Note H, Other Assets.

The Company also recorded a $52 million charge in the third quarter of 2001 related to a fleet of Starship aircraft. During the first three quarters of 2001, the Company had not sold any of these aircraft and recorded a charge to reduce the value of the aircraft to their estimated fair value. The charge consisted of a reduction in the value of aircraft in inventory of $31 million, a reduction in the value of equipment leased to others of $14 million, and a reserve of $7 million related to the Company's estimate of exposures on customer financed assets due to defaults, refinancing, and remarketing of these aircraft.

In connection with the buyback of the off balance sheet receivables, the Company recorded the long-term receivables at estimated fair value, which included an assessment of the value of the underlying aircraft. As a result of this assessment, the Company adjusted the value of certain underlying aircraft, including both commuter and Starship aircraft, some of which were written down to scrap value. There was no net income statement impact as a result of this activity.

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, generally 10 years.

INVESTMENTS Investments, which are included in other assets, include equity ownership of 20 percent to 50 percent in unconsolidated affiliates and of less than 20 percent in other companies. Investments in unconsolidated affiliates are accounted for under the equity method. Investments in other companies with readily determinable market prices are stated at estimated fair value with

unrealized gains and losses included in other comprehensive income. Other investments are stated at cost.

COMPREHENSIVE INCOME Comprehensive income and its components are presented in the statement of stockholders' equity.

Accumulated other comprehensive income consisted of the following at December 31:

(In millions)	**2003**	2002
Minimum pension liability	**$ (2,240)**	$ (2,122)
Unrealized losses on interest-only strips	**(2)**	(2)
Interest rate lock	**(1)**	(2)
Foreign exchange translation	**24**	(58)
Cash flow hedges	**24**	5
Unrealized gains (losses) on investments	**1**	(1)
Total	**$ (2,194)**	$ (2,180)

The minimum pension liability adjustment is shown net of tax benefits of $1,195 million and $1,132 million at December 31, 2003 and 2002, respectively. The unrealized losses on interest-only strips are shown net of tax benefits of $1 million at December 31, 2003 and 2002. The interest rate lock is shown net of tax benefits of $1 million at December 31, 2003 and 2002. The cash flow hedges are shown net of tax liabilities of $13 million and $3 million at December 31, 2003 and 2002, respectively.

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 as their undistributed earnings are considered to be permanently invested. Income and expenses in foreign currencies are translated at the weighted-average exchange rate during the period. Foreign exchange transaction gains and losses in 2003, 2002, and 2001 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.

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 or interest rate locks 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.

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. The estimated fair value of long-term debt of approximately $7.0 billion at December 31, 2003 was 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. 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 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.

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 Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, the Company's net income and earnings per share would have approximated the pro forma amounts indicated below:

(In millions except per share amounts)	**2003**	2002	2001
Reported net income (loss)	**$ 365**	$ (640)	$ (755)
Stock-based compensation expense included in reported net income (loss), net of tax	**5**	4	8
Compensation expense determined under the fair value method for all stock-based awards, net of tax	**(73)**	(63)	(57)
Pro forma net income (loss)	**$ 297**	$ (699)	$ (804)
Reported basic earnings (loss) per share	**$ 0.88**	$ (1.59)	$ (2.12)
Reported diluted earnings (loss) per share	**0.88**	(1.57)	(2.09)
Pro forma basic earnings (loss) per share	**$ 0.72**	$ (1.74)	$ (2.25)
Pro forma diluted earnings (loss) per share	**0.72**	(1.71)	(2.23)

The weighted-average fair value of each stock option granted in 2003, 2002, and 2001 was estimated as $8.57, $13.46, and $9.25, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2003	2002	2001
Expected life	**4 years**	4 years	4 years
Assumed annual dividend growth rate	**—**	—	1%
Expected volatility	**40%**	40%	40%
Assumed annual forfeiture rate	**8%**	12%	12%

The risk free interest rate (month-end yields on 4-year treasury strips equivalent zero coupon) ranged from 2.0% to 3.0% in 2003, 2.5% to 4.7% in 2002, and 3.7% to 5.0% in 2001.

ACCOUNTING STANDARDS In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (FIN 46). FIN 46 addresses the consolidation of certain variable interest entities (VIEs) and may be applied prospectively with a cumulative effect adjustment or by restating previously issued financial statements with a cumulative effect adjustment as of the beginning of the first year restated. In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (FIN 46R). FIN 46R significantly narrowed the original scope of FIN 46 by excluding entities possessing certain characteristics, among other things. FIN 46R deferred the effective date of FIN 46 for interests held in VIEs created before February 1, 2003, except for special purpose entities as defined by FIN 46R, until the end of the first interim period ending after March 15, 2004. The adoption of FIN 46R is not expected to have a material effect on the Company's financial position or results of operations.

In December 2003, the FASB issued Statement of Financial Accounting Standards No. 132 (revised 2003), Employers' Disclosures about Pensions and Other Postretirement Benefits, an amendment of FASB Statements No. 87, 88, and 106. Information about foreign plans is required by this accounting standards for fiscal years ending after June 15, 2004, including additional disclosures about assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans.

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 specific 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 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 Raytheon Engineers & Constructors businesses (RE&C) to Washington Group International, Inc. (WGI). In May 2001, WGI filed for bankruptcy protection. As a result of the sale and the WGI bankruptcy, the Company was required to perform various contract and lease obligations in connection with a number of different projects under letters of credit, surety bonds, and guarantees (Support Agreements) that it had provided to project owners and other parties.

Among the projects involved were two construction projects, the Mystic Station facility in Everett and the Fore River facility in Weymouth (the "Massachusetts Projects"). Following WGI's abandonment of these projects in 2001, the Company undertook construction efforts on these projects, subsequently delivered care, custody, and control of these projects to their owners, and, as of December 31, 2003, was continuing to perform work on these projects. On February 23, 2004, the Company closed on a settlement agreement with the project owners and other interested parties. The settlement included, among other things, a payment to the

Company of approximately $30 million, the return to the Company of approximately $73 million in letters of credit the Company had provided to the project owners, and a release of various claims related to these projects. In addition, under the settlement, the Company remained responsible for all subcontractor and vendor claims prior to the settlement and the project owners assumed responsibility for all post-settlement obligations, including completing the construction of the projects, and all punch list and warranty obligations. The Company believes that the obligations retained on these projects are not material.

The Company recorded charges of $176 million in 2003, $796 million in 2002, and $814 million in 2001 related to the Massachusetts projects. The charges resulted from delays, labor and material cost growth, productivity issues, equipment and subcontractor performance, schedule liquidated damages, inaccurate estimates of field engineered materials, and disputed changes.

In addition to the Massachusetts Projects, the Company has or had obligations under Support Agreements on a number of other projects. In several cases, the Company has entered into settlement agreements that resolve the Company's obligations under the related Support Agreements. In connection with a number of other projects on which the Company has obligations under Support Agreements, the Company is continuing to undertake the final stages of work, which includes warranty obligations, commercial closeout, and claims resolution. In 2003, the Company recorded charges of $6 million primarily related to the settlement of warranty claims on one of these projects. In 2002 and 2001, the Company recorded charges of $53 million and $210 million, respectively, for various issues in connection with these projects, including but not limited to, punch list items, start-up costs, reliability testing, and turbine-related delays. Finally, there are projects with Support Agreements provided by the Company on which WGI is continuing to perform work, which could present risk to the Company if WGI fails to meet its obligations in connection with those projects.

In performing its obligations under the remaining Support Agreements, the Company has various risks and exposures, including delays, equipment and subcontractor performance, warranty closeout, various liquidated damages issues, collection of amounts due under contracts, and potential adverse claims resolution under various contracts and leases. In addition, the Company's cost estimates for these obligations are heavily dependent upon third parties, including WGI, and their ability to perform construction management, cost estimating, and other tasks requiring industry expertise that the Company no longer possesses.

In 2003, the Company recorded charges of $49 million for legal, management, and other costs related to RE&C versus $38 million in 2002 and $30 million in 2001. In 2002 and 2001, the Company allocated $79 million and $18 million, respectively, of interest expense to RE&C based upon actual cash outflows since the date of disposition. Since the projects were nearing completion, the Company did not allocate interest expense to RE&C in 2003. In addition, in 2001, the Company recorded a charge of $71 million to write off certain assets and liabilities as a result of the WGI bankruptcy filing.

The loss from discontinued operations, net of tax, related to RE&C was $151 million, $645 million, and $752 million in 2003, 2002, and 2001, respectively.

Assets and liabilities related to RE&C consisted of the following at December 31:

(In millions)	**2003**	2002
Current liabilities	**$37**	$319
Total liabilities	**$37**	$319

In 2002, the Company sold its Aircraft Integration Systems business (AIS) for $1,123 million, net, subject to purchase price adjustments. The Company is currently involved in a purchase price dispute related to the sale of AIS. There was no pretax gain or loss on the sale of AIS, however, due to the non-deductible goodwill associated with AIS, the Company recorded a tax provision of $212 million, resulting in a $212 million after-tax loss on the sale of AIS. As part of the transaction, the Company retained the responsibility for performance of the Boeing Business Jet (BBJ) program. The Company also retained $106 million of BBJ-related assets, $18 million of receivables and other assets, and rights to a $25 million jury award related to a 1999 claim against Learjet. At December 31, 2003, the balance of these retained assets was $45 million.

In 2003, the Company recorded charges related to AIS of $17 million related to cost growth on the BBJ program and $13 million as a result of continued difficulty the Company has been experiencing liquidating the BBJ-related assets. In 2002 the Company recorded charges of $66 million, which included a $23 million write-down of a BBJ-related aircraft owned by the Company, a $28 million charge for cost growth on one of the two BBJ aircraft not yet delivered, and a $10 million charge to write down other BBJ-related assets to the then estimated net realizable value, offset by a $13 million gain resulting from the finalization of the 1999 claim, described above. The write-down of the BBJ-related aircraft resulted from the Company's decision to market this aircraft unfinished due to the environment of declining prices for BBJ-related aircraft at the time. The Company was previously marketing this aircraft as a customized executive BBJ.

The income (loss) from discontinued operations related to AIS, including the $212 million after-tax loss on the sale, was as follows:

(In millions)	**2003**	2002	2001
Net sales	**$—**	$ 202	$850
Operating expenses	**—**	196	845
Income before taxes	**—**	6	5
Federal and foreign income taxes	**—**	2	10
Income (loss) from discontinued operations	**—**	4	(5)
Loss on disposal of discontinued operations, net of tax	**—**	(212)	—
Adjustments, net of tax	**(19)**	(34)	—
Total	**$ (19)**	$(242)	$ (5)

The components of assets and liabilities related to AIS were as follows at December 31:

(In millions)	**2003**	2002
Current assets	**$59**	$75
Total assets	**$59**	$75
Current liabilities	**$ 6**	$14
Total liabilities	**$ 6**	$14

In 2003, the total loss from discontinued operations was $261 million pretax, $170 million after-tax, or $0.41 per diluted share versus $1,013 million pretax, $887 million after-tax, or $2.17 per diluted share in 2002 and $1,138 million pretax, $757 million after-tax, or $2.10 per diluted share in 2001.

NOTE C: ACQUISITIONS AND DIVESTITURES

In 2003, the Company acquired Solipsys Corporation for $170 million, net of cash received, to be paid over two years. The Company paid $40 million, net, in cash in 2003 and intends to make the remaining payments, which have been accrued, in cash. In addition, the Company may be required to make certain performance-based incentive payments. Assets acquired included $7 million of contracts in process. Liabilities assumed included $2 million of accounts payable and $3 million of accrued salaries and wages. The Company also recorded $8 million of intangible assets and $160 million of goodwill (at Integrated Defense Systems) in connection with this acquisition.

In 2003, the Company acquired the Aerospace and Defence Services business unit of Honeywell International Inc. for $20 million in cash. Assets acquired included $4 million of contracts in process. Liabilities assumed included $1 million of accounts payable and $2 million of other accrued expenses. The Company also recorded $8 million of intangible assets and $11 million of goodwill (at Technical Services) in connection with this acquisition.

In 2002, the Company acquired JPS Communications, Inc. for $10 million in cash. Assets acquired included $2 million of accounts receivable and $2 million of inventories. The Company also recorded $4 million of goodwill (at Network Centric Systems) and $2 million of intangible assets in connection with this acquisition.

Pro forma financial information has not been provided for these acquisitions as they are not material either individually or in the aggregate. In addition, the Company has entered into other acquisition and divestiture agreements in the normal course of business that have not been separately disclosed as they are not material.

In 2002, the Company formed a joint venture with Flight Options, Inc. whereby the Company contributed its Raytheon Travel Air fractional ownership business and loaned the new entity $20 million. In June 2003, the Company participated in a financial recapitalization of Flight Options LLC (FO) and exchanged certain FO debt for equity. As a result of this recapitalization, the Company now owns approximately 66 percent of FO and is consolidating FO's results in its financial statements. Assets acquired included $83 million of inventories and $27 million of other current assets. Liabilities assumed included $97 million of notes payable and long-term debt, $90 million of advance payments, and $77 million of accounts payable and accrued expenses. The Company also recorded $26 million of intangible assets and $128 million of goodwill in connection with this recapitalization.

In 2001, the Company sold its recreational marine business for $100 million and recorded a gain of $39 million. Additional information about certain other acquisitions and divestitures is included in Note H, Other Assets.

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 merger 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 2002. The settlement resulted in a $555 million reduction in goodwill.

NOTE D: RESTRUCTURING

Prior to 2000, the Company recorded restructuring charges and exit costs in connection with the 1997 acquisition of Texas Instruments' defense business and merger with Hughes Defense. The Company essentially completed all related restructuring initiatives in 2000 except for ongoing idle facility costs.

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 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.

In 2002, the Company determined that the cost of certain restructuring initiatives would be lower than originally planned and recorded a $4 million favorable adjustment to cost of sales, a $3 million favorable adjustment to general and administrative expenses, and a $1 million reduction in goodwill.

Activity related to restructuring initiatives was as follows:

Exit Costs

(In millions)	**2003**	2002	2001
Accrued liability at beginning of year	**$ 4**	$ 17	$ 47
Changes in estimate			
Severance and other employee-related costs	**—**	—	—
Facility closure and related costs	**—**	(1)	—
	—	(1)	—
Costs incurred			
Severance and other employee-related costs	**—**	2	3
Facility closure and related costs	**3**	10	27
	3	12	30
Accrued liability at end of year	**$ 1**	$ 4	$ 17
Cash expenditures	**$ 3**	$ 4	$ 18

Restructuring

(In millions)	**2003**	2002	2001
Accrued liability at beginning of year	**$—**	$ 7	$ 28
Changes in estimate			
Severance and other employee-related costs	**—**	(3)	(4)
Facility closure and related costs	**—**	(4)	(4)
	$—	(7)	(8)
Costs incurred			
Severance and other employee-related costs	**—**	—	6
Facility closure and related costs	**—**	—	7
	—	—	13
Accrued liability at end of year	**$—**	$—	7
Cash expenditures	**$—**	$—	$ 8

NOTE E: CONTRACTS IN PROCESS

Contracts in process consisted of the following at December 31, 2003:

(In millions)	Cost Type	Fixed Price	Total
U.S. government end-use contracts			
Billed	**$ 424**	**$ 315**	**$ 739**
Unbilled	**569**	**3,813**	**4,382**
Less progress payments	**—**	**(3,233)**	**(3,233)**
	993	**895**	**1,888**
Other customers			
Billed	**13**	**322**	**335**
Unbilled	**10**	**925**	**935**
Less progress payments	**—**	**(396)**	**(396)**
	23	**851**	**874**
Total	**$ 1,016**	**$ 1,746**	**$ 2,762**

Contracts in process consisted of the following at December 31, 2002:

(In millions)	Cost Type	Fixed Price	Total

U.S. government end-use contracts			
Billed	$ 428	$ 112	$ 540
Unbilled	670	3,793	4,463
Less progress payments	—	(2,740)	(2,740)
	1,098	1,165	2,263
Other customers			
Billed	15	391	406
Unbilled	—	861	861
Less progress payments	—	(514)	(514)
	15	738	753
Total	$ 1,113	$ 1,903	$ 3,016

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, 2003 and 2002 was $77 million and $113 million, respectively, related to claims on contracts, which were recorded at their estimated realizable value. The Company believes that it has a 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 $18 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, 2003, retentions amounted to $22 million and are anticipated to be collected as follows: $12 million in 2004, $1 million in 2005, and the balance thereafter.

NOTE F: INVENTORIES

Inventories consisted of the following at December 31:

(In millions)	**2003**	2002
Finished goods	**$ 669**	$ 597
Work in process	**1,023**	1,042
Materials and purchased parts	**306**	393
Total	**$ 1,998**	$ 2,032

Inventories at Raytheon Aircraft, Raytheon Airline Aviation Services, and Flight Options totaled $1,603 million at December 31, 2003 (consisting of $647 million of finished goods, $717 million of work in process, and $239 million of materials and parts) and $1,612 million at December 31, 2002 (consisting of $557 million of finished goods, $761 million of work in process, and $294 million of materials and parts).

Included in inventories was $103 million and $76 million at December 31, 2003 and 2002, respectively, related to the Horizon aircraft. The Company anticipates certification of the Horizon aircraft in the third quarter of 2004 and first delivery by year end 2004.

Table of Contents

NOTE G: PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following at December 31:

(In millions)	**2003**	2002
Land	**$ 90**	$ 91
Buildings and leasehold improvements	**1,769**	1,606
Machinery and equipment	**3,592**	3,083
Equipment leased to others	**189**	189
	5,640	4,969
Less accumulated depreciation and amortization	**(2,929)**	(2,573)
Total	**$ 2,711**	$ 2,396

Depreciation expense was $333 million, $305 million, and $289 million in 2003, 2002, and 2001, respectively. Accumulated depreciation of equipment leased to others was $25 million and $39 million at December 31, 2003 and 2002, respectively.

In 1998, the Company entered into a $490 million property sale and five-year operating lease (synthetic lease) facility under which property, plant, and equipment was sold and leased back to the Company. In 2003, the lease facility expired and the Company bought back the assets remaining in the lease facility for $125 million.

Future minimum lease payments from non-cancelable aircraft operating leases, which extend to 2014, amounted to $73 million at December 31, 2003 and were due as follows :

(In millions)	
2004	$ 17
2005	11
2006	10
2007	8
2008	7
Thereafter	20

NOTE H: OTHER ASSETS

Other assets, net consisted of the following at December 31:

(In millions)	**2003**	2002
Long-term receivables		
Due from customers in installments to 2015	**$ 464**	$ 969
Other, principally due through 2005	**40**	17
Sales-type leases, due in installments to 2013	**50**	135
Computer software, net	**456**	397
Pension-related intangible asset	**199**	217
Investments	**146**	154
Other noncurrent assets	**498**	344
Total	**$ 1,853**	$ 2,233

The Company provides long-term financing to its aircraft customers. The underlying aircraft serve as collateral for general aviation and commuter aircraft receivables. The Company maintains reserves for estimated uncollectible aircraft-related long-term receivables. The balance of these reserves was $60 million and $69 million at December 31, 2003 and 2002, respectively. The reserves for estimated uncollectible aircraft-related long-term receivables represent the Company's current estimate of future losses. The Company established these reserves based on an overall evaluation of identified risks. As a part of that evaluation, the Company considered certain specific receivables and considered factors including extended delinquency and requests for restructuring, among other things. Long-term receivables included commuter aircraft receivables of $363 million and $680 million at December 31, 2003 and 2002, respectively.

The Company accrues interest on long-term aircraft customer receivables in accordance with the terms of the underlying notes. When a long-term aircraft receivable is over 90 days past due, the Company generally stops accruing interest. At December 31, 2003 and 2002, there were $37 million and $38 million, respectively, of long-term aircraft receivables on which the Company was not accruing interest. Interest payments related to these receivables are credited to income when received. Once a receivable has been brought current, the Company begins to accrue interest again. Interest deemed to be uncollectible is written off at the time the determination is made.

In 2003, the Company sold an undivided interest in $337 million of general aviation finance receivables, received proceeds of $279 million, retained a subordinated interest in and servicing rights to the receivables, and recognized a gain of $2 million. In connection with the sale, the Company formed a qualifying special purpose entity (QSPE) for the sole purpose of buying these receivables. The Company irrevocably and without recourse, transferred the receivables to the QSPE which in turn, issued beneficial interests in these receivables to a commercial paper conduit. The assets of the QSPE are not available to pay the claims of the Company or any other entity. The Company retained a subordinated interest in the receivables sold of approximately 17 percent. The conduit obtained the funds to purchase the interest in the receivables, other than the retained interest, by selling commercial paper to third-party investors. The Company retained responsibility for the collection and administration of receivables. The Company continues servicing the sold receivables and charges the third party conduit a monthly servicing fee at market rates.

The Company accounted for the sale under Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities. The gain was determined at the date of transfer based upon the relative fair value of the assets sold and the interests retained. The Company estimated the fair value at the date of transfer and at December 31, 2003 based on the present value of future expected cash flows using certain key assumptions, including collection period and a discount rate of 5.0%. At December 31, 2003 a 10 and 20 percent adverse change in the collection period and discount rate would not have a material effect on the Company's financial position or results of operations.

At December 31, 2003, the outstanding balance of securitized accounts receivable held by the third party conduit totaled $320 million, of which the Company's subordinated retained interest was $58 million, and the fair value of the servicing asset was $6 million.

The Company also maintained a program under which it sold general aviation and commuter aircraft long-term receivables under a receivables purchase facility through the end of 2002. The Company bought out the receivables that remained in the facility in 2002 for $1,029 million and brought the related assets onto the Company's books. In connection with the buyback, the Company recorded the long-term receivables at estimated fair value using the reserves established in 2001, as described in Note A, Accounting Policies, Impairment of Long-Lived Assets. The loss resulting from

the sale of receivables was $6 million and $2 million in 2002 and 2001, respectively.

The increase in computer software in 2003 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 $241 million and $219 million at December 31, 2003 and 2002, respectively.

Investments, which are included in other assets, consisted of the following at December 31:

(In millions)	2003 Ownership %	2003	2002
Equity method investments:			
Thales-Raytheon Systems Co. Ltd.	50.0	**$ 78**	$ 59
HRL Laboratories, LLC	33.3	**30**	29
Indra ATM S.L.	49.0	**12**	12
TelASIC Communications	23.5	**7**	2
Hughes Arabia Limited	49.0	**1**	13
Raytheon Aerospace	—	**—**	5
Other	n/a	**8**	
		136	120
Other investments:			
Alliance Laundry Systems		**—**	19
Other		**10**	15
		10	34
Total		**$ 146**	$ 154

In 2003, the Company sold the remaining interest in its former aviation support business (Raytheon Aerospace) for $97 million and recorded a gain of $82 million. The Company had sold a majority interest in Raytheon Aerospace in 2001 for $154 million in cash and retained $47 million in trade receivables and $66 million in preferred and common equity in the business. The $66 million represented a 26 percent ownership interest and was recorded at zero because the new entity was highly-leveraged.

In 2003, the Company sold its investment in Alliance Laundry Systems for $15 million and recorded a loss of $4 million. The Company had sold its commercial laundry business unit to Alliance in 1998 for $315 million in cash and $19 million in securities.

In 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. TRS is a system of systems integrator and provides fully customized solutions through the integration of command and control centers, radars, and communication networks. HRL Laboratories is a scientific research facility whose staff engages in the areas of space and defense technologies. Indra develops flight data processors for air traffic control automation systems. TelASIC Communications delivers high performance, cost-effective radio frequency (RF), analog mixed signal, and digital solutions for both the commercial and defense electronics markets. Hughes Arabia Limited was formed in connection with the award of the Peace Shield program and offers certain tax advantages to the Company.

In addition, the Company has entered into joint ventures formed specifically to facilitate a teaming arrangement between two contractors for the benefit of the customer, generally the U.S. government, whereby the Company receives a subcontract from the joint venture in the joint venture's capacity as prime contractor. Accordingly, the Company records the work it performs for the joint venture as operating activity.

Certain joint ventures and equity and cost method investments are not listed separately in the table above as the Company's investment in these entities is less than $5 million. Information for these joint ventures and investments has not been separately disclosed since they are not material either individually on in the aggregate.

NOTE I: NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consisted of the following at December 31:

(In millions)	**2003**	2002
Notes payable at a weighted average interest rate of 6.25% for 2003 and 4.48% for 2002	**$ 15**	$ 1
Current portion of long-term debt	**—**	1,152
Notes payable and current portion of long-term debt	**15**	1,153
Notes due 2003, 5.70%, not redeemable prior to maturity	**—**	377
Notes due 2003, 7.90%, not redeemable prior to maturity	**—**	775
Notes due 2005, 6.30%, not redeemable prior to maturity	**123**	438
Notes due 2005, floating rate, 1.64% at December 31, 2003, redeemable after 2004	**200**	—
Notes due 2005, 6.50%, not redeemable prior to maturity	**689**	687
Notes due 2006, 8.20%, redeemable at any time	**191**	797
Notes due 2007, 4.50%, redeemable at any time	**224**	224
Notes due 2007, 6.75%, redeemable at any time	**924**	920
Notes due 2008, 6.15%, redeemable at any time	**542**	542
Notes due 2010, 6.00%, redeemable at any time	**222**	222
Notes due 2010, 6.55%, redeemable at any time	**244**	244
Notes due 2010, 8.30%, redeemable at any time	**398**	398
Notes due 2011, 4.85%, redeemable at any time	**496**	—

Notes due 2012, 5.50%, redeemable at any time	**346**	345
Notes due 2013, 5.375%, redeemable at any time	**419**	—
Debentures due 2018, 6.40%, redeemable at any time	**372**	371
Debentures due 2018, 6.75%, redeemable at any time	**249**	249
Debentures due 2025, 7.375%, redeemable after 2005	**205**	205
Debentures due 2027, 7.20%, redeemable at any time	**359**	359
Debentures due 2028, 7.00%, redeemable at any time	**184**	184
Other notes with varying interest rates	**85**	6
Interest rate swaps	**45**	89
Less installments due within one year	**—**	(1,152)
Long-term debt	**6,517**	6,280
Subordinated notes payable	**859**	858
Total debt issued and outstanding	**$ 7,391**	$ 8,291

The floating rate notes due in 2005 are redeemable on or after June 10, 2004 at the option of the Company at a redemption price equal to 100 percent of par. The debentures due in 2025 are redeemable at the option of the Company on or 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. Information about the subordinated notes payable is included in Note J, Equity Security Units.

In 2003, the Company issued $425 million of long-term debt and used the proceeds to reduce the amounts outstanding under the Company's lines of credit. Also in 2003, the Company issued $500 million of long-term debt and $200 million of floating rate notes. The proceeds were used to partially fund the repurchase of long-term debt with a par value of $924 million at a loss of $77 million pretax, which was included in other expense, $50 million after-tax, or $0.12 per diluted share. The Company has on file a shelf registration with the Securities and Exchange Commission registering the issuance of up to $3.0 billion in debt securities, common or preferred stock, warrants to purchase any of the aforementioned securities, and/or stock purchase contracts, under which $1.3 billion remained outstanding at December 31, 2003.

In December 2003, the Company entered into various interest rate swaps that correspond to a portion of the Company's fixed rate debt in order to effectively hedge interest rate risk. The $250 million notional value of the interest rate swaps effectively converted a portion of the Company's total debt to variable rate debt.

In 2002, the Company issued $575 million of long-term debt to reduce the amounts outstanding under the Company's lines of credit. Also in 2002, the Company repurchased debt with a par value of $96 million at a gain of $2 million pretax, which was included in other income, or $1 million after-tax.

In 2001, the Company repurchased long-term debt with a par value of $1,375 million at a loss of $24 million pretax, which was included in other expense, $16 million after-tax, or $0.04 per diluted share.

In 2001, the Company entered into various interest rate swaps that corresponded to a portion of the Company's fixed rate debt in order to effectively hedge interest rate risk. In 2002, the Company closed out these interest rate swaps and received proceeds of $95 million which are being amortized over the remaining life of the debt as a reduction of interest expense. At December 31, 2003, the unamortized balance was $45 million.

The principal amounts of long-term debt were reduced by debt issue discounts and interest rate hedging costs of $102 million and $105 million, respectively, on the date of issuance, and are reflected as follows at December 31:

(In millions)	**2003**	2002
Principal	**$ 6,593**	$ 7,511
Unamortized issue discounts	**(41)**	(39)
Unamortized interest rate hedging costs	**(35)**	(40)
Installments due within one year	**—**	(1,152)
Total	**$ 6,517**	$ 6,280

The aggregate amounts of installments due on long-term debt for the next five years are:

(In millions)	
2004	$ —
2005	1,048
2006	228
2007	1,149
2008	544

The Company's most restrictive bank agreement covenant is an interest coverage ratio that currently requires earnings before interest, taxes, depreciation, and amortization (EBITDA), excluding certain charges, to be at least 2.5 times net interest expense for the prior four quarters. In July 2003, the covenant was amended to exclude pretax charges of $100 million related to RE&C and in October 2003 the covenant was further amended to exclude $226 million of pretax charges related to Network Centric Systems and Technical Services, and $78 million of pretax charges related to RE&C. In July 2002, the covenant was amended to exclude charges of $450 million related to discontinued operations. The Company was in compliance with the interest coverage ratio covenant, as amended, during 2003.

Lines of credit with certain commercial banks exist to provide short-term liquidity. The lines of credit bear interest based upon LIBOR and were $2.7 billion at December 31, 2003, consisting of $1.4 billion which matures in November 2004 and $1.3 billion which matures in 2006. The lines of credit were $2.85 billion at December 31, 2002. There were no borrowings under the lines of credit at December 31, 2003, however, the Company had approximately $300 million of outstanding letters of credit which effectively reduced the Company's borrowing capacity under the lines of credit to $2.4 billion. There were no borrowings under the lines of credit at December 31, 2002.

Credit lines with banks are also maintained by certain foreign subsidiaries to provide them with a limited amount of short-term liquidity. These lines of credit were $99 million and $79 million at

December 31, 2003 and 2002, respectively. There was $1 million outstanding under these lines of credit at December 31, 2003 and 2002. Compensating balance arrangements are not material.

Total cash paid for interest was $515 million, $522 million, and $705 million in 2003, 2002, and 2001, respectively, including amounts classified as discontinued operations.

NOTE J: EQUITY SECURITY UNITS

The Company has 17,250,000, 8.25%, $50 par value equity security units outstanding. 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. 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 $11 million in 2003 and 2002, and $6 million in 2001. The mandatorily redeemable equity security represents preferred stock of RC Trust I (RCTI), a subsidiary of the Company that initially issued this preferred stock to the Company in exchange for a subordinated note. The subordinated notes payable have the same terms as the mandatorily redeemable equity security and represent an undivided interest in the assets of RCTI, a Delaware business trust formed for the purpose of issuing these securities and whose assets consist solely of subordinated notes receivable issued by the Company. RCTI is considered to be a variable interest entity under the provisions of FIN 46, described above in Note A, Accounting Policies, Accounting Standards, and because the preferred stock was a part of the equity security units issued by the Company, the Company is not considered the primary beneficiary of RCTI. As a result, RCTI is not consolidated by the Company under the provisions of FIN 46. The subordinated notes payable were previously reported as mandatorily redeemable equity securities on the Company's balance sheet and in accordance with FIN 46 prior periods have been restated to reflect this change.

The subordinated notes payable pay a quarterly distribution, which is included in interest expense, of 7% per year until May 15, 2004. Cash paid for the quarterly distribution on the subordinated notes payable was $60 million in 2003 and 2002, and $31 million in 2001.

The terms of the equity security units required that the mandatorily redeemable equity securities be remarketed. On February 11, 2004, the mandatorily redeemable equity securities were remarketed and the quarterly distribution rate on the madatorily redeemable equity securities and the subordinated notes payable were reset at 7%. Neither the Company nor RCTI received any proceeds from the remarketing. The proceeds were pledged to collateralize the holders' obligations under the contract to purchase the Company's common stock on May 15, 2004.

NOTE K: STOCKHOLDERS' EQUITY

The changes in shares of common stock outstanding were as follows:

(In thousands)	
Balance at December 31, 2000	340,620
Issuance of common stock	46,809
Common stock plan activity	1,230
Treasury stock activity	6,773
Balance at December 31, 2001	395,432
Issuance of common stock	9,218
Common stock plan activity	3,638
Treasury stock activity	(79)
Balance at December 31, 2002	408,209
Issuance of common stock	**8,977**
Common stock plan activity	**1,021**
Treasury stock activity	**(71)**
Balance at December 31, 2003	**418,136**

The Company issued 6,486,000 and 5,100,000 shares of common stock in 2003 and 2002, respectively, to fund the Company Match and Company Contributions, as described in Note O, Pension and Other Employee Benefits. In addition, employee-directed 401(k) plan purchases (Employee Contributions) of the Company stock fund were funded through the issuance of 2,491,000 and 4,118,000 shares of common stock in 2003 and 2002, respectively. The Company issued 855,000 shares of common stock and 6,809,000 shares out of treasury in 2001 to fund the Company Match and Company Contributions.

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.

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)	**2003**	2002	2001
Average common shares outstanding for basic EPS	**412,686**	401,444	356,717
Dilutive effect of stock options, restricted stock, and equity security units	**2,743**	6,587	4,606
Shares for diluted EPS	**415,429**	408,031	361,323

Stock options to purchase 30.6 million, 23.7 million, and 20.5 million shares of common stock outstanding at December 31, 2003, 2002, and 2001, 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 15.3 million, 17.9 million, and 15.5 million shares of common stock outstanding at December 31, 2003, 2002, and 2001, 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 options and restricted stock in the table above.

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, 2003. There were no shares repurchased under this program during 2003, 2002, and 2001.

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 2003, 2002, and 2001.

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.

The Company had a shareholder rights plan that protected the Company and its stockholders against hostile takeover tactics. In February 2004, the Company amended its shareholder rights plan. As a result of this amendment, the shareholder rights plan automatically expired at the close of business on March 1, 2004.

NOTE L: FEDERAL AND FOREIGN INCOME TAXES

The provision for federal and foreign income taxes consisted of the following:

(In millions)	**2003**	2002	2001
Current income tax expense			
Federal	**$ 130**	$ 51	$ 87
Foreign	**3**	5	4
Deferred income tax expense (benefit)			
Federal	**94**	243	(30)
Foreign	**—**	21	37
Total	**$ 227**	$ 320	$ 98

The provision for state income taxes was included in general and administrative expenses as these costs can generally be recovered through the pricing of products and services to the U.S. government.

The provision for income taxes differs from the U.S. statutory rate due to the following:

	2003	2002	2001
Statutory tax rate	**35.0%**	35.0%	35.0%
Foreign sales corporation tax benefit	**(3.1)**	(3.5)	(36.0)
ESOP dividend deduction benefit	**(1.7)**	(1.1)	(11.0)
Research and development tax credit	**(0.8)**	(1.0)	(5.0)
Goodwill amortization	**—**	—	109.0
Other, net	**0.4**	0.3	6.0
Effective tax rate	**29.8%**	29.7%	98.0%

Effective January 1, 2002, the Company discontinued the amortization of goodwill as required by SFAS No. 142, as described in Note A, Accounting Policies, Impairment of Long-lived Assets. 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 charges at Raytheon Airline Aviation Services.

In 2003, 2002, and 2001, domestic income (loss) before taxes was $493 million, $(12) million, and $(1,156) million, respectively, and foreign income before taxes was $8 million, $75 million, and $118 million, respectively. 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. No provision has been made for deferred taxes on undistributed earnings of non-U.S. subsidiaries as these earnings have been indefinitely reinvested. Net cash (payments) refunds were $(13) million, $145 million, and $27 million in 2003, 2002, and 2001, respectively.

Deferred federal and foreign income taxes consisted of the following at December 31:

(In millions)	**2003**	2002
Current deferred tax assets		
Other accrued expenses	**$ 289**	$ 378
Accrued salaries and wages	**105**	104
Contracts in process and inventories	**72**	119
Deferred federal and foreign income taxes–current	**$ 466**	$ 601

Noncurrent deferred tax assets (liabilities)		
Net operating loss and foreign tax credit carryforwards	**$ 631**	$ 533
Pension benefits	**310**	348
Other retiree benefits	**226**	235
Depreciation and amortization	**(703)**	(711)
Revenue on leases and other	**(127)**	(124)
Deferred federal and foreign income taxes-noncurrent	**$ 337**	$ 281

There were $12 million and $1 million of taxes refundable included in prepaid expenses and other current assets at December 31, 2003 and 2002, respectively. Federal tax benefits related to discontinued operations were $91 million in 2003 and $126 million in

2002 and were included in deferred federal and foreign income taxes in the table above.

At December 31, 2003, the Company had net operating loss carryforwards of $1.4 billion that expire in 2020 through 2023, foreign tax credit carryforwards of $41 million that expire in 2006 through 2008, and research tax credit carryforwards of $26 million that expire in 2018 to 2023. The Company believes it will be able to utilize all of these carryforwards over the next 3 to 4 years.

NOTE M: COMMITMENTS AND CONTINGENCIES

At December 31, 2003, the Company had commitments under long-term leases requiring annual rentals on a net lease basis as follows:

(In millions)	
2004	$294
2005	271
2006	236
2007	198
2008	151
Thereafter	327

Rent expense in 2003, 2002, and 2001 was $441 million, $449 million, and $276 million, respectively. In the normal course of business, the Company leases equipment, office buildings, and other facilities under leases that include standard escalation clauses for adjusting rent payments to reflect changes in price indices, as well as renewal options.

At December 31, 2003, the Company had commitments under an agreement to outsource a significant portion of its information technology function requiring minimum annual payments as follows:

(In millions)	
2004	$68
2005	67
2006	64
2007	64
2008	64
Thereafter	65

In connection with certain aircraft sales, the Company had offered trade-in incentives whereby the customer will receive a pre-determined trade-in value if they purchase another aircraft from the Company. The difference between the value of these trade-in incentives, the majority of which expire by the end of 2005, and the current estimated fair value of the underlying aircraft was approximately $34 million at December 31, 2003. There is a high degree of uncertainty inherent in the assessment of the likelihood and value of trade-in commitments.

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 $15 million and $12 million at December 31, 2003 and 2002, 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 $119 million. Discounted at 8.5 percent, the Company estimates the liability to be $72 million before U.S. government recovery and had this amount accrued at December 31, 2003. A portion of these costs are eligible for future recovery through the pricing of products and services to the U.S. government. The recovery of environmental cleanup costs from the U.S. government is considered probable based on the Company’s long history of receiving reimbursement for such costs. Accordingly, the Company has recorded $47 million at December 31, 2003 for the estimated future recovery of these costs from the U.S. government, which is included in contracts in process. The Company leases certain government-owned properties and is generally not liable for environmental remediation at these sites, therefore, no provision has been made in the financial statements for these costs. 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.

Environmental remediation costs expected to be incurred are:

(In millions)	
2004	$25
2005	14
2006	11
2007	9
2008	7
Thereafter	53

The Company issues guarantees and has banks and surety companies issue, on its behalf, letters of credit and surety bonds to meet various bid, performance, warranty, retention, and advance payment obligations. Approximately $1,316 million, $890 million, and $389 million of these guarantees, letters of credit, and surety bonds, for which there were stated values, were outstanding at December 31, 2003, respectively and $1,614 million, $1,227 million, and $458 million were outstanding at December 31, 2002, respectively. These instruments expire on various dates through 2007. At December 31, 2003, the amount of guarantees, letters of credit, and surety bonds, for which there were stated values, that remained outstanding was $90 million, $146 million, and $283 million, respectively, related to discontinued operations and are included in the numbers above. 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.

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. Except as noted in the following 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.

In 2002, the Company received service of a grand jury subpoena issued by the United States District Court for the Central District of California. The subpoena seeks documents related to the activities of an international sales representative engaged by the Company related to a foreign military sales contract in Korea in the late 1990s. The Company has cooperated fully in the investigation including producing documents in response to the subpoena. The Company has in place appropriate compliance policies and procedures, and believes its conduct has been consistent with those policies and procedures.

The Company continues to cooperate with the staff of the Securities and Exchange Commission (SEC) on a formal investigation related to the Company's accounting practices primarily related to the commuter aircraft business and the timing of revenue recognition at Raytheon Aircraft. The Company has been providing documents and information to the SEC staff. In addition, certain present and former officers and employees of the Company have provided testimony in connection with this investigation. The Company is unable to predict the outcome of the investigation 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 purported class period. In March 2000, the court certified the class of plaintiffs as those people who purchased the Company's stock between October 7, 1998 and October 12, 1999. In August 2001, the court issued an order dismissing most of the claims asserted against the Company and the individual defendants. In March 2003, the plaintiff filed an amendment to the Consolidated Complaint (the "Second Consolidated and Amended Complaint") which sought to add the Company's independent auditor as an additional defendant. In May 2003, the court issued an order dismissing one of the two claims that had been asserted against the Company's independent auditor. In February 2004, the Company and the individual defendants filed a motion for summary judgment, which the plaintiff opposes. The Company's independent auditor also filed a motion for summary judgment which the plaintiff opposes. A hearing on the summary judgment motion is scheduled for April 2004. The Court has scheduled a trial to begin in May 2004.

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 purported 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 December 2001, the Company and the individual defendants filed a motion to dismiss one of the derivative lawsuits. These actions have since been consolidated, and the plaintiffs have filed a Consolidated Amended Complaint. In April 2003, the defendants filed a motion to dismiss the Consolidated Amended Complaint.

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. In April 2002, the motion to dismiss was denied. The defendants have filed their answer to the amended complaint and discovery is proceeding. In April 2003, the District Court conditionally certified the class and defined the class period as that between April 17, 2000 and March 2, 2001, inclusive. The defendants have filed their answer to the amended complaint and discovery is proceeding.

In July 2001, the Company was named as a nominal defendant and all of its directors at the time have been named as defendants in two identical purported derivative lawsuits. These lawsuits were consolidated into one action (the "Consolidated Amended Derivative Complaint") in January 2004 and 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. The defendants filed a motion to dismiss the Consolidated Amended Derivative Complaint in March 2004.

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 purported 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. In June 2002, the defendants filed a motion to dismiss the complaint. In September 2002, the plaintiff agreed to voluntarily dismiss this action without prejudice so that it can be re-filed in another jurisdiction.

In May 2003, two purported class action lawsuits were filed on behalf of participants in the Company's savings and investment plans who invested in the Company's stock between August 19, 1999 and May 27, 2003. The two class action complaints are brought pursuant to the Employee Retirement Income Security Act (ERISA). Both lawsuits are substantially similar and have been consolidated into a single action. The complaints allege that the Company and certain members of the Company's Investment Committee breached ERISA fiduciary and co-fiduciary duties by allegedly failing to (1) disseminate necessary information regarding the savings and investment plans' investment in the Company's stock, (2) diversity the savings and investment plans' assets away from the Company's stock, (3) monitor investment alternatives to the Company's stock, and (4) avoid conflicts of interest.

Although the Company believes that it and the other defendants have meritorious defenses to each and all of the aforementioned class action and derivative 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. 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 from 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 314,800; 201,800; and 207,100 shares of restricted stock and restricted units were made to employees and directors at a weighted-average fair value at the grant date of $30.02, $32.62, and $28.13 in 2003, 2002, and 2001, respectively. The required conditions for 200,100; 428,600; and 304,600 shares of restricted stock and restricted units were satisfied during 2003, 2002, and 2001, respectively. There were 13,000; 183,500; and 715,800 shares of restricted stock and restricted units forfeited during 2003, 2002, and 2001, respectively. There were 940,600; 837,600; and 1,249,300 shares of restricted stock and restricted units outstanding at December 31, 2003, 2002, and 2001, respectively. The amount of compensation expense recorded was $8 million, $7 million, and $12 million in 2003, 2002, and 2001, respectively. The balance of unearned compensation was $13 million and $12 million at December 31, 2003 and 2002, respectively.

There were 53.2 million, 59.2 million, and 70.6 million additional shares of common stock (including shares held in treasury) authorized for stock options and restricted stock awards at December 31, 2003, 2002, and 2001, respectively.

Stock option information for 2003, 2002, and 2001 follows:

(Share amounts in thousands)	Shares	Weighted-Average Option Price
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
Granted	10,049	42.04
Exercised	(3,575)	22.89
Expired	(3,527)	44.35
Outstanding at December 31, 2002	42,144	40.99
Granted	**7,256**	**31.01**
Exercised	**(675)**	**30.96**
Expired	**(2,639)**	**46.19**
Outstanding at December 31, 2003	**46,086**	**$ 39.27**

The following tables summarize information about stock options outstanding and exercisable at December 31, 2003:

(Share amounts in thousands)	Options Outstanding		
Exercise Price Range	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$18.19 to $29.92	15,609	7.0 years	$ 25.48
$30.00 to $48.97	18,837	7.6 years	$ 38.20
$51.06 to $59.44	7,409	3.9 years	$ 54.35
$67.66 to $73.78	4,231	5.5 years	$ 68.49
Total	46,086		

(Share amounts in thousands)	Options Exercisable	
Exercise Price Range	Shares	Weighted-Average Exercise Price
$18.19 to $29.92	11,398	$ 24.03
$30.00 to $48.97	7,059	$ 40.00
$51.06 to $59.44	7,409	$ 54.35
$67.66 to $73.78	4,231	$ 68.49
Total	30,097	

Shares exercisable at the corresponding weighted-average exercise price at December 31, 2003, 2002, and 2001, were 30.1 million at $41.49, 24.8 million at $45.06, and 24.2 million at $47.78, respectively.

NOTE O: PENSION AND OTHER EMPLOYEE BENEFITS

The Company has pension plans covering the majority of its employees, including certain employees in foreign countries (Pension Benefits). In addition to providing pension benefits, the Company provides certain health care and life insurance benefits to retired employees through other postretirement benefit plans (Other Benefits). Substantially all of the Company's U.S. employees may become eligible for the Other Benefits. The measurement date for the Company's domestic Pension Benefits and Other Benefits plans is October 31.

The strategic asset allocation of the Company's domestic Pension Benefits and Other Benefits plans is diversified with an average and moderate level of risk consisting of investments in equity securities (including domestic and international equities and the Company's stock), debt securities, real estate, and other areas such as private equity and cash. The Company seeks to produce an active return on investment over the long-term commensurate with levels of investment risk which are prudent and reasonable given the prevailing capital market expectations. Target allocations are 48 to 77 percent for equity securities, 20 to 40 percent for debt securities, 2 to 7 percent for real estate, and 4 to 17 percent for other areas. The long-term return on asset assumption for the Company's domestic Pension Benefits plans for 2004 is 8.75%. The long-term return on asset assumption for the Company's domestic Pension Benefits plans was 8.75% in 2003 and 9.50% in 2002 and 2001. The long-term return on asset assumption for the Company's domestic Other Benefits plans was 7.75% in 2003 and 8.50% in 2002 and 2001. To develop the expected long-term rate of return on asset assumption, the Company considered the current level of expected returns on risk free investments, the historical level of the risk premium associated with the other asset classes in which the Company has invested domestic Pension Benefits and Other Benefits plan assets, and the expectations for future returns of each asset class. Since the Company's investment policy is to employ active management

strategies in all asset classes, the potential exists to outperform the broader markets, therefore, the expected returns were adjusted upward. The expected return for each asset class was then weighted based on the target asset allocation to develop the long-term return on asset assumption.

The tables below detail assets by category for the Company's domestic Pension Benefits and Other Benefits plans. These assets consist primarily of publicly-traded equity securities (including 2,279,000 shares of the Company's common stock with a fair value of $68 million at December 31, 2003 and 705,000 of the Company's equity security units, with a fair value of $38 million at December 31, 2003) and publicly-traded fixed income securities.

Pension Asset Information

	Percent of Plan Assets at October 31	
Asset Categories	**2003**	2002
Equity securities	**67%**	57%
Debt securities	**26**	30
Real estate	**3**	3
Other	**4**	10
Total	**100%**	100%

Other Benefits Asset Information

	Percent of Plan Assets at October 31	
Asset Categories	**2003**	2002
Equity securities	**45%**	19%
Debt securities	**41**	71
Real estate	**1**	1
Other	**13**	9
Total	**100%**	100%

The tables below provide a reconciliation of benefit obligations, plan assets, funded status, and related actuarial assumptions of the Company's domestic and foreign Pension Benefits and Other Benefits plans.

Change in Benefit Obligation

	Pension Benefits		Other Benefits	
(In millions)	**2003**	2002	**2003**	2002
Benefit obligation at beginning of year	**$ 12,023**	$ 11,460	**$ 1,579**	$ 1,547
Service cost	**271**	279	**15**	21
Interest cost	**799**	792	**106**	105
Plan participants' contributions	**29**	27	**—**	—
Amendments	**6**	3	**(46)**	(348)
Actuarial loss	**1,225**	315	**122**	430
Curtailments	**—**	—	**—**	(41)
Foreign exchange	**52**	32	**—**	—
Benefits paid	**(909)**	(885)	**(119)**	(135)
Benefit obligation at end of year	**$ 13,496**	$ 12,023	**$ 1,657**	$ 1,579

In 2002, the Company recorded a $41 million Other Benefits curtailment gain, which is included in discontinued operations, as a result of the sale of AIS.

Change in Plan Assets

	Pension Benefits		Other Benefits	
(In millions)	**2003**	2002	**2003**	2002
Fair value of plan assets at beginning of year	**$ 9,156**	$ 10,429	**$ 353**	$ 410
Actual return on plan assets	**1,629**	(487)	**25**	(22)
Divestitures	**(10)**	—	**—**	—
Company contributions	**69**	51	**133**	100
Plan participants' contributions	**29**	27	**—**	—
Transfers between plans	**(10)**	—	**8**	—
Foreign exchange	**32**	21	**—**	—
Benefits paid	**(909)**	(885)	**(119)**	(135)
Fair value of plan assets at end of year	**$ 9,986**	$ 9,156	**$ 400**	$ 353

The fair value of plan assets for the Company's domestic and foreign plans was $9,661 million and $325 million, respectively at December 31, 2003 and $8,898 million and $258 million, respectively, at December 31, 2002.

Funded Status - unrecognized components

	Pension Benefits		Other Benefits	
(In millions) December 31:	**2003**	2002	**2003**	2002
Funded status	**$ (3,510)**	$ (2,867)	**$ (1,257)**	$ (1,226)
Unrecognized actuarial loss	**5,265**	4,859	**797**	723
Unrecognized transition (asset) obligation	**—**	(1)	**160**	185
Contributions	**—**	—	**—**	—
Unrecognized prior service cost	**170**	184	**(348)**	(347)
Prepaid (accrued) benefit cost	**$ 1,925**	$ 2,175	**$ (648)**	$ (665)

The table above reconciles the difference between the benefit obligation and the fair value of plan assets to the amounts recorded on the Company's balance sheet due to certain items that are amortized over future periods rather than recognized in the current period.

Funded Status – amounts recognized on the Balance Sheet

	Pension Benefits		Other Benefits	
(In millions) December 31:	**2003**	2002	**2003**	2002
Prepaid benefit cost	**$ 669**	$ 661	**$ 34**	$ 15
Accrued benefit liability	**(2,384)**	(1,963)	**(682)**	(680)
Intangible asset	**199**	217	**—**	—
Employer contributions	**6**	6	**—**	—
Accumulated other comprehensive income	**3,435**	3,254	**—**	—
Prepaid (accrued) benefit cost	**$ 1,925**	$ 2,175	**$ (648)**	$ (665)

Weighted-Average Year-End Benefit Obligation Assumptions

December 31:	Pension Benefits		Other Benefits	
	2003	2002	**2003**	2002
Discount rate	**6.22%**	6.95%	**6.25%**	7.00%
Rate of compensation increase	**4.49%**	4.46%	**4.50%**	4.50%
Health care trend rate in the next year			**13.50%**	13.50%
Gradually declining to a trend rate of			**5.75%**	5.75%
In the years beyond			**2014**	2013

The Company's foreign pension plan assumptions have been included in the table above.

The tables below outline the components of net periodic benefit cost and related actuarial assumptions of the Company's domestic and foreign Pension Benefits and Other Benefits plans.

Components of Net Periodic Benefit Cost

(In millions)	Pension Benefits		
	2003	2002	2001
Service cost	**$ 271**	$ 279	$ 258
Interest cost	**799**	792	797
Expected return on plan assets	**(970)**	(1,194)	(1,249)
Amortization of transition asset	**—**	(4)	(5)
Amortization of prior service cost	**19**	20	19
Recognized net actuarial loss (gain)	**196**	20	(113)
Loss due to curtailments/settlements	**—**	9	9
Net periodic benefit cost (income)	**$ 315**	$ (78)	$ (284)

Net periodic benefit cost (income) also includes expense from foreign pension plans of $20 million in 2003, $11 million in 2002, and

$5 million in 2001. Net periodic benefit costs (income) includes expense from discontinued operations, including curtailments, of $9 million in 2002 and $11 million in 2001.

Components of Net Periodic Benefit Cost

	Other Benefits		
(In millions)	**2003**	2002	2001
Service cost	**$ 15**	$ 21	$ 19
Interest cost	**106**	105	95
Expected return on plan assets	**(26)**	(30)	(34)
Amortization of transition obligation	**25**	25	25
Amortization of prior service cost	**(45)**	—	(1)
Recognized net actuarial loss (gain)	**41**	9	(10)
Gain due to curtailments/settlements	**—**	(47)	(5)
Net periodic benefit cost	**$ 116**	$ 83	$ 89

Net periodic benefit cost includes income from discontinued operations, including curtailments, of $47 million in 2002.

Weighted-Average Net Periodic Benefit Cost Assumptions

	Pension Benefits		
	2003	2002	2001
Discount rate	**6.95%**	7.21%	7.70%
Expected return on plan assets	**8.67%**	9.43%	9.44%
Rate of compensation increase	**4.46%**	4.47%	4.47%

Weighted-Average Net Periodic Benefit Cost Assumptions

	Other Benefits		
	2003	2002	**2001**
Discount rate	**7.00%**	7.25%	7.75%
Expected return on plan assets	**8.50%**	8.50%	8.50%
Rate of compensation increase	**4.50%**	4.50%	4.50%
Health care trend rate in the next year	**12.00%**	11.00%	8.25%
Gradually declining to a trend rate of	**5.50%**	5.00%	5.00%
In the years beyond	**2013**	2013	2006

The effect of a one percent increase or decrease in the assumed health care trend rate for each future year for the aggregate of service cost and interest cost is $8 million or $(7) million, respectively, and for the accumulated postretirement benefit obligation is $122 million or $(106) million, respectively.

The projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were $12,390 million and $8,731 million, respectively, at December 31, 2003, and $11,023 million and $8,022 million, respectively, at December 31, 2002.

The accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $11,118 million and $8,731 million, respectively, at December 31, 2003 and $9,964 million and $8,022 million, respectively, at December 31, 2002. The accumulated benefit obligation for all pension plans was $12,184 million and $10,929 million at December 31, 2003 and 2002, respectively.

The Company expects total contributions (required and discretionary) to the domestic Pension Benefits and Other Benefits plans to be approximately $320 million and $115 million, respectively, in 2004.

The Company also maintains an additional supplemental executive retirement plan or similar contractual benefits for its top executive officers. The Company's benefit obligation of $16 million at December 31, 2003 has been accrued.

On December 8, 2003, Medicare reform legislation (the "Legislation") was enacted, providing a Medicare prescription drug benefit beginning in 2006 and federal subsidies to employers who provide drug coverage to retirees. Because of significant uncertanties about accounting issues raised by the Legislation, the eventual regulations required to implement the Legislation, and the Legislation's overall effect on plan participants' behavior and the level of health care costs, the Company has not reflected any potential effects of the Legislation. At December 31, 2003, specific authoritative guidance on accounting for the federal subsidy is pending, and that guidance, when issued, could require the Company to change previously reported information.

The Company maintains an employee stock ownership plan (ESOP) which includes the Company's 401(k) plan (defined contribution plan), under which covered employees are allowed to contribute up to a specific percentage of their pay. 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 Company Match was $159 million, $166 million, and $183 million in 2003, 2002, and 2001, respectively, including expense from discontinued operations of $2 million in 2002 and $9 million in 2001.

The Company also makes an annual contribution to the Company stock fund of approximately one-half of one percent of salaries and wages, subject to certain limitations, of most U.S. salaried and hourly employees (Company Contributions). Total expense for the Company Contributions was $25 million, $26 million, and $28 million and the number of shares allocated to participant accounts was 884,000, 640,000, and 941,000 in 2003, 2002, and 2001, respectively.

The Company funded a portion of the Company Match and Company Contributions in 2003, 2002, and 2001 through the issuance of common stock.

At December 31, 2003, there was a total of $7.6 billion invested in the Company's defined contribution plan. At December 31, 2003, there was a total of $1.4 billion invested in the Company stock fund consisting of $519 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; $202 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 $711 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: Integrated Defense Systems, Intelligence and Information Systems, Missile Systems, Network

Centric Systems, Space and Airborne Systems, Technical Services, Aircraft, and Other. In 2003, the Company began reporting its defense businesses in six segments. In addition, the Company's Commercial Electronics businesses were reassigned to the new defense businesses. Also, the Company created an Other segment comprised of Flight Options LLC (FO), Raytheon Airline Aviation Services LLC (RAAS), and Raytheon Professional Services LLC (RPS). FO offers services in the aircraft fractional ownership industry. RAAS manages the Company's commuter aircraft business and Starship aircraft portfolio. RPS works with customers to design and execute learning solutions.

Integrated Defense Systems (IDS) provides mission systems integration for the air, surface, and subsurface battlespace.

Intelligence and Information Systems (IIS) provides signal and image processing, geospatial intelligence, airborne and spaceborne command and control, ground engineering support, and weather and environmental management.

Missile Systems (MS) provides air-to-air, precision strike, surface Navy air defense, and land combat missiles, guided projectiles, kinetic kill vehicles, and directed energy weapons.

Network Centric Systems (NCS) provides network centric solutions to integrate sensors, communications, and command and control to manage the battlespace.

Space and Airborne Systems (SAS) provides electro-optical/infrared sensors, airborne radars, solid state high energy lasers, precision guidance systems, electronic warfare systems, and space-qualified systems for civil and military applications.

Technical Services (TS) provides technical, scientific, and professional services for defense, federal, and commercial customers worldwide.

Raytheon Aircraft Company (RAC) designs, manufactures, markets, and supports business jets, turboprops, and piston-powered aircraft for the world's commercial, fractional ownership, and military aircraft markets.

In 2003, the Company changed the way pension expense or income is reported in the Company's segment results. Statement of Financial Accounting Standards (SFAS) No. 87, Employers' Accounting for Pensions, outlines the methodology used to determine pension expense or income for financial reporting purposes, which is not necessarily indicative of the funding requirements of pension plans which are determined by other factors. A major factor for determining pension funding requirements are Cost Accounting Standards (CAS) that proscribe the allocation to and recovery of pension costs on U.S. government contracts. The Company now reports the difference between SFAS No. 87 (FAS) pension expense or income and CAS pension expense as a separate line item in the Company's segment results called FAS/CAS Pension Adjustment. The results for each segment now only include pension expense as determined under CAS, which can generally be recovered through the pricing of products and services to the U.S. government. Previously, the Company's individual segment results included FAS pension expense or income, which consisted of CAS pension expense and an adjustment to reconcile CAS pension expense to FAS Pension expense or income. Information for all periods presented was restated to reflect these changes.

Segment net sales and operating income generally 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 include Company-wide accruals and over/under applied overhead that have not been attributed to a particular segment and intersegment sales and profit eliminations.

Segment financial results were as follows:

Net Sales

(In millions)	**2003**	2002	2001
Integrated Defense Systems	**$ 2,864**	$ 2,366	$ 2,265
Intelligence and Information Systems	**2,045**	1,887	1,736
Missile Systems	**3,538**	3,038	2,901
Network Centric Systems	**2,809**	3,091	2,865
Space and Airborne Systems	**3,677**	3,243	2,738
Technical Services	**1,963**	2,133	2,050
Aircraft	**2,088**	2,040	2,471
Other	**573**	210	207
Corporate and Eliminations	**(1,448)**	(1,248)	(1,216)
Total	**$ 18,109**	$ 16,760	$ 16,017

Intersegment sales in 2003, 2002, and 2001, respectively, were $140 million, $103 million, and $105 million for Integrated Defense Systems, $52 million, $35 million, and $26 million for Intelligence and Information Systems, $7 million, $1 million, and $1 million for Missile Systems, $316 million, $218 million, and $223 million for Network Centric Systems, $402 million, $298 million, and $320 million for Space and Airborne Systems, $529 million, $590 million, and $537 million for Technical Services, and $2 million, $3 million, and $4 million for Aircraft. Aircraft net sales do not include intersegment aircraft sales to FO.

Operating Income

(In millions)	**2003**	2002	2001
Integrated Defense Systems	**$ 331**	$ 289	$ 238
Intelligence and Information Systems	**194**	180	139
Missile Systems	**424**	373	257
Network Centric Systems	**19**	278	246
Space and Airborne Systems	**492**	428	339
Technical Services	**107**	116	123
Aircraft	**2**	(39)	(77)
Other	**(34)**	(12)	(758)
FAS/CAS Pension Adjustment	**(109)**	210	386
Corporate and Eliminations	**(110)**	(40)	(127)

	$ 1,316	$ 1,783	$ 766

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Aircraft operating income does not include profit on intersegment aircraft sales to FO until the underlying aircraft has been sold by FO.

Free Cash Flow

(In millions)	**2003**	2002	2001
Integrated Defense Systems	**$ 318**	$ 194	$ 127
Intelligence and Information Systems	**88**	121	43
Missile Systems	**244**	176	293
Network Centric Systems	**115**	88	59
Space and Airborne Systems	**365**	153	215
Technical Services	**104**	174	(57)
Aircraft	**20**	24	(316)
Other	**(55)**	(61)	(134)
Corporate	**377**	770	(51)
Total	**$ 1,576**	$ 1,639	$ 179

Free cash flow, defined as operating cash flow less capital expenditures and capitalized expenditures for internal use software, is used by the Company to evaluate cash flow performance by the segments. Corporate free cash flow includes the difference between amounts charged to the segments for interest and taxes on an intercompany basis and the amounts actually paid by the Company.

Capital Expenditures

(In millions)	**2003**	2002	2001
Integrated Defense Systems	**$ 67**	$ 71	$ 82
Intelligence and Information Systems	**25**	30	45
Missile Systems	**76**	44	35
Network Centric Systems	**55**	76	67
Space and Airborne Systems	**106**	116	103
Technical Services	**12**	20	3
Aircraft	**57**	81	95
Other	**1**	—	2
Corporate	**29**	20	29
Total	**$ 428**	$ 458	$ 461

Depreciation and Amortization

(In millions)	**2003**	2002	2001
Integrated Defense Systems	**$ 53**	$ 47	$ 60
Intelligence and Information Systems	**29**	27	65
Missile Systems	**48**	47	146
Network Centric Systems	**62**	62	121
Space and Airborne Systems	**68**	66	119
Technical Services	**11**	10	36
Aircraft	**91**	88	82
Other	**16**	12	26
Corporate	**15**	5	22
Total	**$ 393**	$ 364	$ 677

Identifiable Assets

	December 31	
(In millions)	**2003**	2002
Integrated Defense Systems	**$ 1,657**	$ 1,612
Intelligence and Information Systems	**1,910**	1,926
Missile Systems	**4,339**	4,429
Network Centric Systems	**3,653**	3,914
Space and Airborne Systems	**3,910**	3,875
Technical Services	**1,399**	1,372
Aircraft	**2,812**	3,059
Other	**912**	899
Corporate	**3,017**	2,785
Discontinued Operations	**59**	75

Total	**$ 23,668**	$ 23,946

Operations by Geographic Areas

(In millions)	United States	Outside United States (Principally Europe)	Total
Sales			
2003	**$ 15,718**	**$ 2,391**	**$ 18,109**
2002	14,155	2,605	16,760
2001	13,293	2,724	16,017
Long-lived assets at			
December 31, 2003	**$ 5,381**	**$ 223**	**$ 5,604**
December 31, 2002	5,391	195	5,586

The country of destination was used to attribute sales to either United States or Outside United States. Sales to major customers in 2003, 2002, and 2001 were: U.S. government, including foreign military sales, $13,436 million, $12,255 million, and $11,161 million, respectively, and U.S. Department of Defense, $11,766 million, $10,406 million, and $9,512 million, respectively.

NOTE Q: QUARTERLY

OPERATING RESULTS (UNAUDITED)

(In millions except per share amounts and stock prices)

2003	**First**	**Second**	**Third**	**Fourth**
Net sales	**$ 4,201**	**$ 4,429**	**$ 4,378**	**$ 5,101**
Gross margin	**721**	**859**	**602**	**927**
Income from continuing operations	**111**	**186**	**21**	**217**
Net income (loss)	**95**	**100**	**(35)**	**205**
Earnings per share from continuing operations				
Basic	**$ 0.27**	**$ 0.45**	**$ 0.05**	**$ 0.52**
Diluted	**0.27**	**0.45**	**0.05**	**0.52**
Earnings (loss) per share				
Basic	**0.23**	**0.24**	**(0.08)**	**0.49**
Diluted	**0.23**	**0.24**	**(0.08)**	**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				
High	**$ 32.09**	**$ 33.69**	**$ 33.97**	**$ 30.24**

Low	**24.31**	**27.15**	**27.74**	**25.45**

2002	First	Second	Third	Fourth
Net sales	$ 3,911	$ 4,095	$ 4,092	$ 4,662
Gross margin	751	888	852	911
Income from continuing operations	150	223	228	155
Income (loss) before accounting change	(74)	(136)	147	(68)
Net income (loss)	(583)	(136)	147	(68)
Earnings per share from continuing operations				
Basic	$ 0.38	$ 0.56	$ 0.56	$ 0.38
Diluted	0.37	0.54	0.56	0.38
Earnings (loss) per share before accounting change				
Basic	(0.19)	(0.34)	0.36	(0.17)
Diluted	(0.19)	(0.33)	0.36	(0.17)
Earnings (loss) per share				
Basic	(1.47)	(0.34)	0.36	(0.17)
Diluted	(1.44)	(0.33)	0.36	(0.17)
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				
High	$ 40.95	$ 44.52	$ 38.63	$ 30.75
Low	30.88	37.54	28.61	26.86

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.

NOTE R: FINANCIAL INSTRUMENTS

At December 31, 2003, the Company recorded forward exchange contracts designated as cash flow hedges at their fair value. Unrealized gains of $76 million were included in noncurrent assets and unrealized losses of $39 million were included in current liabilities. The offset was included in other comprehensive income, net of tax, of which approximately $5 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. The maturity dates of the forward exchange contracts outstanding at December 31, 2003 extend through 2013. 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 2003 and 2002.

In 2003, the Company entered into interest rate swaps, as described in Note I, Notes Payable and Long-term Debt. These interest rate swaps were designated as fair value hedges. There was no hedge ineffectiveness during 2003.

The Company has one outstanding interest rate swap agreement related to long-term receivables at Raytheon Aircraft with a notional amount of $33 million that matures in 2004. Under this agreement, the Company pays interest at a fixed rate of 6.2% and receives a variable rate equal to one-month LIBOR. The variable rate applicable to this agreement was 1.2% at December 31, 2003. This interest rate swap is considered a cash flow hedge. At December 31, 2003, the Company had recorded the interest rate swap at fair value consisting of an unrealized loss of $1 million included in current liabilities with the offset included in other comprehensive income, net of tax, which is expected to be reclassified to earnings over the next twelve months. The ineffective portion was not material in 2003, 2002, and 2001.

Major currencies and the approximate amounts associated with foreign exchange contracts consisted of the following at December 31:

	2003		2002	
(In millions)	**Buy**	**Sell**	Buy	Sell
British Pounds	**$ 485**	**$ 210**	$ 438	$ 149
Canadian Dollars	**95**	**38**	7	1
European Euros	**47**	**31**	22	31
Arab Emirates Dirham	**20**	**45**	—	—
Australian Dollars	**14**	**9**	8	6
Swiss Francs	**4**	**44**	—	31
Norwegian Kroner	**4**	**1**	4	—
All other	**1**	**—**	1	—
Total	**$ 670**	**$ 378**	$ 480	$ 218

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.

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 2013 as follows: $617 million in 2004, $180 million in 2005, $106 million in 2006, $56 million in 2007, and $89 million thereafter.

NOTE S: OTHER INCOME AND EXPENSE

The components of other expense (income), net were as follows:

(In millions)	**2003**	2002	2001
Gain on sale of aviation support business	**$ (82)**	—	$ (35)
Loss (gain) on debt repurchase	**77**	$ (2)	24
Equity losses in unconsolidated affiliates	**14**	26	27
Loss (gain) on sale of investments	**7**	(4)	—
Space Imaging charge	**—**	175	—
Gain on sale of recreational marine business	**—**	—	(39)
Other	**51**	42	29
Total	**$ 67**	$ 237	$ 6

In 1995, through the acquisition of E-Systems, Inc., the Company invested in Space Imaging and currently has a 31 percent equity investment in Space Imaging LLC. In 2002, the Company recorded a $175 million charge to write-off the Company's investment in Space Imaging and accrue for payment under the Company's guarantee of a Space Imaging credit facility that matured in March 2003. In the first quarter of 2003, the Company paid $130 million related to the credit facility guarantee. In exchange for this payment, the Company received a note from Space Imaging for this amount that the Company has valued at zero.

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 auditors, Company officers, and the internal auditors to monitor the activities of each.

Upon recommendation of the Audit Committee, PricewaterhouseCoopers LLP, independent auditors, were selected by the Board of Directors to audit the Company's financial statements and their report follows.

/s/ Edward S. Pliner
Senior Vice President and Chief Financial Officer

/s/ William H. Swanson
Chairman and Chief Executive Officer

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of Raytheon Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Raytheon Company and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 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 consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets in accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, and its method of accounting for long-lived assets and discontinued operations in accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts

January 26, 2004, except as to the second paragraph of Note B as to which the date is February 23, 2004, the last paragraph of Note J as to which the date is February 11, 2004 and the last paragraph of Note K as to which the date is March 1, 2004

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

None.

Item 9A. Controls and Procedures.

The Company's management conducted an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on the Company's evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2003, generally, the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be included in the Company's SEC reports.

There has been no change in the Company's internal control over financial reporting during the Company's fiscal year ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 2004 Annual Meeting of Stockholders 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. Information required by Item 405 of Regulation S-K is contained in the Company's definitive proxy statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference. Information required by Item 401 of Regulation S-K regarding the Company's Audit Committee Financial Expert is contained in the Company's definitive proxy statement under the captions "The Board of Directors and Board Committees" and "Audit Committee" and is incorporated herein by reference.

The Company has adopted a code of ethics that applies to all its directors, officers, employees and representatives. Information regarding the Company's code of ethics is contained in the Company's definitive proxy statement for the 2004 Meeting of Stockholders under the captions "The Board of Directors and Board Committees" and "Code of Ethics" and is incorporated herein by reference.

Item 11. Executive Compensation

This information is contained in the Company's definitive proxy statement for the 2004 Annual Meeting of Stockholders under the captions "Executive Compensation," "Pension Plans" and "Executive Employment Agreements" and that information, except for the information required by Item 402(k) and 402(l) of Regulation S-K, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of certain beneficial owners and for directors and executive officers is contained in the Company's definitive proxy statement for the 2004 Annual Meeting of Stockholders under the caption "Stock Ownership" and is incorporated herein by reference.

Information regarding shares of the Company's common stock that may be issued under the Company's existing equity compensation plans is contained in the Company's definitive proxy statement for the 2004 Annual Meeting of Stockholders under the caption "Equity Compensation Plan Information" 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 2004 Annual Meeting of Stockholders under the caption "Certain Relationships and Related Transactions" and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

This information is contained in the Company's definitive proxy statement for the 2004 Annual Meeting of Stockholders under the caption "Independent Auditors" and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Financial Statements and Schedules

(1) The following financial statements of Raytheon Company are included in Item 8 of this Form 10-K:

Consolidated Balance Sheets at December 31, 2003 and 2002

Consolidated Statements of Operations for the Years Ended December 31, 2003, 2002 and 2001

Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2003, 2002 and 2001

Consolidated Statements of Cash Flows for the Years Ended December 31, 2003, 2002 and 2001

Notes to Consolidated Financial Statements for the Year Ended December 31, 2003

(2) List of financial statement schedules:

All schedules have been omitted because they are not required, not applicable or the information is otherwise included.

(3) The report of Raytheon's independent auditors with respect to the above referenced financial statements may be found in Item 8 on page 67 of this Form 10-K. The auditor's consent with respect to the above-referenced financial statement schedule appears in Exhibit 23 to this report on Form 10-K.

(b) Reports on Form 8-K

Raytheon Company Current Report on Form 8-K filed with the Securities and Exchange Commission on December 2, 2003.

(c) Exhibits

3.1 Raytheon Company Restated Certificate of Incorporation, restated as of April 2, 2002 filed as an exhibit to Raytheon's Registration Statement on Form S-3, File No. 333-85648, is hereby incorporated by reference.

3.2 Raytheon Company Amended and Restated By-Laws, as amended through June 25, 2003 filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended September 28, 2003, is hereby incorporated by reference.

3.3 Raytheon Company Certificate of Designation of Preferences and Rights of Series B Junior Participating Preferred Stock filed as an exhibit to Raytheon's Registration Statement on Form S-3, File No. 333-85648, 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	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.
4.6	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.
4.7	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.
4.8	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.
4.9	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.
4.10	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.
4.11	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.
4.12	Form of Preferred Security filed as an exhibit to Raytheon's Form 8-K, dated May 10, 2001, is hereby incorporated by reference.
4.13	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.
4.14	Remarketing Agreement among Raytheon Company, The Bank of New York as Purchase Contract Agent, and Citigroup Global Markets Inc., J.P. Morgan Securities, Inc., UBS Securities LLC, Credit Lyonnais Securities (USA) Inc., Lazard Frères & Co. LLC, and the Royal Bank of Scotland plc dated February 9, 2004.*
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: Keith J. Peden, James E. Schuster and William H. Swanson, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2001, is hereby incorporated by reference.
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, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2001, is hereby incorporated by reference.
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	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.
10.14	Employment Agreement between Raytheon Company and Edward S. Pliner, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2001, is hereby incorporated by reference.
10.15	Employment Agreement between Raytheon Company and Keith J. Peden, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2001, is hereby incorporated by reference.
10.16	Transition Agreement between Raytheon Company and Francis M. Marchilena dated September 3, 2002, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended September 29, 2002, is hereby incorporated by reference.
10.17	Amendment dated October 22, 2003 to the Transition Agreement between Raytheon Company and Francis M. Marchilena dated September 3, 2002, filed an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended September 28, 2003, is hereby incorporated by reference.
10.18	Form of Executive Change in Control Severance Agreement between the Company and each of the following executives: Bryan J. Even, Louise L. Francesconi, Charles E. Franklin, Michael D. Keebaugh, Jack R. Kelble, and Colin Schottlaender, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2002.
10.19	Executive Change in Control Severance Agreement between the Company and Thomas M. Culligan, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2002.
10.20	Employment Agreement between Raytheon Company and Thomas M. Culligan, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2002.
10.21	Employment Agreement between Raytheon Company and Jay B. Stephens, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2002.
10.22	Amendment to Employment Agreement between Raytheon Company and Jay B. Stephens, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended September 28, 2003, is hereby incorporated by reference.

10.23	Form of Executive Change in Control Severance Agreement between the Company and Jay B. Stephens, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended March 30, 2003, is hereby incorporated by reference.
10.24	Transition Agreement between Raytheon Company and Franklyn A. Caine dated, January 3, 2003, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2002.
10.25	Transition Agreement between Raytheon Company and Neal E. Minahan dated, December 20, 2002, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2002.
10.26	Raytheon Company Executive Severance Policy, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2002.
10.27	364 Day Competitive Advance and Revolving Credit Facility dated as of November 24, 2003, 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.*
10.28	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, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2001, is hereby incorporated by reference.
10.29	First Amendment to the 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, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, is hereby incorporated by reference.
10.30	Second Amendment to the Five-Year Competitive Advance and Revolving Credit Facility dated as of November 25, 2002, 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, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2002, is hereby incorporated by reference.
10.31	Third Amendment to the Five-Year Competitive Advance and Revolving Credit Facility dated as of July 18, 2003, 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, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended June 29, 2003, is hereby incorporated by reference.
10.32	Fourth Amendment to the Five Year Competitive Advance and Revolving Credit Facility dated as of November 7, 2003, 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, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended September 28, 2003, is hereby incorporated by reference.
10.33	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.
10.34	Raytheon Savings and Investment Plan, as amended and restated effective January 1, 2000, filed as an exhibit to Raytheon's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, is hereby incorporated by reference.

10.35	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.
10.36	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.
10.37	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.
10.38	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.
10.39	Raytheon Supplemental Executive Retirement Plan, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2001, is hereby incorporated by reference.
10.40	Settlement Agreement between Raytheon Company, Raytheon Engineers and Constructors International, Inc. and Washington Group International, Inc. dated January 23, 2002, filed as an exhibit to Raytheon's Annual Report on Form 10-K for the year ended December 31, 2002, is hereby incorporated by reference.
10.41	Fifth Amended and Restated Purchase and Sale Agreement between General Aviation Receivables Corporation, Raytheon Aircraft Receivables Corporation, Raytheon Aircraft Credit Corporation, Receivables Capital Corporation and Bank of America, N.A., dated September 1, 2003.*
12	Statement regarding Computation of Ratio of Earnings to Combined Fixed Charges for the year ended December 31, 2003. *
21	Subsidiaries of Raytheon Company. *
23	Consent of Independent Auditors.*
24	Power of Attorney.*
31.1	Certification of William H. Swanson pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Edward S. Pliner pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certificate of William H. Swanson pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certificate of Edward S. Pliner pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

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

(Exhibits marked with two asterisks (**) are deemed to be furnished and not filed.)

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/ EDWARD S. PLINER

Edward S. Pliner
Senior Vice President and Chief Financial Officer for the Registrant

Dated: March 15, 2004

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/ WILLIAM H. SWANSON **William H. Swanson**	Chairman and Chief Executive Officer (Principal Executive Officer)	March 15, 2004
/s/ BARBARA M. BARRETT **Barbara M. Barrett**	Director	March 15, 2004
/s/ FERDINAND COLLOREDO-MANSFELD **Ferdinand Colloredo-Mansfeld**	Director	March 15, 2004
/s/ JOHN M. DEUTCH **John M. Deutch**	Director	March 15, 2004
/s/ THOMAS E. EVERHART **Thomas E. Everhart**	Director	March 15, 2004
/s/ FREDERIC M. POSES **Frederic M. Poses**	Director	March 15, 2004
/s/ WARREN B. RUDMAN **Warren B. Rudman**	Director	March 15, 2004

/s/ MICHAEL C. RUETTGERS **Michael C. Ruettgers**	Director	March 15, 2004
/s/ RONALD L. SKATES **Ronald L. Skates**	Director	March 15, 2004
/s/ WILLIAM R. SPIVEY **William R. Spivey**	Director	March 15, 2004
/s/ LINDA G. STUNTZ **Linda G. Stuntz**	Director	March 15, 2004
/s/ JOHN H. TILELLI, JR. **John H. Tilelli, Jr.**	Director	March 15, 2004
/s/ EDWARD S. PLINER **Edward S. Pliner**	Senior Vice President and Chief Financial Officer	March 15, 2004
/s/ BIGGS C. PORTER **Biggs C. Porter**	Vice President and Controller (Principal Accounting Officer)	March 15, 2004

Exhibit 4.14

RAYTHEON COMPANY

7.00% Trust Preferred Security of RC Trust I

REMARKETING AGREEMENT

Dated as of February 9, 2004

Citigroup Global Markets Inc.
J.P. Morgan Securities Inc.
UBS Securities LLC
Credit Lyonnais Securities (USA) Inc.
Lazard Frères & Co. LLC
The Royal Bank of Scotland plc

c/o Citigroup Global Markets Inc.
388 Greenwich Street, 34th Floor
New York, NY 10013

Ladies and Gentlemen:

The several remarketing agents named in Schedule I hereto (each, a "Remarketing Agent", and collectively, the "Remarketing Agents"), for whom Citigroup Global Markets Inc. (the "Representative"), is acting as representative, are undertaking to remarket the 7.00% Trust Preferred Securities, stated liquidation amount $50 per Trust Preferred Security (the "Trust Preferred Securities"), issued by RC Trust I, a statutory trust created under Delaware law (the "Trust"), pursuant to the Purchase Contract Agreement dated as of May 9, 2001 (the "Purchase Contract Agreement") between Raytheon Company, a Delaware corporation (the "Company"), and The Bank of New York, as purchase contract agent (the "Purchase Contract Agent") and attorney-in-fact for holders of Units (as defined below).

The Trust Preferred Securities have been issued pursuant to and are governed by, the Amended and Restated Declaration of Trust dated as of May 9, 2001 (the "Declaration"), among the Company, as the sponsor, The Bank of New York, as property trustee (the "Property Trustee"), The Bank of New York (Delaware), as the Delaware Trustee (the "Delaware Trustee"), the regular trustees named therein (the "Regular Trustees"), and the holders from time to time of undivided beneficial ownership interests in the assets of the Trust. Each Trust Preferred Security was issued as part of an equity security unit of the Company (the "Unit") that initially also included a contract (a "Purchase Contract") under which the holder agreed to purchase from the Company, and

the Company agreed to sell to the holders, on May 15, 2004, a number of shares (the "Issuable Common Stock") of common stock, par value $0.01 per share, of the Company equal to the Settlement Rate (as defined in the Purchase Contract Agreement) as set forth in the Purchase Contract Agreement.

In accordance with the terms of the Purchase Contract Agreement, the Trust Preferred Securities constituting a part of the Units have been pledged by the Purchase Contract Agent to J.P. Morgan Trust Company, N.A. (successor in interest to Bank One Trust Company, N.A.), as collateral agent (the "Collateral Agent"), pursuant to the Pledge Agreement, dated as of May 9, 2001 (the "Pledge Agreement"), among the Company, the Purchase Contract Agent, the Collateral Agent, the Custodial Agent and the Securities Intermediary, to secure the holders' obligation to purchase Common Stock under the Purchase Contracts. Payments on the Trust Preferred Securities are guaranteed (the "Guarantee") by the Company on an unsecured and subordinated basis, pursuant to the Guarantee Agreement dated as of May 9, 2001 (the "Guarantee Agreement") between the Company and The Bank of New York, as guarantee trustee (the "Guarantee Trustee").

The Trust Preferred Securities and the common securities of the Trust (the "Common Securities" and together with the Trust Preferred Securities, the "Trust Securities") have been issued by the Trust in exchange for the 7.00% Notes due May 15, 2006 of the Company (the "Notes") issued by the Company pursuant to an Indenture dated as of July 3, 1995 (the "Base Indenture"), as supplemented by the First Supplemental Indenture, dated as of May 2, 2000, and as supplemented by a Second Supplemental Indenture dated as of May 9, 2001 ("Supplemental Indenture No. 1," and "Supplemental Indenture No. 2," respectively, and, together with the Base Indenture and all other amendments and supplements thereto in effect on the date hereof, the "Indenture"), in each case, between the Company and The Bank of New York, as indenture trustee (the "Indenture Trustee").

Capitalized terms that are used and not defined in this Agreement shall have the meanings set forth in the Purchase Contract Agreement.

Section 1. Appointment and Obligations of the Remarketing Agents. (a) Pursuant to Section 5.2(b)(i) of the Purchase Contract Agreement, the Purchase Contract Agent, in consultation with, and with the approval of, the Company, and as attorney-in-fact for the holders of the Units, hereby appoints the several remarketing agents named in Schedule I hereto as Remarketing Agents and Citigroup Global Markets Inc. as Representative of the Remarketing Agents. The Representative, on behalf of the Remarketing Agents, hereby accepts such appointment for the benefit of holders of the Trust Preferred Securities to be remarketed and for the purpose of (i) the remarketing ("Remarketing") of the Remarketed Trust Preferred Securities (as defined below) pursuant to the remarketing procedures, as set forth in the Purchase Contract Agreement, the Pledge Agreement and the Declaration, as the case may be (such procedures, the "Remarketing Procedures"), on behalf of the holders thereof and (ii) performing such

other duties as are assigned to the Remarketing Agents in the Remarketing Procedures and the Declaration, all in accordance with and pursuant to the Remarketing Procedures and the Declaration.

(b) The Remarketing Agents agree to use commercially reasonable best efforts to remarket the Remarketed Trust Preferred Securities in the Remarketing, and the Representative agrees (i) to notify the Company, the Trust, the Depositary and the Indenture Trustee promptly of the Reset Rate (as defined in the Declaration) in accordance with the Declaration and (ii) to establish the Reset Rate and carry out such other duties as are assigned to the Representative in the Remarketing Procedures, all in accordance with the provisions of the Remarketing Procedures and the Declaration.

(c) On the third Business Day immediately preceding February 15, 2004 (the "Remarketing Date"), the Remarketing Agents shall use commercially reasonable best efforts to remarket, at a price equal to at least 100.25% of the Remarketing Value, Trust Preferred Securities subject to the Remarketing as notified to the Representative by the Purchase Contract Agent and the Custodial Agent, on or prior to the first Business Day prior to the Remarketing Date (the "Remarketed Trust Preferred Securities").

(d) If, as a result of the efforts described in Section 1(c), the Representative determines that the Remarketing Agents will be able to remarket all Remarketed Trust Preferred Securities for purchase at a price of 100.25% of the Remarketing Value prior to 4:00 P.M., New York City time, on the Remarketing Date, the Representative shall (i) determine the Reset Rate that will enable the Remarketing Agents to remarket all Remarketed Trust Preferred Securities, but in no event will the Reset Rate be lower than 7.00%, and (ii) purchase, for settlement no later than the third Business Day following the Remarketing Date, the Agent-purchased Treasury Consideration (as defined in the Purchase Contract Agreement).

(e) If, notwithstanding the efforts described in Section 1(c), the Representative, in consultation with the Company, determines that the Remarketing Agents cannot remarket the Remarketed Trust Preferred Securities on the Remarketing Date, the Representative will, in consultation with the Company, direct the Remarketing Agents to continue to attempt to remarket the Remarketed Trust Preferred Securities on one or more occasions until the Stock Purchase Date (as defined in the Purchase Contract Agreement) in accordance with the Remarketing Procedures (each such remarketing, the "Subsequent Remarketing"), provided that (i) the notice of any Subsequent Remarketing cannot be given until the Failed Remarketing notice has been published in accordance with the Remarketing Procedures in respect of any immediately preceding Failed Remarketing, (ii) a new notice to holders of Normal Units and holders of Separate Trust Preferred Securities shall have been delivered in accordance with Section 5.2(b)(i) of the Purchase Contract Agreement at least five business days prior to any Subsequent Remarketing and (iii) the Remarketing Date in respect of any Subsequent Remarketing must fall no later than on the Business Day (as defined in the Purchase Contract Agreement) immediately preceding the Stock Purchase Date (as defined in the Purchase Contract Agreement).

(f) If, by 4:00 P.M., New York City time, on the Remarketing Date (including a Remarketing Date of any Subsequent Remarketing), the Representative, in consultation with the Company, determines that the Remarketing Agents are unable to remarket all the Remarketed Trust Preferred Securities, a failed Remarketing ("Failed Remarketing") shall be deemed to have occurred, and the Representative shall, on such date, so advise by telephone (and promptly confirm in writing) the Purchase Contract Agent, the Indenture Trustee, the Company, the Trust, the Collateral Agent and the Property Trustee.

(g) On the third Business Day following any Failed Remarketing, the Representative shall, to the extent it has received any Remarketed Trust Preferred Securities from the Collateral Agent or the Custodial Agent, remit (i) to the Collateral Agent the Remarketed Trust Preferred Securities comprised of the Pledged Trust Preferred Securities, and (ii) to the Custodial Agent the balance of the Remarketed Trust Preferred Securities.

(h) By approximately 4:30 P.M., New York City time, on the Remarketing Date (or any Subsequent Remarketing Date), provided that there has not been a Failed Remarketing, the Representative shall advise, by telephone (i) the Company, the Trust, the Purchase Contract Agent, the Depositary and the Indenture Trustee of the Reset Rate determined in the Remarketing and the number of Remarketed Trust Preferred Securities remarketed in the Remarketing, (ii) each purchaser (or the Depositary Participant thereof) purchasing Remarketed Trust Preferred Securities sold in the Remarketing of the Reset Rate and the number of Remarketed Trust Preferred Securities such purchaser is to purchase and (iii) each purchaser to give instructions to its Depositary Participant to pay the purchase price on or prior to the third Business Day after the Remarketing Date in same day funds against delivery of the Remarketed Trust Preferred Securities purchased through the facilities of the Depositary.

(i) In accordance with the Depositary's normal procedures, on the Remarketing Date (or any Subsequent Remarketing Date), the transactions described above with respect to each Remarketed Trust Preferred Security shall be executed through the Depositary, and the accounts of the respective Depositary participants shall be debited and credited, respectively, and such Trust Preferred Securities delivered by book-entry as necessary to effect purchases and remarketings of such Trust Preferred Securities.

(j) On the Remarketing Date (or any Subsequent Remarketing Date), the tender and settlement procedures set forth in this Section 1, including provisions for payment by purchasers of the Trust Preferred Securities in the Remarketing, shall, in consultation with the Company, be subject to modification to the extent required by the Depositary or if the book-entry system is no longer available for the Trust Preferred Securities at the time of the Remarketing, to facilitate the tendering and remarketing of

the Trust Preferred Securities in certificated form. In addition, the Representative, in consultation with the Company, may modify the settlement procedures set forth herein in order to facilitate the settlement process.

(k) On the Remarketing Closing Date, in the event of a successful Remarketing, the Representative shall remit to the Collateral Agent for deposit to the Collateral Account through the Purchase Contract Agent the Agent-purchased Treasury Consideration.

(l) On the Remarketing Closing Date, in the event of a successful Remarketing, the Representative shall retain as a remarketing fee for itself and the other Remarketing Agents an amount not exceeding 25 basis points (0.25%) of the total proceeds from the sale of the Remarketed Trust Preferred Securities and each Remarketing Agent shall be entitled to the portion of the remarketing fees set forth in Schedule I hereto. The Representative shall use the portion of the proceeds attributable to the Trust Preferred Securities that were components of Equity Security Units to purchase (in open market or at treasury auction, in its discretion) the amount and types of U.S. Treasury securities set forth in clauses (A) and (B) of the definition of "Remarketing Value" in the Declaration and shall deliver such securities through the Purchase Contract Agent to the Collateral Agent for deposit to the Collateral Account to secure the obligations under the related purchase contracts of the Holders of Equity Security Units whose Trust Preferred Securities were included in the Remarketing. The Representative shall remit the portion of the proceeds (less the remarketing fees) pro rata to the original amount attributable to the Remarketed Trust Preferred Securities that were not components of Equity Security Units to the holders of such Trust Preferred Securities. No later than the third Business Day following the Remarketing Date, the Representative shall remit the remaining balance of the proceeds, if any, to the Purchase Contract Agent for the benefit of the Holders of Equity Security Units participating in the Remarketing.

(m) Terms of the Remarketing of the Trust Preferred Securities are also set forth in the Purchase Contract Agreement, the Pledge Agreement and the Declaration.

Section 2. Delivery and Payment. In the event of a successful Remarketing, delivery and payment for the Remarketed Trust Preferred Securities, and purchase and delivery of the Agent-purchased Consideration will occur no later than the third Business Day following the Remarketing Date (such date, the "Remarketing Closing Date").

Section 3. Representations, Warranties and Agreements of the Company. The Company hereby represents, warrants and agrees as to itself and as to the Trust that on and as of the Remarketing Date as follows:

(a) A registration statement (File Nos. 333-82529 and 333-58474), as amended by Post-Effective Amendment No. 3, Post-Effective Amendment No. 2 and Post-Effective Amendment No. 1 to registration statement No. 333-82529 and Post-Effective Amendment No. 2 and Post-Effective Amendment No. 1 to registration

statement No. 333-58474, of the Company and the Trust (collectively, the "Registration Statement"), including a prospectus (the "Base Prospectus"), relating to the Remarketing and the Remarketed Trust Preferred Securities, the Notes and the Guarantee (collectively, the "Securities") has been filed under the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (the "Securities Act") with the Securities and Exchange Commission (the "Commission") and has become effective. The preliminary prospectus supplement, dated as of February 5, 2004, which forms a part of the Registration Statement as first filed pursuant to Rule 424(b) of the Securities Act is referred to herein as the "Preliminary Prospectus Supplement," and the final prospectus supplement, dated as of February 11, 2004, which forms a part of the Registration Statement as first filed pursuant to Rule 424(b) of the Securities Act is referred to herein as the "Final Prospectus Supplement". Unless the context otherwise requires, following a voluntary or involuntary dissolution, all references herein to the Trust Preferred Securities, shall be deemed to refer to the Notes.

(b) On the effective date of the Registration Statement, the Registration Statement, including documents incorporated by reference therein at such time, if applicable, conformed in all material respects to the requirements of the Securities Act, the Trust Indenture Act of 1939, as amended, and the rules and regulations of the Commission thereunder ("Trust Indenture Act"), and did not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and on the date hereof, the Registration Statement, any Preliminary Prospectus Supplement (including any Remarketing Materials) and the Final Prospectus Supplement (including any Remarketing Materials) will conform in all material respects to the requirements of the Securities Act and the Trust Indenture Act, and none of such documents will include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, except that the foregoing does not apply to (i) statements in or omissions from any of such documents based upon written information furnished to the Company by the Representative, on behalf of the Remarketing Agents, if any, specifically for use therein or (ii) that part of the Registration Statement that constitutes the Statement of Eligibility and Qualification (Form T-1) under the Trust Indenture Act.

Reference made herein to the Base Prospectus, any Preliminary Prospectus Supplement, the Final Prospectus Supplement or any other information furnished by the Company to the Remarketing Agents for distribution to investors in connection with the Remarketing (the "Remarketing Materials") shall be deemed to refer to and include any documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Securities Act as of the date of such Preliminary Prospectus Supplement or the Final Prospectus Supplement, as the case may be, or, in the case of Remarketing Materials, referred to as incorporated by reference therein, and any reference to any amendment or supplement to any Preliminary Prospectus Supplement, the Final Prospectus Supplement or the Remarketing Materials shall be deemed to refer to and include any document filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), after the

date of such Preliminary Prospectus Supplement or the Final Prospectus Supplement incorporated by reference therein pursuant to Item 12 of Form S-3 or, if so incorporated, the Remarketing Materials, as the case may be; and any reference to any amendment to the Registration Statement shall be deemed to include any annual report of the Company or the Trust filed with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act after the date and time that the Registration Statement, or any post-effective amendment, declared effective by the Commission, that is incorporated by reference in the Registration Statement.

(c) No stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto has been issued and no proceeding for that purpose has been initiated or, to the Company's knowledge, threatened by the Commission; and no order preventing or suspending the use of the Base Prospectus, the Preliminary Prospectus Supplement or the Final Prospectus Supplement has been issued by the Commission.

(d) The Trust has been duly created and is validly existing as a statutory trust in good standing under the Statutory Trust Act of the State of Delaware (the "Delaware Trust Act") with the trust power and authority to own property and conduct its business as described in the Base Prospectus and the Final Prospectus Supplement; the Trust is not a party to or bound by any agreement or instrument and is not be a party to or bound by any agreement or instrument other than the Purchase Contract Agreement, the Declaration, the Pledge Agreement and this Agreement (the "Trust Agreements") and the other agreements entered into in connection with the transactions contemplated hereby; the Trust has no liabilities or obligations other than those arising out of the transactions contemplated by this Agreement and the Declaration as described in the Final Prospectus Supplement; and the Trust is not a party to or subject to any action, suit or proceeding of any nature.

(e) Each of the Securities and the Trust Agreements, the Guarantee Agreement, the Indenture (the "Transaction Agreements") and the Remarketing Agreement has been duly authorized by the Company and the Trust, as the case may be, and conforms to the description thereof contained in the Base Prospectus and the Final Prospectus Supplement.

(f) There are no preemptive or other rights to subscribe for or to purchase, nor is there any restriction on the voting or transfer of, any of the Securities pursuant to the Company's Certificate of Incorporation or by-laws, the Declaration or any agreement or instrument, except as such preemptive or other rights and/or restrictions are expected with respect to the transactions contemplated by the Purchase Contract Agreement, the Pledge Agreement and the Declaration.

(g) The Notes have been duly executed, authenticated, issued and delivered as contemplated by the Indenture against payment of the agreed consideration therefor, have been duly and validly issued and outstanding, and constitute valid and binding obligations of the Company entitled to the benefits of the Indenture, and

enforceable against the Company in accordance with their terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(h) The Guarantee Agreement has been duly executed, authenticated, issued and delivered and constitutes a valid and binding obligation of the Company and is enforceable against the Company in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(i) The Trust Securities have been validly issued, are fully paid and, in the case of the Trust Preferred Securities, non-assessable, and conform to the descriptions contained in the Base Prospectus and the Final Prospectus Supplement.

(j) Each of the Transaction Agreements has been duly authorized by the Company and has been duly executed by the proper officers of the Company and delivered by the Company, and constitutes a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(k) The Remarketing Agreement has been duly authorized by the Company and has been duly executed by the proper officers of the Company and delivered by the Company.

(l) The Remarketing, the execution, delivery and performance of the Transaction Agreements and the Remarketing Agreement, the issuance and sale or exchange, as the case may be, of the Securities and the consummation by the Company and the Trust, as the case may be, of the transactions contemplated hereby and thereby (collectively, the "Transactions") has not or will not, as the case may be, (1) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company, any of its subsidiaries or the Trust is a party or by which the Company, any of its subsidiaries or the Trust is bound or to which any of the properties or assets of the Company, any of its subsidiaries or the Trust is subject, which would cause a material adverse change in the financial position, shareholders' equity or results of operations of the Company, (2) result in any violation of the provisions of the charter or by-laws (or equivalent organizational documents) of the Company, any of its subsidiaries or the Trust or (3) result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the

Company, any of its subsidiaries, the Trust or any of their respective properties or assets, which would cause a material adverse change in the financial position, shareholders' equity or results of operations of the Company, and (4) require any material consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body for the consummation of the Transaction Agreements, the Remarketing Agreement or the issuance and sale or exchange of the Securities, as the case may be, except for (a) the registration under the Securities Act of the Securities, (b) the qualification of the Indenture, the Guarantee Agreement and the Declaration under the Trust Indenture Act, and (c) such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the Remarketing.

Section 4. Fees and Expenses. The Company covenants and agrees with the Remarketing Agents that the Company will pay or cause to be paid the following: (i) the reasonable costs incident to the preparation of the Registration Statement and the Preliminary Prospectus Supplement, and the preparation and printing of the Final Prospectus Supplement and any Remarketing Materials and any amendments or supplements thereto; (ii) the reasonable costs of distributing the Registration Statement, the Preliminary Prospectus Supplement, the Final Prospectus Supplement and any Remarketing Materials and any amendments or supplements thereto; (iii) any reasonable fees and expenses of qualifying the Remarketed Trust Preferred Securities under the securities laws of the several jurisdictions as provided in Section 5(h) and of preparing, printing and distributing a Blue Sky memorandum (including related reasonable fees and expenses of counsel to the Remarketing Agents); (iv) the reasonable fees and expenses of counsel to the Remarketing Agents that shall have been incurred by them in connection with the Remarketing; and (v) all other reasonable costs and expenses incident to the performance of the obligations of the Company and the Trust hereunder.

Section 5. Further Agreements of the Company. The Company agrees to use its reasonable best efforts:

(a) To prepare the Registration Statement (including the Base Prospectus), the Preliminary Prospectus Supplement or the Final Prospectus Supplement, in a form reasonably approved by the Representative, in connection with the Remarketing, and to file any such Final Prospectus Supplement pursuant to the Securities Act within the period required by the Securities Act; prior to the termination of the Remarketing, to make no further amendment or any supplement to the Registration Statement, the Preliminary Prospectus Supplement, Final Prospectus Supplement or the Remarketing Materials which shall be reasonably disapproved by the Representative promptly after reasonable notice thereof; to advise the Representative, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Preliminary Prospectus Supplement or the Final Prospectus Supplement or any amended Final Prospectus Supplement has been filed and to furnish the Representative with copies thereof; to file promptly all reports and any definitive proxy or information statements required to be

filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Final Prospectus Supplement and for so long as the delivery of a prospectus is required in connection with the offering or sale of Remarketed Trust Preferred Securities; to advise the Representative, on behalf of the Remarketing Agents, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of the Final Prospectus Supplement or the Remarketing Materials, of the suspension of the qualification of the Remarketed Trust Preferred Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement, the Preliminary Prospectus Supplement, the Final Prospectus Supplement or the Remarketing Materials or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus Supplement, any Final Prospectus Supplement or the Remarketing Materials or suspending any such qualification, to use promptly its best efforts to obtain the withdrawal of such order.

(b) To furnish promptly to the Representative and to counsel for the Remarketing Agents a signed copy of the Registration Statement as originally filed with the Commission, and each amendment thereto filed with the Commission, including all consents and exhibits filed therewith.

(c) Prior to 10:00 a.m. New York City time, on the New York Business Day (as defined in the Purchase Contract Agreement) next succeeding the date of this Agreement and from time to time, to deliver promptly to the Representative in New York City such number of the following documents as the Representative shall request: (i) conformed copies of the Registration Statement as originally filed with the Commission and each amendment thereto (in each case excluding exhibits), (ii) the Preliminary Prospectus Supplement, the Final Prospectus Supplement and any amended or supplemented Preliminary Prospectus Supplement or Final Prospectus Supplement and (iii) any Remarketing Materials; and, if the delivery of a prospectus is required at any time in connection with the Remarketing and if at such time any event shall have occurred as a result of which the Preliminary Prospectus Supplement or Final Prospectus Supplement or the Remarketing Materials as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Final Prospectus Supplement or the Remarketing Materials, as applicable, is delivered, not misleading, or if for any other reason it shall be necessary during such same period to amend or supplement the Preliminary Prospectus Supplement or Final Prospectus Supplement and the Remarketing Materials or to file under the Exchange Act any document incorporated by reference in the Final Prospectus Supplement in order to comply with the Securities Act or the Exchange Act, to notify the Representative, on behalf of the Remarketing Agents, and, upon its request, to file such document and to prepare and furnish without charge to the Remarketing Agents and to any dealer in Securities as many copies as the Representative, on behalf of the

Remarketing Agents, may from time to time request of an amended or supplemented Final Prospectus Supplement which will correct such statement or omission or effect such compliance.

(d) For so long as the delivery of a prospectus is required in connection with the offering or sale of Remarketed Trust Preferred Securities, prior to the resignation or removal of the Representative pursuant to Section 8 herein, to file promptly with the Commission any amendment to the Registration Statement, the Preliminary Prospectus Supplement, or the Final Prospectus Supplement or any supplement to the Preliminary Prospectus Supplement or Final Prospectus Supplement that may, in the judgment of the Company or the Representative, be required by the Securities Act or requested by the Commission.

(e) Prior to filing with the Commission (i) any amendment to the Registration Statement or supplement to the Preliminary Prospectus Supplement or Final Prospectus Supplement or any document incorporated by reference in the Final Prospectus Supplement or (ii) any Preliminary Prospectus Supplement or Final Prospectus Supplement pursuant to Rule 424 of the Securities Act, to furnish a copy thereof to the Representative, on behalf of the Remarketing Agents, and counsel for the Remarketing Agents; and not to file any such amendment or supplement which shall be reasonably disapproved by the Representative promptly by reasonable notice.

(f) To make generally available to securityholders of the Company and of the Trust and to deliver to the Representative, on behalf of the Remarketing Agents, as soon as practicable, but in any event not later than eighteen months after the effective date of the post-effective amendment to the Registration Statement (as defined in Rule 158(c) under the Securities Act) dated January 23, 2004, an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act (including, at the option of the Company, Rule 158 under the Securities Act).

(g) Promptly from time to time to take such action as the Representative, on behalf of the Remarketing Agents, may reasonably request to qualify the Remarketed Trust Preferred Securities and the obligations of the Company under the Notes and the Guarantee for offering and sale under the securities laws of such jurisdictions as the Representative may reasonably request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Trust Preferred Securities; provided that in connection therewith, neither the Company nor the Trust shall be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction.

Section 6. Conditions to the Remarketing Agents' Obligations. The obligations of the Remarketing Agents hereunder are subject to the accuracy of the representations and warranties of the Company contained herein, to the performance by the Company of its obligations hereunder and to each of the following additional conditions. The following conditions shall be satisfied by either 9:00 a.m., New York

City Time, on the Remarketing Date or by 9:00 a.m., New York City Time, on the Remarketing Closing Date, as the case may be. The Representative may in its sole discretion waive on behalf of the Remarketing Agents compliance with any conditions to their obligations hereunder. Any documents to be delivered to the Remarketing Agents pursuant to this Section 6 shall be delivered to the offices of Cravath, Swaine & Moore LLP, 825 Eighth Avenue, New York, New York 10019.

(a) PricewaterhouseCoopers LLP, the independent auditors, or another independent accounting firm with nationally recognized reputation, that have audited the consolidated financial statements of the Company, shall have furnished to the Remarketing Agents a letter or letters on the Remarketing Date and on the Remarketing Closing Date, dated the respective dates of delivery thereof and addressed to the Remarketing Agents, in form and substance reasonably satisfactory to the Representative, containing statements and information of the type ordinarily included in accountants' "comfort letters" with respect to certain financial information contained in the Final Prospectus Supplement and in the Remarketing Materials.

(b) No stop order suspending the effectiveness of the Registration Statement or of any part thereof shall have been issued and no proceedings for that purpose shall have been instituted or, to the knowledge of the Company or the trustees of the Trust, shall be contemplated by the Commission.

(c) Subsequent to the Remarketing Date, (i) there shall not have occurred any change, or any development involving a prospective change, in or affecting particularly the business or properties of the Company, the Trust or its subsidiaries which, in the judgment of the Representative, materially impairs the investment quality of the Trust Securities, the Notes or the Guarantee; (ii) trading generally shall not have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade; (iii) trading of any securities of the Company or the Trust shall not have been suspended on any exchange or in any over-the-counter market; (iv) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading, in the rating accorded any of the Company's securities by any "nationally recognized statistical rating organization", as such term is defined for purposes of Rule 436(g)(2) under the Securities Act; (v) no banking moratorium shall have been declared by Federal or New York authorities; and (vi) there shall not have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by Congress or any other substantial national or international calamity or emergency if, in the judgment of the Representative, the effect of any such outbreak, escalation, declaration, calamity or emergency makes it impractical to proceed with completion of the Remarketing.

(d) The Remarketing Agents shall have received a certificate, dated the Remarketing Closing Date, of any vice-president and a principal financial or accounting

officer of the Company in which such officers, to the best of their knowledge after reasonable investigation, shall state that the representations and warranties of the Company in this Agreement are true and correct, that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Remarketing Closing Date, that no stop order suspending the effectiveness of the Registration Statement or of any part thereof has been issued and no proceedings for that purpose have been instituted or are contemplated by the Commission and that, subsequent to the date of the most recent financial statements in the Final Prospectus Supplement, there has been no material adverse change in the business, financial position or results of operations of the Company and its subsidiaries except as set forth or contemplated by the Final Prospectus Supplement or as described in such certificate.

(e) Jay B. Stephens, Senior Vice President and General Counsel of the Company, shall have furnished to the Remarketing Agents his written opinion, dated the Remarketing Closing Date and addressed to the Remarketing Agents, in form and substance reasonably satisfactory to the Representative, to the effect that:

(i) The Company is duly incorporated, validly existing and in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as described in the Base Prospectus and the Final Prospectus Supplement; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which it owns or leases substantial properties or in which the conduct of its business requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the Company.

(ii) The Notes have been duly authorized, executed and delivered by the Company and (assuming due authentication by the Indenture Trustee) constitute valid and binding obligations of the Company entitled to the benefits of the Indenture and are enforceable against the Company in accordance with their terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(iii) The Trust Preferred Securities have been duly authorized, executed and delivered by the Company and (assuming due authentication by the Property Trustee) constitute valid and binding obligations of the Company entitled to the benefits of the Declaration and enforceable against the Company in accordance with their terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(iv) The Guarantee Agreement has been duly authorized, executed and delivered by the Company and (assuming due authentication by the Guarantee Trustee) constitutes valid and binding obligations of the Company and is enforceable against the Company in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(v) The execution, delivery and performance of the Transaction Agreements and the Remarketing Agreement and the sale of the Securities and compliance with the terms and provisions thereof did not and will not, as the case may be, result in a breach or violation of any of the terms and provisions of or constitute a default under (a) any order known to such counsel of any governmental agency having jurisdiction over the Company or any of its properties or any agreement or instrument known to such counsel to which the Company is a party or by which the Company is bound or to which any of the properties of the Company is subject, which would cause a material adverse change in the financial position, shareholders' equity or results of operations of the Company or affect the validity of the Securities or the legal authority of the Company to comply with the terms of the Securities, the Transaction Agreements or the Remarketing Agreement or (b) the Certificate of Incorporation or by-laws of the Company, and the Company has full power and authority to authorize and cause the Trust Preferred Securities to be Remarketed as contemplated by this Agreement.

(vi) Each of the Transaction Agreements has been duly authorized, executed and delivered by the Company and constitutes a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(vii) The Remarketing Agreement has been duly authorized, executed and delivered by the Company.

(viii) No authorization, approval or consent of any governmental authority or agency is necessary in connection with the transactions contemplated by the Remarketing Agreement, except such as may be required under the Securities Act and state securities or Blue Sky laws.

(ix) There are no preemptive or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, any Securities issuable pursuant to the Company's Certificate of Incorporation or by-laws or any agreement or other instrument known to such counsel, except as such preemptive or other rights and/or restrictions are expected with respect to the transactions contemplated by the Purchase Contract Agreement, the Pledge Agreement and the Declaration of Trust.

In addition, Mr. Stephens shall state that he or others working under his supervision have participated in conferences with officers and other representatives of the Company, outside counsel for the Company, representatives of the independent public accountants for the Company, and the Remarketing Agents and their counsel, at which the contents of the Registration Statement and Final Prospectus Supplement and related matters were discussed and, although, except as otherwise set forth in paragraph (i) above, he is not passing upon, and does not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Registration Statement and Final Prospectus Supplement, on the basis of the foregoing and on his ongoing representation of the Company, no facts have come to his attention that leads him to believe that (i) such Registration Statement, at the time such Registration Statement became effective and as of the Remarketing Closing Date, or any amendment or supplement to the Registration Statement or the Final Prospectus Supplement contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) that the Final Prospectus Supplement, as of its date and Remarketing Closing Date, contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein in light of the circumstances under which they were made, not misleading, except that he need express no opinion with respect to the financial statements, schedules and other financial and statistical data included or incorporated by reference in the Registration Statement or Final Prospectus Supplement or with respect to the Form T-1.

(f) Davis Polk & Wardwell, special counsel to the Company, who may rely as to the approval or consent of non-Federal governmental authorities upon the opinion of Jay B. Stephens, Esq. referred to above, shall have furnished to the Remarketing Agents their written opinion, dated the Remarketing Closing Date and addressed to the Remarketing Agents, in form and substance reasonably satisfactory to Representative, to the effect that:

(i) Each of the Securities, the Transaction Agreements and the Remarketing Agreement conform or will conform in all material respects to the descriptions thereof contained in the Base Prospectus and the Final Prospectus Supplement.

(ii) Based upon current law, the assumptions and facts stated or referred to in the Final Prospectus Supplement (including under the caption "U.S.

Federal Income Tax Consequences") and certain representations the Representative and Raytheon Company have provided to such firm and subject to the qualifications and limitations set forth in the Final Prospectus Supplement (including under the caption "Material U.S. Federal Income Tax Consequences"), the statements set forth in the Final Prospectus Supplement under the caption "Material U.S. Federal Income Tax Consequences," insofar as they purport to constitute summaries of United States federal income tax laws and regulations or legal conclusions with respect thereto (but not insofar as they relate to expectations, intentions or determinations), are accurate and fairly summarize in all material respects the United States Federal tax laws referred to therein.

(iii) The Second Supplemental Indenture, the Declaration and the Guarantee Agreement have been duly qualified under the Trust Indenture Act.

(iv) The Registration Statement has become effective under the Securities Act, and, to the best of such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement or any part thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated.

(v) Such counsel does not know of any legal or governmental proceedings required to be described in the Final Prospectus Supplement which are not described as required, nor of any contracts or documents of a character required to be described in the Registration Statement or Final Prospectus Supplement or to be filed as exhibits to the Registration Statement which are not described and filed as required.

(vi) No authorization, approval or consent of any governmental authority or agency is necessary in connection with the transactions contemplated by the Remarketing Agreement, except such as may be required under the Securities Act and state securities Blue Sky Laws.

In addition, such counsel shall state that they have participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants for the Company, and the Remarketing Agents and their counsel, at which the contents of the Registration Statement and Final Prospectus Supplement and related matters were discussed and, although, except as otherwise set forth in paragraphs (i) and (ii) above, such counsel is not passing upon, and does not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Registration Statement and Final Prospectus Supplement, on the basis of the foregoing, no facts have come to the attention of such counsel that lead them to believe that (i) the Registration Statement, relating to the Trust Securities, at the time the post-effective amendment became effective on January 26, 2004 and the Final Prospectus Supplement, as of its date (but excluding documents incorporated by reference and the financial statements and schedules and other financial and statistical data and the Form T-1 included or incorporated by reference therein, as to which such counsel need express no

opinion) do not comply as to form in all material respects with the Securities Act and the rules and regulation of the Commission thereunder, (ii) the Registration Statement (but excluding documents incorporated by reference and the financial statements and schedules and other financial and statistical data and the Form T-1 included or incorporated by reference therein, as to which such counsel need express no opinion), at the time it became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (iii) that the Final Prospectus Supplement (but excluding documents incorporated by reference and the financial statements and schedules and other financial and statistical data and the Form T-1 included or incorporated by reference therein, as to which such counsel need express no opinion), as of its date and the Remarketing Closing Date, contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except that such counsel need express no opinion with respect to documents incorporated and the financial statements, schedules and other financial and statistical data included or incorporated by reference in the Registration Statement or Final Prospectus Supplement or with respect to the Form T-1. In stating the foregoing beliefs, such counsel is not passing upon the adequacy or accuracy of the derivation or compilation of any statistical data.

(g) Richards, Layton & Finger, P.A. shall have furnished to the Remarketing Agents its written opinion, as special Delaware counsel to the Company and the Trust, dated the Remarketing Closing Date and addressed to the Remarketing Agents, in form and substance satisfactory to the Representative, to the effect that:

(i) The Trust has been duly created and is validly existing in good standing as a statutory trust under the Delaware Trust Act. Under the Delaware Trust Act and the Declaration, the Trust has the trust power and authority to own property and to conduct its business as described in the Base Prospectus and the Final Prospectus Supplement and to enter into and perform its obligations under the Trust Securities.

(ii) The Common Securities have been duly authorized by the Declaration and are fully paid undivided beneficial interests in the assets of the Trust (such counsel may note that the holders of Common Securities will be subject to the withholding provisions of the Declaration, will be required to make payment or provide indemnity or security as set forth in the Declaration and will be liable for the debts and obligations of the Trust to the extent provided in the Declaration); under the Delaware Trust Act and the Declaration, the issuance of the Common Securities is not subject to preemptive rights.

(iii) The Trust Preferred Securities have been duly authorized by the Declaration and have been validly issued and (subject to the terms in this paragraph) are fully paid and are non-assessable undivided beneficial interests in the assets of the Trust, the holders of the Trust Preferred Securities are entitled to

the benefits of the Declaration (subject to the limitations set forth in clause (v) below) and will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware (such counsel may note that the holders of Trust Preferred Securities will be subject to the withholding provisions of the Declaration and will be required to make payment or provide indemnity or security as set forth in the Declaration); under the Delaware Trust Act and the Declaration, the issuance of the Trust Preferred Securities is not subject to preemptive rights.

(iv) Assuming the Declaration has been duly authorized by the Company and has been duly executed and delivered by the Company and the Regular Trustees, and assuming due authorization, execution and delivery of the Declaration by the Property Trustee and the Delaware Trustee, the Declaration constitutes a valid and binding obligation of the Company and the Regular Trustees, and is enforceable against the Company and the Regular Trustees, in accordance with its terms, except to the extent that enforcement thereof may be limited by (i) bankruptcy, insolvency, moratorium, receivership, reorganization, liquidation, fraudulent conveyance or transfer and other similar laws relating to or affecting the rights and remedies of creditors generally, (ii) principles of equity, including applicable law relating to fiduciary duties (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of applicable public policy on the enforceability of provisions relating to indemnification or contribution.

(v) The issuance by the Trust of the Trust Securities in exchange for the Notes and the consummation by the Trust of the transactions contemplated by the Declaration do not violate any of the provisions of the Certificate of Trust or the Declaration or any applicable Delaware law or administrative regulation.

(vi) Assuming that the Trust derives no income from or connected with sources within the State of Delaware and has no assets, activities (other than having a Delaware Trustee as required by the Delaware Trust Act and the filing of documents with the Secretary of State of Delaware) or employees in the State of Delaware, no filing with, or authorization, approval consent, license, order, registration, qualification or decree of, or with any Delaware court or Delaware governmental authority or agency (other than as may be required under the securities or blue sky laws of the state of Delaware, as to which such counsel need express no opinion) is necessary or required to be obtained by the Trust solely in connection with the offering or delivery of the Trust Preferred Securities.

(h) Emmet Marvin & Marvin shall have furnished to the Remarketing Agents its written opinion, as counsel to The Bank of New York, as Property Trustee, Guarantee Trustee, Indenture Trustee and Purchase Contract Agent, dated the

Remarketing Closing Date and addressed to the Remarketing Agents, in form and substance satisfactory to the Representative, to the effect that:

(i) Each of the Property Trustee, Guarantee Trustee, Indenture Trustee and Purchase Contract Agent, is a banking corporation duly incorporated under the laws of the State of New York with all necessary power and authority to execute and deliver and perform their respective obligations under the terms of the Declaration, the Guarantee Agreement, the Purchase Contract Agreement and the Pledge Agreement.

(ii) The execution, delivery and performance by the Property Trustee of the Declaration, the execution, delivery and performance by the Guarantee Trustee of the Guarantee Agreement and the execution, delivery and performance by the Indenture Trustee of the Indenture have been duly authorized by all necessary corporate action on the part of the Property Trustee, the Guarantee Trustee and the Indenture Trustee, respectively. The Declaration has been duly executed and delivered by the Property Trustee, the Guarantee Agreement has been duly executed and delivered by the Guarantee Trustee and the Indenture has been duly executed and delivered by the Indenture Trustee, and each constitutes the valid and binding agreement of the Property Trustee, the Guarantee Trustee and the Indenture Trustee, respectively, enforceable against the Property Trustee, the Guarantee Trustee and the Indenture Trustee, respectively, in accordance with their terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(iii) The execution, delivery and performance by the Purchase Contract Agent of the Purchase Contract Agreement and the Pledge Agreement, and the authentication and delivery of the Trust Preferred Securities have been duly authorized by all necessary corporate action on the part of the Purchase Contract Agent. The Purchase Contract Agreement and the Pledge Agreement have been duly executed and delivered by the Purchase Contract Agent, and constitute the valid and binding agreements of the Purchase Contract Agent, enforceable against the Purchase Contract Agent in accordance with their terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(iv) The execution, delivery and performance of the Declaration, the Guarantee Agreement and the Indenture by the Property Trustee, the Guarantee Trustee and the Indenture Trustee, and the Purchase Contract

Agreement and Pledge Agreement by the Purchase Contract Agent respectively, do not conflict with or constitute a breach of the charter or by-laws of the Property Trustee, the Guarantee Trustee, the Indenture Trustee and the Purchase Contract Agent, respectively.

(v) No consent, approval or authorization of, or registration with or notice to, any New York or federal banking authority is required for the execution, delivery or performance by the Property Trustee, the Guarantee Trustee and the Indenture Trustee of the Declaration and the Guarantee Agreement, respectively, or for the execution, delivery and performance by the Purchase Contract Agent of the Purchase Contract Agreement and the Pledge Agreement.

(i) Richards, Layton & Finger, P.A. shall have furnished to the Remarketing Agents its written opinion, with respect to The Bank of New York (Delaware), as Delaware Trustee, dated the Remarketing Closing Date and addressed to the Remarketing Agents, in form and substance satisfactory to the Representative, to the effect that:

(i) The Delaware Trustee has been duly incorporated and is validly existing as a banking corporation in good standing under the laws of the State of Delaware with all necessary corporate power and authority to execute and deliver, and to carry out and perform its obligations under, the terms of the Declaration.

(ii) The execution, delivery and performance by the Delaware Trustee of the Declaration have been duly authorized by all necessary corporate action on the part of the Delaware Trustee. The Declaration constitutes the valid and binding agreement of the Delaware Trustee, and is enforceable against the Delaware Trustee, in accordance with its terms, subject to bankruptcy, insolvency, moratorium, receivership, reorganization, liquidation, fraudulent conveyance or transfer and other similar laws relating to or affecting the rights and remedies of creditors generally, principles of equity, including applicable law relating to fiduciary duties (regardless of whether considered and applied in a proceeding in equity or at law), and the effect of applicable public policy on the enforceability of provisions relating to indemnification or contribution.

(iii) The execution, delivery and performance of the Declaration by the Delaware Trustee do not conflict with or constitute a breach of the charter or by-laws of the Delaware Trustee.

(iv) No consent, approval or authorization of, or registration with or notice to, any Delaware or federal banking authority is required for the execution, delivery or performance by the Delaware Trustee of the Declaration.

(j) The Law Department of J.P. Morgan Trust Company, N.A. shall have furnished to the Remarketing Agents its written opinion, as counsel to J.P. Morgan Trust Company, N.A., as Collateral Agent, Custodial Agent and Securities Intermediary, dated the Remarketing Closing Date and addressed to the Remarketing Agents, in form and substance satisfactory to the Representative, to the effect that:

(i) Each of the Collateral Agent, Custodial Agent and Securities Intermediary is duly incorporated as a New York banking corporation with all necessary power and authority to execute, deliver and perform its obligations under the Pledge Agreement.

(ii) The execution, delivery and performance by the Collateral Agent, Custodial Agent and Securities Intermediary of the Pledge Agreement, and the authentication and delivery of the Units have been duly authorized by all necessary corporate action on the part of the Collateral Agent, Custodial Agent and Securities Intermediary. The Pledge Agreement has been duly executed and delivered by the Collateral Agent, Custodial Agent and Securities Intermediary, and constitutes the valid and binding agreements of the Collateral Agent, Custodial Agent and Securities Intermediary, enforceable against the Collateral Agent, Custodial Agent and Securities Intermediary in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(iii) The execution, delivery and performance of the Pledge Agreement by the Collateral Agent, Custodial Agent and Securities Intermediary does not conflict with or constitute a breach of the charter or by-laws of the Collateral Agent, Custodial Agent and Securities Intermediary.

(iv) No consent, approval or authorization of, or registration with or notice to, any state or federal governmental authority or agency is required for the execution, delivery or performance by the Collateral Agent, Custodial Agent and Securities Intermediary of the Pledge Agreement.

(k) The Company will furnish the Representative, on behalf of the Remarketing Agents, with such conformed copies of such opinions, certificates, letters and documents as the Representative may reasonably request.

(l) Cravath Swaine & Moore LLP, as counsel for the Remarketing Agents, shall have furnished to the Remarketing Agents such written opinion or opinions dated the Remarketing Closing Date, with respect to the validity of the Securities, the Registration Statement, the Final Prospectus Supplement and other related matters as the Representative may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to the Representative.

Section 7. Indemnification and Contribution. (a) The Company will indemnify and hold harmless each of the Remarketing Agents and its directors and officers against any losses, claims, damages or liabilities, joint or several, to which such Remarketing Agent may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, the Final Prospectus Supplement and the Remarketing Materials, as the case may be, or any amendment or supplement thereto, or any related preliminary prospectus or preliminary prospectus supplement, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Remarketing Agent for any legal or other expenses reasonably incurred by such Remarketing Agent in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company will not be liable (i) in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Company by any Remarketing Agent through the Representative specifically for use therein and (ii) to any Remarketing Agent (or anyone controlling such Remarketing Agent), with respect to any preliminary prospectus or preliminary prospectus supplement, from whom the person asserting any such loss, claim, damage or liability purchased Securities, if a copy of the Final Prospectus Supplement and the Remarketing Materials, as the case may be (as then amended or supplemented if the Company shall have furnished any amendment or supplements thereto sufficiently in advance to permit delivery), was not delivered by or on behalf of such Remarketing Agent to such person, if required by law to have been so delivered, at or prior to the written confirmation of the sale of the Securities to such person, and if the Final Prospectus Supplement and the Remarketing Materials, as the case may be (as so amended and supplemented) would have cured the defect giving rise to such loss, claim, damage or liability.

(b) Each Remarketing Agent will, severally and not jointly, indemnify and hold harmless the Company and its directors and officers against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, the Final Prospectus

Supplement and the Remarketing Materials, as the case may be, or any amendment or supplement thereto, or any related preliminary prospectus or preliminary prospectus supplement, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Remarketing Agent through the Representative specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under this section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under subsection (a) or (b) above, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under subsection (a) or (b) above. In case any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action.

(d) If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Remarketing Agents on the other from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Remarketing Agents on the other in connection with the statements or omissions which resulted in such losses, claims, damages or

liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Remarketing Agent on the other shall be deemed to be in the same proportion as the aggregate stated liquidation amount of the remarketed Securities bear to the remarketing fees received by the Remarketing Agent under this Agreement. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Remarketing Agents and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), none of the Remarketing Agents shall be required to contribute any amount in excess of the amount by which the aggregate stated liquidation amount of the Remarketed Securities exceeds the amount of any damages which such Remarketing Agents has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Remarketing Agents' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Remarketing Agent within the meaning of the Act; and the obligations of the Remarketing Agents under this Section shall be in addition to any liability which the respective Remarketing Agents may otherwise have and shall extend, upon the same terms and conditions, to each director of the Company, to each officer of the Company who has signed the Registration Statement and to each person, if any, who controls the Company within the meaning of the Act.

Section 8. Resignation and Removal of a Remarketing Agent. Any Remarketing Agent may resign and be discharged from its duties and obligations hereunder by giving 60 days' prior written notice to the Company, the Depositary and the Indenture Trustee. The Company or the Purchase Contract Agent on behalf of holders of the Trust Preferred Securities may remove any Remarketing Agent by giving 60 days' prior written notice to the removed Remarketing Agent, the Depositary and the Indenture Trustee upon any of (i) such Remarketing Agent becoming involved as a debtor in a bankruptcy, insolvency or similar proceeding; (ii) such Remarketing Agent becoming subject to one or more legal restrictions preventing the performance of its obligations hereunder; or (iii) such Remarketing Agent determining that (A) there has been an occurrence of a material adverse change of the kind described under Section 6(b) or (B)

using its commercially reasonable best efforts, the Representative would be unable to consummate the Remarketing (or any Subsequent Remarketing) on the terms and in the manner contemplated in the Final Prospectus Supplement and the Remarketing Materials.

Notwithstanding any other provision in this Section 8, no such resignation nor any such removal shall become effective until the Company or the Purchase Contract Agent on behalf of holders of the Trust Preferred Securities shall have appointed at least one nationally recognized broker-dealer as successor Remarketing Agent and such successor Remarketing Agent shall have entered into a remarketing agreement with the Company and Purchase Contract Agent, in which it shall have agreed to conduct the Remarketing in accordance with the Remarketing Procedures. The provisions of Sections 4, 7, and 8 shall survive the resignation or removal of any Remarketing Agent pursuant to this Agreement.

Section 9. Dealing in the Remarketed Trust Preferred Securities. Any Remarketing Agent, when acting as a Remarketing Agent or in its individual or any other capacity, may, to the extent permitted by law, buy, sell, hold and deal in any of the Remarketed Trust Preferred Securities. Such Remarketing Agent may exercise any vote or join in any action which any beneficial owner of Remarketed Trust Preferred Securities may be entitled to exercise or take pursuant to the Purchase Contract Agreement, the Declaration or the Indenture with like effect as if it did not act in any capacity hereunder. Such Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or have an interest in any financial or other transaction with the Company or the Trust as freely as if it did not act in any capacity hereunder.

Section 10. Remarketing Agents' Performance; Duty of Care; Supervising Obligations. The duties and obligations of the Remarketing Agents shall be determined solely by the express provisions of this Agreement, the Purchase Contract Agreement and the Declaration. No implied covenants or obligations of or against the Remarketing Agents shall be read into this Agreement, the Purchase Contract Agreement or the Declaration. In the absence of bad faith on the part of a Remarketing Agent, such Remarketing Agent may conclusively rely upon any document furnished to it, which purports to conform to the requirements of this Agreement, the Purchase Contract Agreement or the Declaration as to the truth of the statements expressed in any of such documents. A Remarketing Agent shall be protected in acting upon any document or communication reasonably believed by it to have been signed, presented or made by the proper party or parties. The Remarketing Agents, acting under this Agreement, shall incur no liability to the Company or to any holder of Remarketed Trust Preferred Securities in its individual capacity or as Remarketing Agent for any action or failure to act, on its part in connection with a Remarketing or otherwise, except if such liability is judicially determined to have resulted from the bad faith or willful misconduct on its part. Each Remarketing Agent may, but shall not be obligated to, purchase Remarketed Trust Preferred Securities for its own account. If at any time during the term of this Agreement, any Event of Default under the Indenture or the Declaration, or any event

that with the passage of time or the giving of notice or both would become an Event of Default under the Indenture or the Declaration, has occurred and is continuing under the Indenture or the Declaration, then the obligations and duties of the Remarketing Agents under this Agreement shall be suspended until such default or event has been cured. The Company will cause the Indenture Trustee, the Purchase Contract Agent and the Regular Trustees to give the Remarketing Agents notice of all such defaults and events of which such trustee, agent or administrator is aware.

Section 11. Termination. This Agreement shall terminate as to a Remarketing Agent on the effective date of the resignation or removal of such Remarketing Agent pursuant to Section 8. In addition, the obligations of a Remarketing Agent hereunder may be terminated by it by notice given to the Company prior to 10:00 a.m., New York City time, on the Remarketing Date if, prior to that time, any of the conditions described in Section 6 are not satisfied.

Section 12. Notices. Except as otherwise stated herein, all statements, requests, notices and agreements hereunder shall be in writing, as follows:

(a) if to the Remarketing Agents, shall be delivered or sent by mail or facsimile transmission to Citigroup Global Markets Inc., 388 Greenwich Street, 34th Floor, New York New York 10013, Attention: Legal Department (fax: 212-816-0949);

(b) if to the Company, shall be delivered or sent by mail or facsimile transmission to 870 Winter Street, Waltham, Massachusetts 02451, Attention: Secretary (fax: 781-522-3332);

(c) if to the Trust, shall be delivered or sent by mail or facsimile transmission to 220 Continental Drive, Suite 112, Newark, DE 19713, Attention: Richard A. Goglia (fax: (781) 522-5831) and to the Company's address as listed above in Section 12(b);

(d) if to the Property Trustee, shall be delivered or sent by mail; or facsimile transmission to The Bank of New York, 101 Barclay Street, Floor 8W, New York, New York 10286, Attention: Corporate Trust Administration (fax: 212-815-5707);

(e) if to the Indenture Trustee, shall be delivered or sent by mail or facsimile transmission to The Bank of New York, 101 Barclay Street, Floor 8W, New York, New York 10286, Attention: Corporate Trust Administration (fax: 212-815-5707); and

(f) if to the Collateral Agent or the Custodial Agent shall be delivered or sent by mail or facsimile transmission to J.P. Morgan Trust Company, N.A., 1 Bank One Plaza, Suite IL1-0823, Chicago, Illinois 60670, Attention: Yolanda Ash (fax: 312-407-2088).

Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof.

Section 13. Benefit of Agreement. This Agreement shall be binding upon, and inure solely to the benefit of, the Remarketing Agents, the Company to the extent provided in Section 7 hereof, the officers and directors of the Company and each person who controls the Company, or a Remarketing Agent, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser or any of the Trust Preferred Securities from a Remarketing Agent shall be deemed a successor or assign by reason merely of such purchase.

Section 14. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF NEW YORK.

Section 15. Jurisdiction. The Company hereby submits to the nonexclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

Section 16. Counterparts. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

Section 17. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

Section 18. Use of the Term Remarketing Agent. To the extent the term “Remarketing Agent” is used in the Transaction Agreements, such term shall be deemed to refer to Citigroup Global Markets Inc., as Representative of the Remarketing Agents.

Section 19. Limitation of Liability of the Purchase Contract Agent. It is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered by The Bank of New York, not individually or personally, but solely in its capacity as Purchase Contract Agent on behalf of the holders of Units and (b) nothing herein contained shall be construed as creating any liability on The Bank of New York, individually or personally, to perform any covenant contained herein.

Section 20. Power of Attorney. Each Remarketing Agent hereby constitutes and appoints the Representative the true and lawful attorney-in-fact of such Remarketing Agent, with full power and authority on behalf of and in the name, place and stead of such Remarketing Agent to sign in its name and on its behalf all documents related to the Remarketing, and to take all action with respect thereto, including any action in connection with the closing of the Remarketing.

Section 21. Entire Agreement. This Agreement, the Purchase Contract Agreement, the Pledge Agreement and the Declaration constitute the only agreements relating to the matters stated herein and therein with respect to Remarketing.

If the foregoing correctly sets forth the agreement among the Company, the Purchase Contract Agent and the Remarketing Agents, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

Raytheon Company

By: /s/ Richard A. Goglia

Vice President and Treasurer

The Bank of New York,
not in its individual capacity, but
solely as Purchase Contract Agent

By: /s/ Kisha A. Holder

Assistant Vice President

The foregoing Agreement is hereby
confirmed and accepted as of the
date first above written.

Citigroup Global Markets Inc.

By: /s/ Stephen Edelman

Director

J.P. Morgan Securities Inc.

By: /s/ Maria Sramek

Vice President

UBS Securities LLC

By: /s/ Bruce J. Widas

Managing Director Capital Markets

Credit Lyonnais Securities (USA) Inc.

By: /s/ Ronald S. Krolick

Managing Director

Lazard Frères & Co. LLC

By: /s/ David R. McMillan, Jr.

Managing Director

The Royal Bank of Scotland plc

By: /s/ David Hopkins

Schedule I

Remarketing Agents	Amount of Remarketing Fees (equal to percentage of total proceeds from the Remarketing)
Citigroup Global Markets Inc.	.0875%
JPMorgan Securities Inc.	.0500%
UBS Securities LLC	.0500%
Credit Lyonnais Securities (USA) Inc.	.0208%
Lazard Frères & Co. LLC	.0208%
The Royal Bank of Scotland plc	.0208%
	.2500%

Exhibit 10.27

$1,400,000,000

364-DAY COMPETITIVE ADVANCE AND

REVOLVING CREDIT FACILITY

among

RAYTHEON COMPANY

as the Borrower,

Raytheon Technical Services Company LLC and

Raytheon Aircraft Company,

each as a Guarantor,

THE LENDERS NAMED HEREIN,

Bank of America, N.A.,

as Syndication Agent,

Citicorp USA, Inc. and Credit Suisse First Boston,

as Documentation Agents,

and

JPMORGAN CHASE BANK,

as Administrative Agent,

Dated as of November 24, 2003

J.P. Morgan Securities INC. and

BANC of AMERICA SECURITIES LLC

as Joint Lead Arrangers and Joint Bookrunners

Table of Contents

EXHIBITS

SCHEDULES

364-DAY COMPETITIVE ADVANCE AND REVOLVING CREDIT FACILITY, dated as of November 24, 2003, among RAYTHEON COMPANY, a Delaware corporation (the "*Borrower*"), RAYTHEON TECHNICAL SERVICES COMPANY LLC, a Delaware limited liability company, 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. and CREDIT SUISSE FIRST BOSTON, 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, 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 $1,400,000,000. 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(c).

"*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; *provided*, *that*, after the Maturity Date, the applicable percentage (Eurodollar Spread or ABR Spread) below shall be increased by 0.500% per annum

	Eurodollar Spread	**ABR Spread**	**Fee Percentage**
Category 1 BBB+ or higher by S&P or Baa1 or higher by Moody's	0.625%	0.000%	0.125%
Category 2 BBB by S&P or Baa2 by Moody's	0.725%	0.000%	0.150%
Category 3 BBB–by S&P or Baa3 by Moody's	0.950%	0.000%	0.175%
Category 4 BB+ by S&P or Ba1 by Moody's	1.275%	0.500%	0.225%
Category 5 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 24, 2003.

"*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 $1,400,000,000.

"*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 2003, 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 June 29, 2003, such Consolidated Net Income shall be increased by an amount not to exceed $100,000,000 for such fiscal quarter, representing one-time charges to the extent recorded in connection with the discontinued operations of Raytheon Engineers and Constructors with respect to such fiscal quarter and (ii) for the fiscal quarter of the Borrower and its consolidated Subsidiaries ending September 28, 2003, such Consolidated Net Income shall be increased by an amount not to exceed $306,000,000 for such fiscal quarter, representing write-offs and charges to the extent recorded for such quarter in connection with the Network Centric Systems business, the Technical Services business, and the discontinued operations of Raytheon Engineers and Constructors with respect to such fiscal quarter.

"*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%):

$$\frac{\text{Eurodollar Base Rate}}{1.00\text{—Eurocurrency Reserve Requirements}}$$

"*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 364-Day Competitive Advance and Revolving Credit Facility Credit Agreement, dated as of November 25, 2002 (as amended, supplemented or otherwise modified through the date hereof), among Raytheon Company, as the borrower, Raytheon Technical Services Company and Raytheon Aircraft Company, as guarantors, the lenders from time to time parties thereto, Bank of America, N.A., as syndication agent, and 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 be the collective reference to (i) the Fee Letter, dated October 7, 2003, between the Borrower, the Administrative Agent and J.P. Morgan Securities Inc. and (ii) the Fee Letter, dated October 7, 2003, between the Borrower, Bank of America, N.A., and Banc of America Securities LLC.

"*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 November 28, 2001, as amended, supplemented or otherwise modified from time to time, among the Borrower, Raytheon Technical Services Company LLC, a Delaware limited liability company, 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 the Existing Credit 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 15 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 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) 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 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 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 or limited liability company 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, 2002, 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 March 30, 2003, June 29, 2003 and September 28, 2003, 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, 2002.

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 January 1, 2002, the last certified annual valuation date 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 certified 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) Jay B. Stephens, Senior Vice President, Secretary and General Counsel of the Borrower and other appropriate in-house counsel with respect to the Guarantors and (ii) Bingham McCutchen 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) *Existing Credit Agreement.* The Existing Credit Agreement shall have been terminated and the outstanding loans thereunder and accrued interest thereon and accrued and unpaid commitment fees owed thereunder shall have been paid in full.

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) 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.

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) 55% of Total Capitalization at any time to but excluding June 28, 2004 and (ii) 50% of Total Capitalization at any time from and including 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 (excluding guarantees, which are covered by clause (ii) below) 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 870 Winter Street, Waltham, Massachusetts 02451-1449, Attention of Linda Hope (Telecopy No. (781) 552-5158); 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. Richard Smith (Telecopy No. (212) 270-5127); 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 of 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 pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(i) Neither the Borrower nor, subject to Section 10.17, any Guarantor shall 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

unmatured. 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.

(a) 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. Notwithstanding anything herein to the contrary, any Lender (and any employee, representative or other agent of such Lender) may disclose to any and all persons, without limitation of any kind, such Lender's U.S. federal income tax treatment and the U.S. federal income tax structure of the transactions contemplated hereby relating to such Lender and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. However, no disclosure of any information relating to such tax treatment or tax structure may be made to the extent nondisclosure is reasonably necessary in order to comply with applicable securities laws.

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 Sections 2.10 and 2.12 of the Existing Credit Agreement that termination of Commitments (as defined under the Existing Credit Agreement) and prepayments of Loans (as defined under the Existing Credit Agreement), respectively, 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 terminating the Commitments (as defined under the Existing Credit Agreement) under the Existing Credit Agreement on the date of effectiveness of this Agreement.

[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: /s/ Richard A. Goglia
Vice President and Treasurer

RAYTHEON TECHNICAL SERVICES COMPANY
LLC, as a Guarantor

By: /s/ Robert B. Shanks
Sr. V.P., General Counsel & Secretary

RAYTHEON AIRCRAFT COMPANY,
as a Guarantor

By: /s/ Anthony F. O'Brien
VP—Chief Financial Officer

JPMORGAN CHASE BANK,
as a Lender and as Administrative Agent,

By: /s/ Richard C. Smith
Vice President

BANK OF AMERICA, N.A.,
as Syndication Agent and as a Lender

By: /s/ Kenneth J. Beck
Principal

CITICORP USA, INC.,
as Documentation Agent and as a Lender

By: /s/ William G. Martens, III
Managing Director

CREDIT SUISSE FIRST BOSTON,
as Documentation Agent and as a Lender

By: /s/ Jay Chall
Director

[Form of]
RAYTHEON COMPANY
ADMINISTRATIVE QUESTIONNAIRE*

(*Lenders party to the 364-Day Credit Agreement need to complete this form and submit the completed form as indicated below.)

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:

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:

Exhibit B to the
364-Day Credit Agreement

[Form of]
ASSIGNMENT AND ACCEPTANCE

Reference is made to the 364-Day Competitive Advance and Revolving Credit Facility, dated as of November 24, 2003 (as amended, restated, supplemented or otherwise modified, the "*Credit Agreement*"), among Raytheon Company, as the Borrower, Raytheon Technical Services Company LLC, a Delaware limited liability company, 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., and Credit Suisse First Boston, 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 to individual Competitive Loans)	Percentage Assigned of Applicable Facility/Commitment (set forth, to at least 8 decimals, as a percentage of the TotalCommitments)
Commitment	$_____	_____%
Competitive Loans	$_____	_____%

The terms set forth above are hereby agreed to:

_____, as Assignor

By:_____
Name:
Title:

_____, as Assignor

By:_____
Name:
Title:

Accepted: */

JPMORGAN CHASE BANK,
as Administrative Agent

By:_____
Name:
Title:

RAYTHEON COMPANY, as the Borrower

By:_____
Name:
Title:

* To be completed to the extent consents are required under Section 11.04(b) of the Credit Agreement.

Exhibit C to the
364-Day 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 24, 2003 (as amended, restated, supplemented or otherwise modified, the "*Credit Agreement*"), among the Borrower, Raytheon Technical Services Company LLC, a Delaware limited liability company, 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., and Credit Suisse First Boston, 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 latter 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 24, 2003 (as amended, restated, supplemented or otherwise modified, the "*Credit Agreement*"), among the Borrower, Raytheon Technical Services Company LLC, a Delaware limited liability company, 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., and Credit Suisse First Boston, 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]

Exhibit D-2 to the
364-Day Credit Agreement

[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 24, 2003 (as amended, restated, supplemented or otherwise modified, the "*Credit Agreement*"), among Raytheon Company, as the Borrower, Raytheon Technical Services Company LLC, a Delaware limited liability company, 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., and Credit Suisse First Boston, 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.

Exhibit D-3 to the
364-Day Credit Agreement

[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 24, 2003 (as amended, restated, supplemented or otherwise modified, the "*Credit Agreement*"), among Raytheon Company, as the Borrower, Raytheon Technical Services Company LLC, a Delaware limited liability company, 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., and Credit Suisse First Boston, 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:

Exhibit D-4 to the
364-Day Credit Agreement

[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 24, 2003 (as amended, restated, supplemented or otherwise modified, the "*Credit Agreement*"), among the Borrower, Raytheon Technical Services Company LLC, a Delaware limited liability company, 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., and Credit Suisse First Boston, 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 Jay B. Stephens*

[See Opinion]

* Opinions may be divided between one or more in-house counsel to the Borrower and each Guarantor, as deemed appropriate by the Borrower.

[Form of]

Opinion of Bingham McCutchen LLP for the Borrower

[See Opinion]

Exhibit 10.41

FIFTH AMENDED AND RESTATED
PURCHASE AND SALE AGREEMENT

Dated as of September 1, 2003

by and among

GENERAL AVIATION RECEIVABLES CORPORATION,
as Seller,

RAYTHEON AIRCRAFT RECEIVABLES CORPORATION,
as Transferor,

RAYTHEON AIRCRAFT CREDIT CORPORATION,
as Originator and as Servicer,

RECEIVABLES CAPITAL CORPORATION,
as Conduit Purchaser,

BANK OF AMERICA, N.A.,
as Administrative Agent, as Administrator and as an Alternate Purchaser,

and

THE OTHER ALTERNATE PURCHASERS
FROM TIME TO TIME PARTIES HERETO

TABLE OF CONTENTS

TABLE OF CONTENTS
(cont'd)

TABLE OF CONTENTS
(cont'd)

FIFTH AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT

This FIFTH AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT, dated as of September 1, 2003 (as amended, amended and restated, supplemented or otherwise modified from time to time, this "Agreement"), is by and among GENERAL AVIATION RECEIVABLES CORPORATION, a Delaware corporation (in its individual capacity, "GARC"), as the Seller (in such capacity, together with its successors and permitted assigns, the "Seller"), RAYTHEON AIRCRAFT RECEIVABLES CORPORATION, a Kansas corporation (in its individual capacity, "RARC"), as the Transferor (in such capacity, together with its successors and permitted assigns in such capacity, the "Transferor"), RAYTHEON AIRCRAFT CREDIT CORPORATION, a Kansas corporation (in its individual capacity, "RACC"), as the Originator (in such capacity, together with its successors and permitted assigns in such capacity, the "Originator"), and as the initial Servicer (in such capacity, together with its successors and permitted assigns in such capacity, the "Servicer"), RECEIVABLES CAPITAL CORPORATION, a Delaware corporation, as the Conduit Purchaser (the "Conduit Purchaser"), BANK OF AMERICA, N.A., a national banking association (in its individual capacity, "Bank of America"), as the Administrative Agent for the Purchasers (in such capacity, together with its successors and permitted assigns in such capacity, the "Administrative Agent"), BANK OF AMERICA, as the Administrator for the Conduit Purchaser (in such capacity, together with its successors and permitted assigns in such capacity, the "Administrator") and BANK OF AMERICA, as an Alternate Purchaser (in such capacity, together with its successors and permitted assigns in such capacity, an "Alternate Purchaser"), and the financial institutions from time to time parties hereto as Alternate Purchasers.

W I T N E S S E T H :

WHEREAS, RARC, RACC, the Conduit Purchaser, Bank of America, in its capacity as managing facility agent, and the various other financial institutions from time to time party thereto, are parties to the Fourth Amended and Restated Purchase and Sale Agreement, dated as of March 8, 2002 (as heretofore amended, amended and restated, supplemented or otherwise modified, the "Prior Purchase and Sale Agreement"); and

WHEREAS, the Seller has succeeded to certain of the Transferor's rights and obligations under the Prior Purchase and Sale Agreement pursuant to the terms of the Sale and Conveyance Agreement (as defined below); and

WHEREAS, the parties hereto desire to amend and restate the Prior Purchase and Sale Agreement in its entirety; and

WHEREAS, the Transferor and the Seller have entered into that certain Sale and Conveyance Agreement, dated as of September 1, 2003 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Sale and Conveyance Agreement"), pursuant to which the Transferor has sold and conveyed to the Seller all of its right, title and interest in, to and under the Receivables, the Contracts and the other Affected Assets (other than title to the Leased Aircraft) and in connection therewith has granted to the Seller a security interest in all of its right, title and interest in, to and under the Leased Aircraft and the other Affected Assets;

NOW THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree to amend and restate the Prior Purchase and Sale Agreement as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Additional Capital Payments" means, on any Settlement Date, any and all amounts, if any, remaining in the Collection Account after giving effect to the application of Collections pursuant to clauses (i) through (viii) in Section 2.12, in accordance with the priorities for payment set forth therein, and payable pursuant to and in accordance with the terms of clause (ix) of Section 2.12 which such amounts shall be applied toward the repayment of the Net Investment until the Net Investment has been reduced to zero.

"Administrative Agent" is defined in the preamble.

"Administrative Agent Fee" has the meaning set forth in the Administrative Agent Fee Letter.

"Administrative Agent Fee Letter" means the confidential letter agreement, dated the Closing Date, among the Seller, the Servicer and the Administrative Agent, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms with the prior written consent of the Control Party and, to the extent that any Aggregate Unpaids are then due and owing to the Insurer, the Insurer.

"Administrator" means Bank of America or an Affiliate thereof, as Administrator for the Conduit Purchaser, or Bank of America or an Affiliate thereof, as administrator for any Conduit Assignee.

"Advance Payments" means each advance payment remitted by an Obligor to be deposited into the Collection Account and to be applied to the related Receivable as such advance payment becomes due, in accordance with the priorities for payment set forth in Section 2.12.

"Adverse Claim" means a lien, security interest, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person (including any UCC financing statement or any similar instrument filed against such Person's assets or properties).

"Affected Assets" means, collectively, (a) each Aircraft and each Aircraft Fractional Share, (b) the Receivables, (c) the Related Security, (d) all rights and remedies (i) of the Transferor and the Seller under the First Tier Agreement (including all security interests created or arising thereunder) and (ii) of the Seller under the Sale and Conveyance Agreement (including all security interests created or arising thereunder), (e) each Contract related to a Receivable, (f)

each Security Agreement related to a Receivable and all rights in the collateral pledged thereunder, (g) each letter of credit related to a Receivable, (h) all financing statements filed in favor of the Transferor against the Originator or filed in favor of the Seller against the Transferor in connection with any of the foregoing, (i) each Blocked Account and all funds from time to time on deposit therein and each Blocked Account Agreement, (j) with respect to any Aircraft Fractional Share, all rights against Flight Options with respect thereto, and (k) all proceeds of each of the foregoing. For the avoidance of doubt, when used in this Agreement or in any other Transaction Document with respect to any Raytheon Entity, "Affected Assets" shall include only such Raytheon Entity's right, title and interest in, to and under the property described in items (a) through (k).

"Affected Party" means each Purchaser, the Administrative Agent, the Administrator, each Program Support Provider and their respective agents.

"Affiliate" means as to any Person, any other Person which, directly or indirectly, owns, is in control of, is controlled by, or is under common control with, such Person, in each case whether beneficially, or as a trustee, guardian or other fiduciary. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the other Person, whether through the ownership of voting securities or membership interests, by contract, or otherwise.

"Agent-Related Persons" means the Administrative Agent, together with its Affiliates, and the officers, directors, employees, agents and attorneys-in-fact of such Persons and their respective Affiliates.

"Aggregate Collateral Value" means, as of the Cut-off Date, the aggregate amount of the sum of the Unpaid Balance of each Receivable purchased by the Seller from RARC pursuant to the Sale and Conveyance Agreement.

"Aggregate Unpaids" means, at any time, an amount equal to the sum of (a) the aggregate unpaid Yield accrued and to accrue to maturity with respect to all Rate Periods at such time, (b) the Net Investment at such time and (c) all other amounts owed (whether or not then due and payable) hereunder and under the other Transaction Documents by the Originator, the Transferor, the Seller or the Servicer to the Administrative Agent, the Administrator, any of the Purchasers, the Insurer or any other Secured Party at such time.

"Agreement" is defined in the preamble.

"Aircraft" means each aircraft related to a Receivable and the related Contract, together with all other property used in the operation of such Aircraft or reflecting use or maintenance of such Aircraft, including but not limited to all engines, propellers, instruments, avionics, equipment and accessories attached to, connected with, located in or removed from such Aircraft together with any replacement airframe.

"Aircraft Fractional Share" means an undivided interest in an Aircraft, which undivided interest has been sold pursuant to a Flight Options Contract, together with any replacement aircraft fractional share related to such Flight Options Contract.

"Alternate Purchaser" means Bank of America and any other financial institution that shall become a party to this Agreement pursuant to Section 11.8.

"Alternate Purchaser Percentage" means, at any time, a fraction, expressed as a percentage, the numerator of which is the portion of the Net Investment funded by the Alternate Purchasers and the denominator of which is the Net Investment at such time.

"Alternate Rate" is defined in Section 2.4.

"Asset Interest" is defined in Section 2.1(b).

"Assignment Amount" means, with respect to an Alternate Purchaser at the time of any assignment pursuant to Section 3.1, an amount equal to the least of (a) such Alternate Purchaser's Pro Rata Share of the Net Investment requested by the Conduit Purchaser to be assigned at such time; (b) such Alternate Purchaser's unused Commitment (minus the unrecovered principal amount of such Alternate Purchaser's investments in the Asset Interest pursuant to the Program Support Agreement to which it is a party); and (c) in the case of an assignment, the sum of such Alternate Purchaser's Pro Rata Share of the Conduit Purchaser Percentage of (i) the aggregate Unpaid Balance of the Receivables (other than Defaulted Receivables), plus (ii) all Collections received by the Servicer but not yet remitted by the Servicer to the Administrative Agent, plus (iii) any amounts in respect of Deemed Collections required to be paid by the Seller at such time, plus (iv) Yield to accrue through the end of the current Rate Period.

"Assignment and Assumption Agreement" means an Assignment and Assumption Agreement substantially in the form of Exhibit A.

"Assignment Date" is defined in Section 3.1(a).

"Assignment of Rents" means each Aircraft Security Agreement, Assignment of Rents and Proceeds under Aircraft Lease and Assignment, between among the Seller, the Transferor and the Administrative Agent, substantially in the form of Exhibit D, or such other agreement in form and substance satisfactory to the Administrative Agent and the Control Party, together with any consent by the related Obligor as required pursuant to the related Aviation Authority or the related Contract, as applicable, in each case, as the same may be amended, amended and restated, supplemented or otherwise modified through the Closing Date, and thereafter, pursuant to and in accordance with the terms of this Agreement.

"Available Funds" means, with respect to a Fiscal Month, (a) the sum of (without duplication) (i) all interest payments received during such Fiscal Month into the Collection Account during such Fiscal Month with respect to the Receivables, plus (ii) any Recovery Proceeds received during such Fiscal Month, less (b) the sum of (i) payments necessary under clauses (i), (ii), (iii), (iv) and (vi) of Section 2.12 on the next succeeding Settlement Date, plus (ii) the Unpaid Balance of any Receivables that became Defaulted Receivables during such Fiscal Month.

"Aviation Authority" means, with respect to any Aircraft, the FAA or any other Person or Official Body that is or shall from time to time be vested with the control and supervision of, or have jurisdiction over, the registration, airworthiness and operation of aircraft or other matters relating to civil aviation in the jurisdiction of registration for aircraft.

"Bank of America" is defined in the preamble.

"Bankruptcy Code" means the Bankruptcy Reform Act of 1978, 11 U.S.C. §§ 101 et seq., as amended, and any regulations promulgated and rulings issued thereunder.

"Base Rate" is defined in Section 2.4.

"Blocked Account" means each account (including, without limitation, each Lockbox Account and the Collection Account) in the name of the Seller and maintained by the Servicer at a Blocked Account Bank for the purpose of receiving Collections, as set forth in Schedule 4.1(r), or any account added as a Blocked Account pursuant to and in accordance with Section 4.1(r) and which is subject to a Blocked Account Agreement.

"Blocked Account Agreement" means an agreement among the Seller, the Servicer, the Administrative Agent and a Blocked Account Bank, in form and substance satisfactory to the Administrative Agent and the Control Party, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time.

"Blocked Account Bank" means each of the banks set forth in Schedule 4.1(r), as such Schedule 4.1(r) may be modified pursuant to Section 4.1(r).

"Blue Book Value" is defined in Section 2.14(b)(v).

"Business Day" means any day excluding Saturday, Sunday and any day on which banks in New York, New York, Charlotte, North Carolina, Chicago, Illinois, San Francisco, California, Wichita, Kansas or Boston, Massachusetts are authorized or required by law to close, and, when used with respect to the determination of any Offshore Rate or any notice with respect thereto, any such day which is also a day for trading by and between banks in United States dollar deposits in the London interbank market.

"Capitalized Lease" of a Person means any lease of property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

"Cash Reserve Account" is defined in Section 2.9(c).

"Cash Reserve Account Bank" means Bank of America, N.A., solely in such capacity.

"Certificate of Perfection" means a certificate, substantially in the form attached hereto as Exhibit F or in such other form as is mutually agreed to by the Seller, the Servicer, the Administrative Agent and the Insurer, furnished by the Servicer pursuant to Section 2.9(c).

"Change of Control" means, with respect to (a) the Seller, the failure of the Transferor to own, free and clear of any Adverse Claim and on a fully diluted basis, one hundred percent (100%) of the outstanding shares of voting stock of the Seller; (b) the Transferor, the failure of

RACC to own, free and clear of any Adverse Claim and on a fully diluted basis, one hundred percent (100%) of the outstanding shares of voting stock of the Transferor; (c) RACC (if RACC is the Servicer), either (I) RACC ceases to be a wholly-owned subsidiary of the Performance Guarantor; or (II) RACC shall consolidate, merge, or convey or transfer its properties and assets substantially as an entity to any Person unless either (1) (A) either (i) the surviving Person's performance is either guaranteed by the Performance Guarantor or another entity having the same or higher creditworthiness than the Performance Guarantor and in no event less than "A-" by S&P, "A3" by Moody's and "A-" by Fitch, or (ii) the surviving Person has the same or higher creditworthiness than the Performance Guarantor and in no event less than "A-" by S&P, "A3" by Moody's and "A-" by Fitch and (B) the Person formed by such consolidation shall be organized and existing under the laws of the United States and shall expressly assume, in an agreement in form and substance reasonably acceptable to each of the Administrative Agent and the Control Party, the performance of every covenant and obligation of the Servicer under the Transaction Documents to which it is a party or (2) each of the Administrative Agent and the Control Party consents in writing prior to such action and (d) the Performance Guarantor, the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of fifty percent (50%) or more of the outstanding shares of voting stock of the Performance Guarantor.

"Closing Date" means September 30, 2003.

"Code" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated and rulings issued thereunder.

"Collection Account" is defined in Section 2.9(a).

"Collection Account Bank" means the bank designated as such as set forth in Schedule 4.1(r), as such Schedule 4.1(r) may be modified pursuant to Section 4.1(r).

"Collections" means, with respect to Receivables, all cash collections and other cash proceeds of Receivables from and after the Cut-off Date (including, without limitation, Advance Payments), including all finance charges, if any, and cash proceeds of Affected Assets, Related Security and all Deemed Collections.

"Commercial Paper" means the promissory notes issued or to be issued by the Conduit Purchaser (or its related commercial paper issuer if the Conduit Purchaser does not itself issue commercial paper) in the commercial paper market.

"Commitment" means, with respect to each Alternate Purchaser, as the context requires, (a) the commitment of such Alternate Purchaser to make the Investment and to pay Assignment Amounts in accordance herewith in an amount not to exceed the amount described in the following clause (b), and (b) the dollar amount set forth opposite such Alternate Purchaser's signature on the signature pages hereof under the heading "Commitment" (or in the case of an Alternate Purchaser which becomes a party hereto pursuant to an Assignment and Assumption Agreement, as set forth in such Assignment and Assumption Agreement), minus the dollar amount of any Commitment or portion thereof assigned by such Alternate Purchaser pursuant to

an Assignment and Assumption Agreement, plus the dollar amount of any increase to such Alternate Purchaser's Commitment consented to by such Alternate Purchaser prior to the time of determination; provided, however, that, except as otherwise provided in Section 3.3(b), in the event that the Facility Limit is reduced, the aggregate of the Commitments of all the Alternate Purchasers shall be reduced in a like amount and the Commitment of each Alternate Purchaser shall be reduced in proportion to such reduction.

"Conduit Assignee" means any special purpose entity that finances its activities directly or indirectly through asset backed commercial paper and is administered by Bank of America or any of its Affiliates and designated by Bank of America from time to time to accept an assignment from the Conduit Purchaser of all or a portion of the Net Investment.

"Conduit Purchaser" means Receivables Capital Corporation and any Conduit Assignee thereof.

"Conduit Purchaser Percentage" means at any time, one hundred percent (100%), minus the Alternate Purchaser Percentage at such time.

"Contract" means, in relation to any Receivable, the collective reference to the promissory notes, security agreements, leases, subleases, financing and security agreements, contracts, documents and instruments pursuant to which RACC has (i) lent such Obligor funds to purchase an Aircraft or, in the case of an Aircraft Fractional Share, an undivided interest in an Aircraft, and such Obligor has agreed to make monthly or quarterly installment payments in respect of such purchase, or (ii) leased an Aircraft to such Obligor, in each case, as amended, amended and restated, supplemented or otherwise modified from time to time pursuant to and in accordance with the terms thereof.

"Contract File" means, with respect to each Contract (which may consist of one or more separate files) (a) in the case of (i) loans (including those relating to each Aircraft Fractional Share), the original promissory note and a copy of the recorded security agreement, (ii) leases, the original lease and either an assignment of rents and proceeds of any residual interest or a copy of the recorded Assignment of Rents, subject to the Investment Condition, and (iii) conditional sales, if any, the original conditional sale agreement and a copy of the recorded security agreement, and in all cases (b) the original guaranty (if applicable), (c) copies of all amendments to any of the foregoing documents, (d) the registration application of the related Obligor (or a legal opinion confirming the filing thereof) with respect to the related Aircraft, (e) the certificate of registration in favor of RARC or the related Obligor (or a legal opinion confirming that RARC or such Obligor has title to the related Aircraft), (f) all related account/billing information, (g) a current insurance certificate or other evidence of insurance, (h) all related credit/customer financial information, (i) to the extent applicable, copies of (x) all lease option agreements, (y) the associated purchase and sale agreement and (z) any associated assignment agreements, and (j) to the extent that such documents exist in the Contract File, all other agreements, documents, certificates, reports, schedules and correspondence relating thereto.

"Control Party" means, (i) if no Insurer Default has occurred and is continuing, the Insurer, and (ii) if an Insurer Default has occurred and is continuing, the Administrative Agent.

"Corporate Services Provider" is defined in Section 11.13.

"CP Rate" is defined in Section 2.4.

"Credit and Collection Policy" means RACC's credit and collection policy or policies and practices, relating to Contracts and Receivables as in effect on the Closing Date and set forth in Exhibit B, as modified, from time to time, pursuant to and in accordance with Sections 6.1(a)(iv) and 6.2(c).

"Cut-off Date" means August 24, 2003.

"Deemed Collections" means any Collections on any Receivable deemed to have been received pursuant to Section 2.6.

"Default Interest" is defined in Section 2.7.

"Defaulted Receivable" means, as determined at the end of each Fiscal Month, a Receivable (a) as to which any payment of principal or interest, or part thereof, remains unpaid for 180 days or more from the original due date (excluding interest on arrears) for such Receivable; (b) as to which an Event of Bankruptcy has occurred and is continuing with respect to the Obligor thereof; (c) which, consistent with the Credit and Collection Policy, should be written off as uncollectible; or (d) as to which the related Aircraft has been repossessed or the Servicer has initiated the repossession process (it being understood that any Receivable (i) that became a Defaulted Receivable pursuant to clause (a) above during the previous Fiscal Month and has become less than 180 days past due by the end of such Fiscal Month, or (ii) for which an Eligible Substitute Receivable has been substituted therefor as provided in Section 2.17 shall no longer be considered a Defaulted Receivable for the purpose of calculating Minimum Equity under this Agreement or the other Transaction Documents unless and until one of the events described in clauses (a) through (d) subsequently occurs with respect thereto).

"Defaulting Alternate Purchaser" is defined in Section 2.3(e).

"Deferred Investment Amount" is defined in Section 2.9(c).

"Deferred Investment Return Date" is defined in Section 2.9(c).

"Deferred Investment Request Date" is defined in Section 2.9(c).

"Delinquent Receivable" means a Receivable: (a) as to which any payment of principal or interest, or part thereof, remains unpaid for more than ninety (90) days from the original due date (excluding interest on arrears) for such Receivable and (b) which is not a Defaulted Receivable.

"Dilution" means a reduction in the Unpaid Balance of any Receivable attributable to any non-cash items including credits, billing errors, sales or similar taxes, volume discounts, allowances, disputes, set-offs, counterclaims, chargebacks, returned or repossessed goods, sales and marketing discounts, warranties, any unapplied credit memos and other adjustments that are made in respect of Obligors, except any write-off in respect of a Defaulted Receivable.

"Dollar" or "$" means the lawful currency of the United States.

"Downgrade Collateral Account" is defined in Section 3.2(a).

"Downgrade Draw" is defined in Section 3.2(a).

"Eligible Investments" means any of the following investments denominated and payable solely in Dollars: (a) readily marketable debt securities issued by, or the full and timely payment of which is guaranteed by the full faith and credit of, the federal government of the United States, (b) insured demand deposits, time deposits and certificates of deposit of any commercial bank rated "A-1+" by S&P, "P-1" by Moody's and "A-1+" by Fitch, (c) no load money market funds rated in the highest ratings category by each of the Rating Agencies (without the "r" symbol attached to any such rating by S&P), (d) commercial paper of any corporation incorporated under the laws of the United States or any political subdivision thereof, provided that such commercial paper is rated "A-1+" by S&P, "P-1" by Moody's and "A-1+" by Fitch (without the "r" symbol attached to any such rating by S&P) and (e) until such time as either the Administrative Agent or the Control Party notifies the Servicer that such investment is no longer an "Eligible Investment", the JPMorgan U.S. Government Money Market Fund so long as such investments provide for daily liquidity and is rated "AAA" by S&P and "Aaa" by Moody's.

"Eligible Receivable" means, as of the Closing Date, any Receivable:

(a) which (i) was originated by RACC in the ordinary course of its business and (ii) relates to an Aircraft manufactured by RAC;

(b) (i) which arises pursuant to a Contract and with respect to which each of the Raytheon Entities, as applicable, has performed all obligations then required to be performed by it thereunder, (ii) which has been billed to the relevant Obligor and (iii) which arises pursuant to a Contract that (I) conforms in all material respects with RACC's standard form contracts (copies of which have been provided, on or prior to the Closing Date, to the Administrative Agent and the Insurer) on or prior to the Closing Date as such Contract may be modified (solely to the extent necessary to comply with applicable Law in such countries, or as recommended by Local Aviation Counsel so as to make such form more favorable to RACC) and (II) contains customary remedies after default (including, without limitation, acceleration of payments and foreclosure rights);

(c) (i) with respect to which no portion has been or should have been written off as uncollectible in accordance with the terms of the Credit and Collection Policy and (ii) which complies in all material respects with the Credit and Collection Policy existing on the Closing Date (including, without limitation, policies relating to writeoffs of any Receivable and the policies and practices maintained by the Servicer's computer system);

(d) (i) which, together with the related Leased Aircraft and the other Affected Assets, has been sold or contributed by the Originator to the Transferor pursuant to (and in accordance with) the First Tier Agreement, (ii) which, together with the other Affected Assets (but not including the Transferor's title to the related Leased Aircraft), has been sold by the Transferor to the Seller pursuant to (and in accordance with) the Sale and

Conveyance Agreement, and (iii) with respect to which the Transferor has good and marketable title to the related Leased Aircraft and the Seller has good and marketable title to such Receivables and the Related Security (other than title to the related Leased Aircraft), in each case, free and clear of all Adverse Claims (other than any Permitted Lien);

(e) which, together with the related Obligor, is listed on the Schedule of Receivables;

(f) (I) the Obligor of which (i) is not an Affiliate or employee of any of the Raytheon Entities, (ii) is not an Official Body, (iii) has not become the subject of an Event of Bankruptcy and (iv) has made at least one payment under the related Contract and (II) in the case of an Aircraft Fractional Share, the Obligor of which and each of the other co-owners of the related Aircraft (A) is a "Citizen of the United States" (as such term is defined in the Federal Aviation Act) and (B) has executed and filed with the FAA an "AC Form 8050-1 Aircraft Registration Application" covering such Aircraft showing each such Person's undivided interest in the applicable Aircraft;

(g) [Reserved];

(h) which under the related Contract and applicable Law is freely assignable for the purposes of the transactions contemplated by this Agreement and the other Transaction Documents without the consent of, or notice to, the Obligor thereunder unless such consent has been obtained and is in effect or such notice has been given;

(i) which, together with the related Contract, is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms and is not subject to (i) to the knowledge of the Seller and the Servicer after due inquiry, any litigation to which any Raytheon Entity or Flight Options is a party or as to which any Raytheon Entity or Flight Options has received notice or (ii) any dispute (other than litigation), offset, counterclaim, rescission or other defense;

(j) which is denominated and payable only in Dollars in the United States;

(k) which is not a Defaulted Receivable;

(l) which is not a Delinquent Receivable;

(m) which, together with the related Contract, has not been, to the knowledge of the Seller and the Servicer after due inquiry, compromised, adjusted, released or modified (including by the extension of time for payment or the granting of any discounts, allowances or credits), except as any such amendment, compromise, adjustment, release or modification is contained in the Contract File related thereto (other than Receivables in respect of Aircraft Fractional Shares);

(n) which is either an "account", "chattel paper" or a "general intangible" within the meaning of Article 9 of the UCC of all applicable jurisdictions; and, if the

related Contract constitutes "chattel paper", with respect to which (i) there is an original executed counterpart thereof in the related Contract File and (ii) all other items in the related Contract File with respect thereto have been delivered to and are at all times, in the possession of the Servicer;

(o) which is an "eligible asset" as defined in Rule 3a-7 under the Investment Company Act of 1940;

(p) which, together with the Contract related thereto, does not, to the knowledge of the Seller and the Servicer, conflict with any Laws applicable thereto (including, Laws relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no part of the Contract related thereto is in violation of any Law;

(q) the assignment of which under the First Tier Agreement by the Originator to the Transferor, under the Sale and Conveyance Agreement by the Transferor to the Seller, and hereunder by the Seller to the Administrative Agent, does not violate, conflict or contravene any applicable Law or any contractual or other restriction, limitation or encumbrance;

(r) which (together with the Related Security and the Affected Assets related thereto) has been the subject of either a valid transfer and assignment from, or the grant of a first priority perfected security interest therein, by the Seller to the Administrative Agent, subject to the Investment Condition, on behalf of the Secured Parties, of all of the Seller's right, title and interest therein, effective until the Final Payout Date (unless repurchased or substituted at an earlier date pursuant to and in accordance with the terms of this Agreement);

(s) with respect to which the Servicer is in possession of each item contained in the related Contract File;

(t) with respect to which (i) the related Obligor has insurance coverage in full force and effect, as required under the related Contract, (ii) the Seller (or an Affiliate thereof) has insurance coverage in full force and effect with respect to contingent hull and liability and contingent war and liability and (iii) if so noted in Schedule II, the Seller (or an Affiliate thereof) has repossession insurance in full force and effect;

(u) with respect to which, to the knowledge of the Seller and the Servicer, (i) the related Obligor has not violated or failed to comply with any Law and (ii) the Aircraft related thereto complies with all applicable governmental aviation laws, regulations and rules;

(v) which, together with the related Contract, is in compliance with all applicable FAA laws and regulations and any other applicable Law;

(w) with respect to which each document, certificate, instrument and other agreement required to be on file with any Aviation Authority, subject to the Investment Condition, has been filed and recorded (i) in order to transfer to and perfect the Seller's

interest in such Receivable and the other Affected Assets related thereto and (ii) in order to perfect the Administrative Agent's interest in such Receivable and the other Affected Assets related thereto;

(x) with respect to which the Seller (or the Servicer on behalf of the Seller) has, on or prior to the Closing Date, delivered to the Administrative Agent and the Insurer a true and accurate schedule of payments (based on current interest rates);

(y) which, if such Receivable arises under a Contract which is a lease, such lease (i) is a "triple net lease", pursuant to which the related Obligor is responsible for the maintenance, taxes and insurance with respect to the related Aircraft in accordance with the Credit and Collection Policy, (ii) contains a "hell or high water" or other similar clause, which such clause unconditionally obligates the related Obligor to make all payments thereunder, without deduction or setoff of any kind, and (iii) is a non-cancelable contract and no portion of which has been or is (pursuant to the terms of such lease) subject to rejection, voluntary prepayment, early termination or non-assumption, prior to the original term of such lease (other than in the case of voluntary prepayments, solely in accordance with the terms of such lease);

(z) as to which, to the knowledge of the Seller and the Servicer, no scheduled maintenance with respect to the Aircraft related thereto has failed to be performed and completed in a timely fashion;

(aa) with respect to which, together with the related Contract thereto, any and all payments and deposits required to be made hereunder or under any other Transaction Document by the related Obligor are made free and clear of, and without deduction for, any and all present or future taxes (including, without limitation, withholding taxes), levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto;

(bb) which arises under a Contract that requires payments to be made on a monthly or quarterly basis;

(cc) with respect to which, if the related Contract is a lease, the related Obligor has accepted the Aircraft and is in possession of the related Aircraft subject to the related lease and is not subleasing such Aircraft to any other Person, except as set forth in Schedule II;

(dd) which, if the related Contract is a lease, arises under a lease that (pursuant to its terms) is not a "consumer contract" (as such term is used in the applicable UCC);

(ee) with respect to which none of RACC, the Transferor nor the Seller has used any selection procedures that identified such Receivable as being less desirable or valuable than other receivables arising under comparable leases or contracts originated by RACC with respect to selection of the Receivables to be purchased hereunder and under any of the other Transaction Documents;

(ff) with respect to which the related Aircraft has not suffered a total loss and, any damage that is less than a total loss with respect to such Aircraft has been repaired and, to the knowledge of the Seller and the Servicer, such Aircraft is in good working condition;

(gg) which is secured by the applicable Obligor's entire interest in the related Aircraft or Aircraft Fractional Share, as applicable;

(hh) with respect to which (i) no cash deposit exists (other than cash deposits by those Obligors set forth in Schedule II, in the amounts set forth therein) and (ii) no letter of credit exists (other than the letters of credit set forth in Schedule II and, on the Closing Date, which are in the possession of the Servicer, for the benefit of the Secured Parties);

(ii) with respect to which, together with the related Affected Assets, all written information provided by the Seller or the Servicer (or any Affiliate thereof) to the Administrative Agent or the Insurer is true and correct in all material respects (it being understood that to the extent any such information was provided by an Obligor to the Seller or the Servicer (or any Affiliate thereof), such information, to the knowledge of the Seller and the Servicer, has no inaccuracies); and

(jj) with respect to which the master data processing records of the Servicer contain codes which indicate the conveyances of such Receivable from the Originator to the Transferor, from the Transferor to the Seller and from the Seller to the Administrative Agent, in each case as contemplated by the Transaction Documents.

"Eligible Substitute Receivable" is defined in Section 2.17(a).

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

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Originator, the Transferor or the Seller, 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" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Pension Plan; (b) the adoption of any amendment to a Pension 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 Pension 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 Pension Plan; (e) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Pension Plan or the withdrawal or partial withdrawal of the Originator, the Transferor or the Seller or any of their ERISA Affiliates from any Pension Plan or Multiemployer Plan; (f) the receipt by the Originator, the Transferor or the

Seller or any of their ERISA Affiliates from the Pension Benefit Guaranty Corporation (as defined in ERISA) or a plan administrator of any notice relating to the intention to termination any Pension Plan or Pension Plans or to appoint a trustee to administer any Pension Plan; (g) the receipt by the Originator, the Transferor or the Seller or any of their ERISA Affiliates 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 Originator, the Transferor or the Seller or any of their respective ERISA Affiliates or any of their respective Subsidiaries is a "disqualified person" (within the meaning of Section 4975) of the Code, or with respect to which the Originator, the Transferor or the Seller or any such Subsidiary could otherwise be liable.

"Event of Bankruptcy" means, with respect to any Person, (a) that such Person or any Subsidiary of such Person (i) shall generally not pay its debts as such debts become due or (ii) shall admit in writing its inability to pay its debts generally or (iii) shall make a general assignment for the benefit of creditors; (b) any proceeding shall be instituted by or against such Person or any Subsidiary of such Person declaring or seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, receivership, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, liquidation, receivership, rehabilitation or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a custodian, agent, receiver, trustee or other similar official for it or any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of sixty (60) days, or one of the actions sought in such proceeding (including, without limitation, the entry of an order) for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or (c) such Person or any Subsidiary of such Person shall take any corporate, partnership or other similar action to authorize any of the actions set forth in the preceding clauses (a) or (b).

"Event of Default" is defined in Section 8.1.

"Excluded Taxes" is defined in Section 9.3.

"Facility Limit" means two hundred eighty-six million forty thousand one hundred three dollars and fifty-three cents ($286,040,103.53), as such amount may be reduced in accordance with Section 3.3; provided, that such amount may not at any time exceed the aggregate Commitments then in effect.

"FAA" means the Federal Aviation Administration of the United States, or any successor agency performing the duties thereof.

"FASB" is defined in Section 9.2.

"Federal Aviation Act" means Subtitle VII of Title 49 of the United States Code, and the rules and regulations promulgated thereunder, as in effect on the Closing Date, and as modified or amended hereafter, or any subsequent legislation that supplements or supersedes such Subtitle.

"Federal Funds Rate" is defined in Section 2.4.

"Fee Letter" means a collective reference to the Administrative Agent Fee Letter, the Purchaser Fee Letter and the Insurance Premium Letter.

"Final Payout Date" means the date on which the Net Investment has been reduced to zero, all accrued Servicing Fees have been paid in full and all other Aggregate Unpaids have been paid in full in cash.

"First Tier Agreement" means the Amended and Restated Intercompany Purchase and Contribution Agreement, dated as of September 1, 2003, between RACC and the Transferor, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the provisions of the Transaction Documents.

"Fiscal Month" means (i) so long as RACC (or an Affiliate of RACC) is acting as the Servicer, a fiscal month determined in accordance with the Performance Guarantor's accounting policies or (ii) if RACC (or an Affiliate of RACC) is not the Servicer, a calendar month.

"Fitch" means Fitch, Inc., or any successor that is a nationally recognized statistical rating organization.

"Flight Options" means Flight Options, LLC, a Delaware limited liability company.

"Flight Options Contract" means those purchase, management and other agreements, pursuant to which Flight Options (or Raytheon Travel Air, as its predecessor in interest) has sold to an Obligor an Aircraft Fractional Share and agreed to the management (including interchange arrangements) with respect thereto.

"Flight Options Management Agreements" means (i) each management agreement constituting a Flight Options Contract and (ii) each other management agreement relating to an aircraft fractional share financed by RACC, pursuant to which Flight Options (or Raytheon Travel Air, as its predecessor in interest) has agreed to the management of such aircraft fractional share.

"Flight Options Trigger Event" means, at any time, that either (i) an Event of Bankruptcy has occurred and is continuing with respect to Flight Options, or (ii) obligors of five percent (5%) or more (by number) of receivables relating to the Flight Options Management Agreements have asserted or claimed in writing a default or an event of default (regardless of how described or named) by Flight Options with respect to the management obligations of Flight Options under the related Flight Options Management Agreement and in each case such assertion or claim is continuing at such time.

"Fluctuation Factor" is defined in Section 2.4.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the FASB or in such other statements by such accounting profession, in effect from time to time.

"GARC" is defined in the preamble.

"Guaranty" means, with respect to any Person, any agreement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes liable upon, the obligation of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person or otherwise assures any other creditor of such other Person against loss, including any comfort letter, operating agreement or take-or-pay contract and shall include the contingent liability of such Person in connection with any application for a letter of credit.

"Indebtedness" means, without duplication, with respect to any Person, such Person's (a) obligations for borrowed money, (b) obligations representing the deferred purchase price of property other than accounts payable arising in the ordinary course of such Person's business on terms customary in the trade, (c) obligations, whether or not assumed, secured by liens or payable out of the proceeds or products of property now or hereafter owned or acquired by such Person, (d) obligations which are evidenced by notes, acceptances (including bankers acceptances), or other instruments, (e) Capitalized Lease obligations, (f) obligations for which such Person is obligated pursuant to a Guaranty, (g) reimbursement obligations with respect to any letters of credit and (h) any other liabilities which would be treated as indebtedness in accordance with GAAP.

"Indemnified Amounts" is defined in Section 9.1.

"Indemnified Parties" is defined in Section 9.1.

"Insurance and Reimbursement Agreement" means that certain Insurance and Reimbursement Agreement, dated as of the Closing Date, among the Insurer, the Transferor, the Seller, RACC, the Performance Guarantor and the Administrative Agent, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the provisions thereof.

"Insurance Policy" means that certain financial guaranty insurance policy number 42457, dated the Closing Date, by the Insurer in favor of the Administrative Agent, for the benefit of the Purchasers, without giving effect to any amendment, amendment and restatement, supplement or other modification or replacement thereof that has not been consented to in writing by the Administrative Agent.

"Insurance Premium Letter" means that certain Premium Letter Agreement, dated as of the Closing Date, between the Seller and the Insurer, without giving effect to any amendment, amendment and restatement, supplement or other modification or replacement thereof that has not been consented to in writing by the Administrative Agent.

"Insurer" means (i) MBIA Insurance Corporation, a New York stock insurance company; and (ii) any other replacement Insurer, acceptable to the Administrative Agent, subject only to the conditions for replacement set forth in the Insurance and Reimbursement Agreement.

"Insurer Default" means (a) a default by the Insurer of its obligations to pay any amount payable under the Insurance Policy by the second (2nd) Business Day after such amount is due

and payable, (b) the occurrence of an Event of Bankruptcy with respect to the Insurer or (c) the New York State Superintendent of Insurance shall have applied for an order to rehabilitate, liquidate or dissolve the Insurer, or shall have determined that the Insurer is insolvent, or that the Insurer shall have become subject to any of the actions set forth in the definition "Event of Bankruptcy".

"Interest Component" means, at any time of determination, the aggregate Yield accrued and to accrue through the end of the current Rate Period for the Portion of Investment accruing Yield calculated by reference to the CP Rate at such time (determined for such purpose using the CP Rate most recently determined by the Administrator, multiplied by the Fluctuation Factor).

"Investment" is defined in Section 2.2.

"Investment Condition" means that Security Agreements in favor of the Seller and the Administrative Agent have been fully signed and properly filed with the FAA and other applicable Aviation Authorities with respect to Aircraft and Aircraft Fractional Shares constituting not less than ninety percent (90%) of the Aggregate Collateral Value.

"Investment Deficit" is defined in Section 2.3(e).

"knowledge" means, with respect to a Person, the actual knowledge of any responsible officer of such Person without any requirement of investigation or inquiry by such officer.

"Law" means any law (including, but not limited to, common law), the Federal Aviation Act, constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree, judgment or award of any Official Body.

"Leased Aircraft" means each Aircraft subject to a Contract which is a lease and title with respect to which is held or is purported to be held by the Transferor.

"Leased Aircraft Collateral" is defined in Section 8.3.

"Local Aviation Counsel" means (a) with respect to each Aircraft which is registered with the FAA, Crowe & Dunlevy or, in certain cases, Harper Meyer, and (b) with respect to each Aircraft which is registered with an Aviation Authority (other than the FAA), special counsel in respect of local law applicable to general aviation matters, which counsel shall be reasonably acceptable to each of the Administrative Agent and the Control Party.

"Lockbox Account" is defined in Section 2.9(b).

"Majority Purchasers" means, at any time, the Administrative Agent and those Alternate Purchasers which hold Commitments aggregating in excess of sixty-six and two-thirds percent (66 2/3%) of the Facility Limit as of such date (or, if the Commitments shall have been terminated, the Administrative Agent and one or more Alternate Purchasers whose aggregate pro rata shares of the Net Investment exceed sixty-six and two-thirds percent (66 2/3%) of the Alternate Purchaser Percentage of the Net Investment).

"Material Adverse Effect" means any event or condition which would have a material adverse effect on (a) the collectibility of the Receivables, (b) the condition (financial or otherwise), businesses or properties of the Transferor, the Seller, the Servicer or the Performance Guarantor, (c) the ability of the Originator, the Transferor, the Seller, the Servicer or the Performance Guarantor to perform its respective obligations under the Transaction Documents to which it is a party, or (d) the interests of any of the Secured Parties under any Transaction Document.

"Maximum Permitted Dividend Amount" means, at any time prior to the Final Payout Date, twenty-three million five hundred seventy-eight thousand one dollars and seventeen cents ($23,578,001.17).

"Minimum Capital Payment" means, as of any Settlement Date, the amount (if any) necessary to cause the aggregate cumulative reductions in the Investment to be equal to the corresponding amount set forth on Annex A with respect to such Settlement Date and all prior Settlement Dates.

"Minimum Equity" means, as of the end of any Fiscal Month, a fraction (expressed as a percentage) (a) the numerator of which is the aggregate Unpaid Balance of the Receivables in which the Administrative Agent has an interest which are not Defaulted Receivables minus the Net Investment and (b) the denominator of which is the aggregate Unpaid Balance of the Receivables in which the Administrative Agent has an interest which are not Defaulted Receivables.

"Monthly Servicer Report" means a report, substantially in the form attached hereto as Exhibit C or in such other form as is mutually agreed to by the Seller, the Servicer, the Administrative Agent and the Insurer, furnished by the Servicer pursuant to Section 2.8 for each Fiscal Month.

"Moody's" means Moody's Investors Service, Inc., or any successor that is a nationally recognized statistical rating organization.

"Multiemployer Plan" is defined in Section 4001(a)(3) of ERISA.

"Net Investment" at any time means (a) the sum of the cash amount paid to the Seller pursuant to Sections 2.2 and 2.3 less (b) the aggregate amount of Collections theretofore received and applied by the Administrative Agent to reduce such Net Investment pursuant to Section 2.12; provided that the Net Investment shall be restored and reinstated in the amount of any Collections so received and applied if at any time the distribution of such Collections is rescinded or must otherwise be returned for any reason.

"Non-Defaulting Alternate Purchaser" is defined in Section 2.3(e).

"Notice of Release" means a notice, substantially in the form attached hereto as Exhibit G or in such other form as is mutually agreed to by the Seller, the Servicer, the Administrative Agent and the Insurer, furnished by the Control Party pursuant to Section 2.9(c).

"Obligor" means, with respect to any Receivable, the Person primarily obligated to make payments in respect of such Receivable pursuant to a Contract.

"Official Body" means any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of any such government or political subdivision, or any court, tribunal, grand jury or arbitrator; or any accounting board or authority (whether or not a part of government) which is responsible for the establishment or interpretation of national or international accounting principles, in each case whether foreign or domestic.

"Offshore Rate" is defined in Section 2.4.

"Originator" is defined in the preamble.

"Originator Obligations" is defined in Section 11.18.

"Overdue Rate" is defined in Section 2.7.

"Payee" is defined in Section 9.3.

"Payor" is defined in Section 9.3.

"Pension Plan" means 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 Performance Guarantor 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.

"Performance Guarantor" means Raytheon Company, a Delaware corporation.

"Performance Guaranty" means that certain Amended and Restated Guarantee, dated as of September 1, 2003, made by the Performance Guarantor in favor of the Administrative Agent, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the provisions of the Transaction Documents.

"Permissible Servicer Expenses" means commercially reasonable out of pocket fees and expenses incurred by the Servicer in connection with the repossession, refurbishment and re-marketing of the Aircraft securing any Defaulted Receivable, including, without limitation, all such amounts paid by the Servicer to its Affiliates and other third parties for such services, but specifically excluding costs associated with the Servicer's infrastructure, including costs associated with its physical offices and employee salaries.

"Permitted Aircraft Lien" means, with respect to any Aircraft:

(A) any materialman's, mechanic's, workman's, repairman's or other similar Adverse Claim which (i) arises in favor of a Person contracted by and on behalf of the Obligor on the related Contract, (ii) arises in the ordinary course of business and (iii) (X) has been released or bonded against (or other credit assurances provided) in favor of the Administrative Agent and the

Purchasers in an amount at least equal to the obligations secured by such Adverse Claim and otherwise in a manner reasonably satisfactory to each of the Administrative Agent and the Control Party not more than sixty (60) days after the earliest date on which the Transferor, the Seller or the Servicer knew of such Adverse Claim or (Y) secures obligations which are being contested in good faith by appropriate proceedings, so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of such Aircraft or any interest therein, or

(B) any Adverse Claim which (i) is involuntary in nature, (ii) secures either (X) state taxes not yet due by the Obligor on the related Contract or which are being contested in good faith by appropriate proceedings by the Obligor or (Y) any judgment or decree entered against such Obligor, (iii) secures obligations which are immaterial in amount in relation to such Receivable and (iv) does not involve any material danger of the sale, forfeiture or loss of such Aircraft; or

(C) any Adverse Claim arising under the related Contract or under the Transaction Documents in favor of the Originator, the Transferor, the Seller and/or the Administrative Agent, as applicable; or

(D) solely with respect to any Aircraft as to which the Originator's, the Transferor's and/or the Seller's interest is limited to an Aircraft Fractional Share, Adverse Claims on the undivided interest(s) in the related Aircraft which are not owned by the related Obligor.

"Permitted Dividends" means, distributions from the Seller to its stockholders, which at all times shall be subject to the provisions of Section 2.14, and which distributions shall be payable from Available Funds and in accordance with and subject to the priorities for payment set forth in Section 2.12 (it being understood that at no time shall the aggregate amount of Permitted Dividends so distributed exceed the Maximum Permitted Dividend Amount).

"Permitted Lien" means a Permitted Aircraft Lien or a Permitted Receivable Lien, as applicable.

"Permitted Receivable Lien" means, with respect to any Receivable:

(A) if for any reason the Receivables are held to be the property of the Seller or if for any other reason the Transaction Documents are held or deemed not to effect an absolute sale of the Receivables to the Administrative Agent for the benefit of the Purchasers, any Adverse Claim which (i) is involuntary in nature, (ii) secures state taxes not yet due by the Seller or which are being contested in good faith by appropriate proceedings by the Seller or any of its Affiliates (so long as adequate reserves with respect thereto are maintained on the books of the Seller or such Affiliate in conformity with GAAP), (iii) secures obligations which are immaterial in amount in relation to the Receivables taken as a whole, (iv) does not involve any material danger of the sale, forfeiture or loss of any Receivable, the Collections with respect thereto and the related Contract, and Aircraft or any other Material Adverse Effect and (v) does not have priority over the lien of the Administrative Agent in such Receivable; or

(B) any Adverse Claim created under the Transaction Documents in favor of the Transferor, the Seller and/or the Administrative Agent, as applicable.

"Person" means an individual, partnership, limited liability company, corporation, joint stock company, trust (including a business trust), unincorporated association, joint venture, firm, enterprise, Official Body or any other entity.

"Portion of Investment" is defined in Section 2.4(a).

"Program Fee Rate" means a rate per annum specified as such in the Purchaser Fee Letter.

"Program Support Agreement" means and includes any agreement entered into by any Program Support Provider providing for the issuance of one or more letters of credit for the account of the Conduit Purchaser (or any related commercial paper issuer that finances the Conduit Purchaser), the issuance of one or more surety bonds for which the Conduit Purchaser (or such related issuer) is obligated to reimburse the applicable Program Support Provider for any drawings thereunder, the sale by the Conduit Purchaser (or such related issuer) to any Program Support Provider of the Asset Interest (or portions thereof or participations therein) and/or the making of loans and/or other extensions of credit to the Conduit Purchaser (or such related issuer) in connection with its commercial paper program, together with any letter of credit, surety bond or other instrument issued thereunder.

"Program Support Provider" means and includes any Person now or hereafter extending credit or having a commitment to extend credit to or for the account of, or to make purchases from, the Conduit Purchaser (or any related commercial paper issuer that finances the Conduit Purchaser) or issuing a letter of credit, surety bond or other instrument to support any obligations arising under or in connection with the Conduit Purchaser's (or such related issuer's) commercial paper program.

"Pro Rata Share" means, for an Alternate Purchaser, (a) the Commitment of such Alternate Purchaser, divided by (b) the sum of the Commitments of all Alternate Purchasers (or, if the Commitments shall have been terminated, its pro rata share of the Alternate Purchaser Percentage of the Net Investment).

"Purchaser Fee Letter" means the confidential letter agreement, dated the Closing Date, among the Seller, the Servicer, the Conduit Purchaser and the Administrative Agent, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms and with written notice of each such modification from the Servicer to the Insurer and each of the Rating Agencies (and, solely to the extent that such amendment, amendment and restatement, supplement or modification causes the per annum rate at which Yield is calculated to exceed the equivalent of the Offshore Rate plus seventy-five basis points (0.75%) per annum, with the prior written consent of the Insurer).

"Purchaser(s)" means the Conduit Purchaser and/or the Alternate Purchasers, as the context may require.

"RAC" means Raytheon Aircraft Company, a Kansas corporation.

"RAH" means Raytheon Aircraft Holdings, Inc., a Kansas corporation.

"RACC" is defined in the preamble.

"RACC Intrust Bank Account" means, collectively, that certain lockbox account, in the name of RACC and maintained at Intrust Bank, N.A., and any successor account thereto where collections in respect of RACC's or RARC's receivables are sent.

"RARC" is defined in the preamble.

"Rate Period" is defined in Section 2.4.

"Rate Type" is defined in Section 2.4.

"Rating Agencies" means Fitch, Moody's and S&P.

"Raytheon Aircraft and Affiliated Companies Account" means, collectively, that certain account (bearing account number 0053321112) in the name of RAC and maintained at Fleet Bank, N.A, and any successor account thereto where collections in respect of RACC's or RARC's receivables are sent.

"Raytheon Entities" means each of the Performance Guarantor, RACC, RARC and the Seller.

"Raytheon Revolver" means the Five-Year Competitive Advance and Revolving Credit Facility Agreement, dated as of November 28, 2001, among the Performance Guarantor, as borrower, Raytheon Technical Services Company and RAC, as guarantors, the lenders party thereto, JPMorgan Chase Bank, as administrative agent, and the other agents party thereto, as in effect on the Closing Date and as the same may be amended, amended and restated, supplemented or otherwise modified, subject to the terms and provisions set forth in Schedule III of this Agreement.

"Raytheon Travel Air" means Raytheon Travel Air Company, a Kansas corporation.

"Receivable" means any indebtedness and other obligations owed to the Originator or to the Transferor or the Seller or any right of the Originator or the Transferor or the Seller to payment from or on behalf of an Obligor, in respect of any scheduled payment of interest, principal or otherwise under a Contract related to a Receivable listed on the Schedule of Receivables, or any right to reimbursement for funds paid or advanced by the Originator or the Transferor or the Seller on behalf of an Obligor under such Contract, whether constituting an account, chattel paper, payment intangible, instrument or general intangible (whether or not earned by performance), together with all supplemental or additional payments required by the terms of such Contract with respect to insurance, maintenance, ancillary products and services and any other specific charges (including, without limitation, the obligation to pay any finance charges, fees and other charges with respect thereto).

"Recipient" is defined in Section 2.10.

"Records" means all Contracts and other documents, purchase orders, invoices, agreements, books, records and any other media, materials or devices for the storage of

information (including tapes, disks, punch cards, computer programs and databases and related property) maintained by the Originator, the Transferor, the Seller or the Servicer with respect to the Receivables, any other Affected Assets or the Obligors.

"Recovery Proceeds" means, for each Defaulted Receivable at the end of each Fiscal Month, any payments received into the Collection Account with respect to such Receivable following its classification and during its continuation as a Defaulted Receivable and after deduction of Permissible Servicer Expenses with respect to such Receivable which have not been previously paid to the Servicer pursuant to Section 2.12 (including, but not limited to, any further installments paid, any payments in relation to past due amounts, any proceeds resulting from the trade-in of the related Aircraft or otherwise and any sales proceeds following either the negotiated sale or repossession of the related Aircraft).

"Related Commercial Paper" means, at any time of determination, Commercial Paper, the proceeds of which are then allocated by the Administrator as the source of funding for the acquisition or maintenance of, the Asset Interest.

"Related Security" means with respect to any Receivable, as applicable, all of RACC's (without giving effect to any transfer under the First Tier Agreement), the Transferor's (without giving effect to any transfer under the Sale and Conveyance Agreement) or the Seller's (without giving effect to any transfer under this Agreement) right, title and interest in, to and under:

(a) any Aircraft or any Aircraft Fractional Share (including returned or repossessed Aircraft) and documentation or title evidencing the shipment or storage of any Aircraft relating to any sale giving rise to such Receivable;

(b) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements and other filings authorized or signed, as applicable, by an Obligor relating thereto;

(c) the Contract and all letters of credit, guarantees, indemnities, warranties, insurance (and proceeds and premium refunds thereof) or other agreements or arrangements of any kind from time to time supporting or securing payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise;

(d) all Records related to such Receivable; and

(e) all Collections on and other proceeds of any of the foregoing.

"Reporting Date" is defined in Section 2.8.

"Required Downgrade Assignment Period" is defined in Section 3.2(a).

"Restricted Payments" is defined in Section 6.2(k).

"Sale and Conveyance Agreement" is defined in the recitals.

"Schedule of Receivables" means the listing of all Receivables and the Unpaid Balance and accrued interest with respect thereto as of the Cut-off Date, as initially set forth in Schedule IV (or, in the case of an Eligible Substitute Receivable, as of the date such Eligible Substitute Receivable is substituted pursuant to the terms of this Agreement) acquired by the Seller on or prior to the Closing Date, pursuant to the Sale and Conveyance Agreement, certified by the Transferor, the Seller and the Servicer, which list is, at all times, maintained by the Servicer for the benefit of the Administrative Agent on behalf of the Secured Parties, as such list shall be amended, amended and restated, supplemented or otherwise updated or modified by the Servicer from time to time in connection with any repurchase or substitution of any Receivable by the Seller or the Servicer, as applicable, pursuant to this Agreement and the other Transaction Documents (it being understood that if the Servicer fails to correctly update such Schedule of Receivables, such Schedule of Receivables may be updated by the Control Party).

"Secured Parties" means a collective reference to the Administrative Agent, the Administrator, each Purchaser, the Insurer, each Indemnified Party and each Affected Party.

"Security Agreement" means each Uniform Commercial Code financing statement and each other document, mortgage, charge, instrument, agreement or certificate (including, without limitation, any power of attorney granted by the Administrative Agent) which is or has been entered into pursuant to the terms of this Agreement or otherwise to establish and/or perfect the security interest of the Administrative Agent on behalf of the Secured Parties (including the underlying security interests of the Originator, the Transferor and the Seller) in any Aircraft or other Affected Asset or to otherwise protect the interests of the Administrative Agent, the Purchasers and the Insurer in any Aircraft or other Affected Asset.

"Seller" is defined in the preamble.

"Servicer" is defined in Section 7.1.

"Servicer Default" is defined in Section 7.5.

"Services" is defined in Section 7.2.

"Servicing Fee" means the fees payable to the Servicer from Collections, in an amount equal to either (i) at any time when the Servicer is RACC or any of its Affiliates, eighty-five basis points (0.85%) per annum on the aggregate Unpaid Balances of the Receivables at the end of the immediately preceding Fiscal Month, or (ii) at any time when the Servicer is not RACC or any of its Affiliates, the amount determined upon the written agreement of such Person, the Administrative Agent and the Control Party in accordance with the provisions of Section 7.6, in each case payable in arrears on each Settlement Date from Collections in accordance with and subject to the priorities for payment set forth in Section 2.12.

"Settlement Date" means the second (2nd) Business Day following the related Reporting Date or such other day as the Seller, the Servicer, the Administrative Agent and the Control Party may from time to time mutually agree in writing.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor that is a nationally recognized statistical rating organization.

"Standard of Care" is defined in Section 7.2.

"Sub-Servicer" is defined in Section 7.1(d).

"Subsidiary" means, with respect to any Person, any corporation or other Person (a) of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by such Person or (b) that is directly or indirectly controlled by such Person within the meaning of control under Section 15 of the Securities Act of 1933.

"Taxes" shall have the meaning specified in Section 9.3.

"Termination Date" means the earlier of (a) unless the Administrator elects otherwise, the date of termination of the related commitment of any Program Support Provider under a Program Support Agreement and (b) the Final Payout Date.

"Transaction Costs" is defined in Section 9.4(a).

"Transaction Documents" means, collectively, this Agreement, the First Tier Agreement, the Sale and Conveyance Agreement, the Administrative Agent Fee Letter, the Purchaser Fee Letter, the Insurance Premium Letter, each Blocked Account Agreement, the Performance Guaranty, the Insurance and Reimbursement Agreement, the Insurance Policy, each Assignment of Rents, each Security Agreement, and all of the other instruments, documents and other agreements executed and delivered by the Originator, the Transferor, the Seller, the Servicer or the Performance Guarantor in connection with any of the foregoing.

"Transferor" is defined in the preamble.

"Transferor Obligations" is defined in Section 11.18.

"UCC" means the Uniform Commercial Code as in effect in the applicable jurisdiction or jurisdictions.

"Unmatured Event of Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute an Event of Default.

"Unmatured Servicer Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Servicer Default.

"Unpaid Balance" of any Receivable means, at any time, the unpaid principal amount thereof, as calculated at the end of the most recent Fiscal Month by the Servicer and as identified by the Servicer's loan management system after giving effect to amortization and prepayment, as applicable.

"U.S." or "United States" means the United States of America.

"Withdrawal Liability" means 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.

"Yield" is defined in Section 2.4.

SECTION 1.2 Other Terms. All terms defined directly or by incorporation herein shall have the defined meanings when used in any certificate or other document delivered pursuant thereto unless otherwise defined therein. For purposes of this Agreement and all such certificates and other documents, unless the context otherwise requires: (a) accounting terms not otherwise defined herein, and accounting terms partly defined herein to the extent not defined, shall have the respective meanings given to them under, and shall be construed in accordance with, GAAP; (b) terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9; (c) references to any amount as on deposit or outstanding on any particular date means such amount at the close of business on such day; (d) the words "hereof," "herein" and "hereunder" and words of similar import refer to this Agreement (or the certificate or other document in which they are used) as a whole and not to any particular provision of this Agreement (or such certificate or document); (e) references to any Section, Schedule, Exhibit and Annex are references to Sections, Schedules, Exhibits and Annexes in or to this Agreement (or the certificate or other document in which the reference is made) and references to any paragraph, subsection, clause or other subdivision within any Section or definition refer to such paragraph, subsection, clause or other subdivision of such Section or definition; (f) the term "including" means "including without limitation"; (g) references to any Law refer to that Law as amended from time to time and include any successor Law; (h) references to any agreement refer to that agreement as from time to time amended or supplemented or as the terms of such agreement are waived or modified in accordance with its terms; (i) references to any Person include that Person's successors and permitted assigns; and (j) headings are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

SECTION 1.3 Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including", the words "to" and "until" each means "to but excluding", and the word "within" means "from and excluding a specified date and to and including a later specified date".

ARTICLE II

INVESTMENT AND SETTLEMENTS

SECTION 2.1 Transfer of Affected Assets; Intended Characterization. (a) Sale of Asset Interest. In consideration of the payment by the Administrative Agent (on behalf of either the Conduit Purchaser or the Alternate Purchasers as determined pursuant to Section 2.3) of the amount of the Investment on the Closing Date and the Administrative Agent's agreement (on behalf of either the Conduit Purchaser or the Alternate Purchasers as determined below) to make the payment to the Seller in accordance with Section 2.2, effective upon the Seller's receipt of payment for the Investment on the Closing Date, the Seller hereby sells, conveys, transfers and

assigns to the Administrative Agent, on behalf of the Secured Parties, all of the Seller's right, title and interest in, to and under (i) all Receivables existing on the Cut-off Date and listed on the Schedule of Receivables (as such schedule may be amended, amended and restated, modified or supplemented from time to time in accordance with the terms of this Agreement), and (ii) all other Affected Assets, whether existing on the Cut-off Date or thereafter arising at any time.

(b) Purchase of Asset Interest. Subject to the terms and conditions hereof, the Administrative Agent (on behalf of the applicable Secured Parties) hereby purchases and accepts from the Seller, all of the Seller's right, title and interest in, to and under the Receivables and all other Affected Assets sold, conveyed, transferred and assigned pursuant to Section 2.1(a). The Administrative Agent's right, title and interest in and to the Receivables and all other Affected Assets is herein called the "Asset Interest". The Administrative Agent shall hold the Asset Interest (i) on behalf of the Conduit Purchasers and/or the Alternate Purchasers, as applicable, in accordance with the Conduit Purchaser Percentage and the Alternate Purchaser Percentage, respectively, from time to time and (ii) on behalf of the Insurer and any other Secured Parties, in each case, to secure payment of all amounts owed from time to time to the Secured Parties under the Transaction Documents and each Raytheon Entity's performance of its obligations under the Transaction Documents. To the extent the Administrative Agent holds the Asset Interest on behalf of the Alternate Purchasers, except as otherwise provided in Section 3.3(b), the Administrative Agent shall hold the Alternate Purchaser Percentage of the Asset Interest on behalf of each Alternate Purchaser pro rata in accordance with its respective outstanding portion of the Net Investment funded by such Alternate Purchaser.

(c) Obligations Not Assumed. The foregoing sale, conveyance, transfer and assignment does not constitute and is not intended to result in the creation, or an assumption by the Administrative Agent, the Administrator, any Purchaser or the Insurer, of any obligation of the Originator, the Transferor or the Seller, or any other Person under or in connection with the Receivables or any other Affected Asset, all of which shall remain the obligations and liabilities of the Originator pursuant to the First Tier Agreement.

(d) Intended Characterization; Grant of Security Interest.

(i) The Seller, the Administrative Agent and the Purchasers intend that the sale, conveyance, transfer and assignment of all of the Seller's right, title and interest in, to and under the Receivables and the other Affected Assets to the Administrative Agent (on behalf of the Secured Parties) hereunder shall be treated as a sale for all purposes, other than federal and state income tax purposes. If notwithstanding the intent of the parties, the sale, conveyance, transfer and assignment of the Seller's right, title and interest in, to and under the Receivables and the other Affected Assets to the Administrative Agent (on behalf of the Secured Parties) is not treated as a sale for all purposes, other than federal and state income tax purposes, the sale, conveyance, transfer and assignment of the Seller's right, title and interests in, to and under the Receivables and the other Affected Assets shall be treated as the grant of, and the Seller hereby does grant, a security interest in all of its right, title and interest in, to and under the Receivables and the other Affected Assets to the Administrative Agent (on behalf of the Secured Parties) to secure the payment and performance of the Seller's obligations to the Secured Parties hereunder and under the other Transaction Documents or as may be determined in connection herewith or therewith by applicable Law.

(ii) Each of the parties hereto further expressly acknowledges and agrees that the Commitments of the Alternate Purchasers hereunder, regardless of the intended true sale nature of the overall transaction, are financial accommodations (within the meaning of Section 365(c)(2) of the Bankruptcy Code) to or for the benefit of the Seller. The parties acknowledge that the foregoing sentence is not intended to have any effect on the intended true sale nature of the transfers pursuant to the each of the First Tier Agreement and the Sale and Conveyance Agreement.

(iii) Each of the parties hereto acknowledges that the Transferor and the Seller intend that the sale, conveyance, transfer and assignment of all of the Transferor's right title and interest in, to and under the Receivables and the other Affected Assets to the Seller under the Sale and Conveyance Agreement to be true sales of the Affected Assets by the Transferor to the Seller for all purposes, and it is not the intention of the parties to the Assignments of Rents that the Leased Aircraft Collateral include any of the applicable Affected Assets to the extent that the Sale and Conveyance Agreement effects a true sale thereof from the Transferor to the Seller.

SECTION 2.2 Request for Investment. Subject to the terms and conditions hereof, including Section 2.9(c) and Article V, in consideration for the sale, conveyance, transfer and assignment of the Seller's right, title and interest in, to and under the Receivables and the other Affected Assets to the Administrative Agent (on behalf of the Secured Parties) hereunder, the Seller shall, by written request to the Administrative Agent and the Insurer, given by facsimile at least two (2) Business Days prior to the Closing Date, request the Administrative Agent (on behalf of the Conduit Purchaser or the Alternate Purchasers as determined pursuant to Section 2.3) pay to the Seller an amount equal to two hundred eighty million four hundred thirty-one thousand four hundred seventy-four dollars and five cents ($280,431,474.05) (the "Investment") on the Closing Date.

SECTION 2.3 Investment Procedures.

(a) Upon the Administrative Agent's receipt of the request referred to in Section 2.2, the Administrative Agent will promptly notify the Conduit Purchaser, and the Conduit Purchaser shall instruct the Administrative Agent to accept or reject such request by notice given to the Seller and the Administrative Agent by telephone or facsimile by no later than the close of its business on the Business Day following its receipt of such request. The request by the Seller referred to in Section 2.2 shall be irrevocable and binding on the Seller, and the Seller shall indemnify the Administrative Agent and each Purchaser against any loss or expense incurred by such Purchaser, either directly or indirectly (including, in the case of the Conduit Purchaser, through a Program Support Agreement) as a result of any failure by the Seller to satisfy, on or prior to the Closing Date, any of the terms or conditions set forth herein (including, but not limited to, the conditions set forth in Article V), including any loss (including loss of profit) or expense incurred by the Administrative Agent or any Purchaser, either directly or indirectly (including, in the case of the Conduit Purchaser, pursuant to a Program Support Agreement) by reason of the liquidation or reemployment of funds acquired by such Purchaser (or the applicable

Program Support Provider(s)) (including funds obtained by issuing commercial paper or promissory notes or obtaining deposits or loans from third parties) in order to fund the Investment.

(b) Alternate Purchaser's Commitment. The Conduit Purchaser shall not have any obligation to fund the Investment. If the Conduit Purchaser has rejected the request for the Investment, the Administrative Agent shall so notify the Alternate Purchasers and the Alternate Purchasers shall make the Investment, on a pro rata basis, in accordance with their respective Pro Rata Shares, subject to the terms and conditions of this Agreement. Notwithstanding anything contained in this Section 2.3(b) or elsewhere in this Agreement to the contrary, no Alternate Purchaser shall be obligated to provide the Administrative Agent or the Seller with funds in connection with the Investment in an amount that would result in the portion of the Net Investment then funded by it exceeding its Commitment then in effect (minus the unrecovered principal amount of such Alternate Purchaser's investments in the Asset Interest pursuant to the Program Support Agreement to which it is a party). The obligation of each Alternate Purchaser to remit its Pro Rata Share of the Investment shall be several from that of each other Alternate Purchaser, and the failure of any Alternate Purchaser to so make such amount available to the Administrative Agent shall not relieve any other Alternate Purchaser of its obligation hereunder.

(c) Payment of Investment. On the Closing Date, the Conduit Purchaser or each Alternate Purchaser, as the case may be, shall remit its share of the aggregate amount of the Investment (as set forth in Section 2.2) to the account of the Administrative Agent specified therefor from time to time by the Administrative Agent by notice to such Persons by wire transfer of same day funds. Following the Administrative Agent's receipt of funds from the applicable Purchasers as aforesaid, the Administrative Agent shall remit such funds received to the Seller's account at the location indicated in Section 11.3, by wire transfer of same day funds.

(d) [Reserved].

(e) Defaulting Alternate Purchaser. If, by 2:00 p.m. (New York City time), whether or not the Administrative Agent has advanced the amount of the Investment, one or more Alternate Purchasers (each, a "Defaulting Alternate Purchaser", and each Alternate Purchaser other than any Defaulting Alternate Purchaser being referred to as a "Non-Defaulting Alternate Purchaser") fails to make its Pro Rata Share of the Investment available to the Administrative Agent pursuant to Section 2.3(c) or any Assignment Amount payable by it pursuant to Section 3.1 (the aggregate amount not so made available to the Administrative Agent being herein called in either case the "Investment Deficit"), then the Administrative Agent shall, by no later than 2:30 p.m. (New York City time) on the Closing Date or the applicable Assignment Date, as the case may be, instruct each Non-Defaulting Alternate Purchaser to pay, by no later than 3:00 p.m. (New York City time), in immediately available funds, to the account designated by the Administrative Agent, an amount equal to the lesser of (i) such Non-Defaulting Alternate Purchaser's proportionate share (based upon the relative Commitments of the Non-Defaulting Alternate Purchasers) of the Investment Deficit and (ii) its unused Commitment. Each Defaulting Alternate Purchaser shall forthwith, upon demand, pay to the Administrative Agent for the ratable benefit of the Non-Defaulting Alternate Purchasers all amounts paid by each Non-Defaulting Alternate Purchaser on behalf of such Defaulting Alternate Purchaser, together with interest thereon, for each day from the date a payment was made by a Non-Defaulting Alternate

Purchaser until the date such Non-Defaulting Alternate Purchaser has been paid such amounts in full, at the Overdue Rate. In addition, if, after giving effect to the provisions of the immediately preceding sentence, any Investment Deficit with respect to any Assignment Amount continues to exist, each such Defaulting Alternate Purchaser shall pay interest to the Administrative Agent, for the account of the Conduit Purchaser, on such Defaulting Alternate Purchaser's portion of such remaining Investment Deficit, at the Overdue Rate, for each day from the applicable Assignment Date until the date such Defaulting Alternate Purchaser shall pay its portion of such remaining Investment Deficit in full to the Conduit Purchaser.

SECTION 2.4 [IS RESERVED AND IS SPECIFIED IN SCHEDULE I.]

SECTION 2.5 Yield, Fees and Other Costs and Expenses. All amounts due and payable by the Seller hereunder as Yield, or under any Fee Letter or the Servicer Fees, shall be paid in accordance with and subject to the payment of priorities set forth in Section 2.12. Notwithstanding any limitation on recourse herein, the Seller shall pay, as and when due in accordance with this Agreement, all amounts payable pursuant to Article IX. Nothing in this Agreement shall limit in any way the obligations of the Seller and the Performance Guarantor to pay the amounts set forth in this Section 2.5 or in Article IX. The Administrative Agent agrees to notify the Servicer, no later than two (2) Business Days prior to the related Reporting Date, of the fees due and payable to the Administrative Agent and each Purchaser on the related Settlement Date; provided, that the failure of the Administrative Agent to so notify the Servicer shall in no manner whatsoever, impact, affect or impair the Administrative Agent's or any Purchaser's right to receive any such amounts as calculated by the Servicer in good faith on such Settlement Date.

SECTION 2.6 Deemed Collections. If on any day the Unpaid Balance of a Receivable is reduced or such Receivable is canceled as a result of any Dilution, the Seller shall be deemed to have received on such day a Collection of such Receivable in the amount of such Dilution (as determined immediately prior to such Dilution) of such Receivable (if such Receivable is canceled) or, otherwise in the amount of such reduction, and the Seller shall pay to the Collection Account an amount equal to such Deemed Collection and such amount shall be allocated by the Servicer and distributed as a Collection in accordance with and subject to the priorities for payment set forth in Section 2.12.

SECTION 2.7 Payments and Computations, Etc. All amounts to be paid or deposited by the Seller, the Servicer or any other Raytheon Entity hereunder shall be paid or deposited in immediately available funds by wire transfer in accordance with the terms hereof no later than 11:00 a.m. (New York City time) on the day when due; if such amounts are payable to the Administrative Agent (whether on behalf of any Purchaser or otherwise) or the Insurer they shall be paid or deposited in the account indicated under the heading "Payment Information" in Section 11.3, until otherwise notified by the Administrative Agent or the Insurer, as applicable. The Seller shall, to the extent permitted by Law, pay to the Administrative Agent, in accordance with the immediately preceding sentence, upon demand, interest on all amounts not paid or deposited when due hereunder (such interest, the "Default Interest") at a rate (such rate, the "Overdue Rate") equal to the sum of two percent (2.00%) per annum plus the Base Rate. Such Default Interest shall be distributed by the Administrative Agent (i) following the date and to the extent the Insurer paid such amounts not so paid or deposited when due hereunder to the

Administrative Agent (for the benefit of the Purchasers or other applicable Secured Party) pursuant to the Insurance Policy, to the Insurer pursuant to Section 2.12 or (ii) otherwise, to the Purchasers. All computations of Yield and all per annum fees hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed. Any computations by the Administrative Agent or the Insurer of amounts payable by the Seller or the Servicer hereunder shall be binding upon the Seller, the Servicer and each other Raytheon Entity, as applicable, absent manifest error.

SECTION 2.8 Reports. By no later than 4:00 p.m. (New York City time) on the tenth (10^{th}) Business Day after the end of each Fiscal Month, or if such day is not a Business Day then on the next succeeding Business Day (each, a "Reporting Date"), the Servicer shall prepare and forward to the Administrative Agent, the Insurer and each of S&P and Moody's a Monthly Servicer Report, certified as to accuracy, by the Servicer.

SECTION 2.9 Blocked Accounts. (a) The Seller shall establish on or prior to the Closing Date and shall maintain a segregated account (the "Collection Account"), with a Blocked Account Bank pursuant to a Blocked Account Agreement, which account shall bear a designation clearly indicating that the funds deposited therein are held for the benefit of the Administrative Agent, on behalf of the Secured Parties. The Administrative Agent shall have exclusive dominion and control over the Collection Account and all monies, instruments and other property from time to time on deposit in the Collection Account; provided, however, that the Administrative Agent hereby agrees that it will not terminate, assert its control, or give any notices with respect to the Collection Account without the prior written consent of the Insurer if at such time the Insurer is the Control Party (it being understood that the Administrative Agent shall, prior to taking any of the foregoing actions at the direction of the Insurer, if the Insurer is the Control Party, be first indemnified, in accordance with Section 10.4, to its satisfaction by the Control Party for any such action taken). The Servicer shall remit (or cause to be remitted) daily to the Collection Account, all Collections within five (5) Business Days (i) after deposit thereof into either of the Raytheon Aircraft and Affiliated Companies Account or the RACC Intrust Bank Account and (ii) in the case of Collections otherwise received by any Raytheon Entity or any Affiliate of a Raytheon Entity, after identification by the Servicer of such funds as Collections. The Servicer shall cause the applicable Blocked Account Bank to invest funds on deposit in the Collection Account in Eligible Investments maturing not later than the Business Day preceding the next Settlement Date. Earnings on such Eligible Investments shall be held in the Collection Account until such amounts are to be paid and applied in accordance with and subject to the priorities for payment set forth in Section 2.12. On each Settlement Date, all funds on deposit in the Collection Account (other than Advance Payments not then due and payable as identified in the related Monthly Servicer Report) shall be applied as Collections in accordance with and subject to the priorities for payment set forth in Section 2.12. On the Final Payout Date, any funds remaining on deposit in the Collection Account shall be distributed in accordance with and subject to the priorities for payment set forth in Section 2.12.

(b) The Seller shall establish on or prior to the Closing Date and shall maintain segregated Lockbox Accounts (each, a "Lockbox Account"), with a Blocked Account Bank pursuant to a Blocked Account Agreement, which accounts shall bear a designation clearly indicating that the funds deposited therein are held for the benefit of the Administrative Agent, on behalf of the Secured Parties. The Administrative Agent shall have exclusive dominion and

control over each Lockbox Account and all monies, instruments and other property from time to time on deposit therein; provided, however, that the Administrative Agent hereby agrees that it will not terminate, assert its control, or give any notices with respect to any Lockbox Account without the prior written consent of the Insurer if at such time the Insurer is the Control Party. The Servicer shall remit (or cause to be remitted) daily to the Collection Account all Collections received in any Lockbox Account. Funds on deposit in a Lockbox Account shall not be invested by the applicable Blocked Account Bank, but rather shall be held in the Lockbox Account until such amounts are deposited into the Collection Account.

(c) The Seller shall establish on or prior to the Closing Date and the Administrative Agent shall maintain a segregated account (the "Cash Reserve Account"), with the Cash Reserve Account Bank, which account shall be in the name of the Administrative Agent and shall bear a designation clearly indicating that the funds deposited therein are held in trust by the Administrative Agent, for the benefit of the Secured Parties and the Seller. The Administrative Agent shall have exclusive dominion and control over the Cash Reserve Account and all monies, instruments and other property from time to time on deposit in the Cash Reserve Account. On the date of the Investment hereunder, proceeds from the Investment in an amount equal to $19,756,076 (the "Deferred Investment Amount") will be deposited into the Cash Reserve Account. The Cash Reserve Account Bank, at the direction of the Administrative Agent, shall invest funds on deposit in the Cash Reserve Account in Eligible Investments maturing not later than the next Business Day. Earnings on such Eligible Investments shall be held in the Cash Reserve Account until such amounts are to be paid in accordance with this Agreement. On any date after the date of the Investment hereunder that the Servicer delivers to the Control Party and the Administrative Agent (each such date, a "Deferred Investment Request Date"), a Certificate of Perfection (i) if the Control Party (in its sole discretion) determines (such determination to be made within two (2) Business Days after the Deferred Investment Request Date), that the Receivables and the other Affected Assets set forth in such Certificate of Perfection have satisfied each of the requirements set forth in this Agreement, the Control Party shall, within two (2) Business Days of its determination, issue a Notice of Release to the Administrative Agent and, the Administrative Agent shall, within two (2) Business Days of its receipt of a Notice of Release, withdraw funds in the amount set forth in such Notice of Release (to the extent then on deposit in the Cash Reserve Account) and remit such funds to the Seller (at the account set forth in Schedule 11.3 and (ii) if the Control Party determines that any of the Receivables or any other Affected Asset set forth in such Certificate of Perfection have not satisfied the requirements set forth in this Agreement, the Control Party shall, within two (2) Business Days, so notify the Seller, the Servicer and the Administrative Agent as to which specific requirements have not been met, stating the reasons for such failure to satisfy the requirements or that insufficient time was given to review the applicable documentation. If on the date that is six (6) months after the date of the Investment hereunder (the "Deferred Investment Return Date"), the Investment Condition shall not have been satisfied (as determined by the Control Party in accordance with the terms of this Agreement), the Control Party shall notify the Administrative Agent, and the Administrative Agent shall withdraw all amounts then on deposit in the Cash Reserve Account and remit such funds pro rata to the Purchasers, as their interests may appear for distribution in accordance with, and to be applied towards, clauses (v) and (ix) of Section 2.12 (without giving effect to the parenthetical in clause (ix)) (it being understood that in the event that the entire Deferred Investment Amount is not paid to the Seller prior to the Deferred Investment Return Date, the amount of the "Investment" as set forth in Section 2.2 shall be reduced by the amount of funds distributed to the Purchasers from the Cash Reserve Account).

(d) Notwithstanding anything in this Agreement or any of the other Transaction Documents to the contrary, each of the parties hereto, the Performance Guarantor and the Insurer hereby agree that the Cash Reserve Account Bank shall (i) not be liable to any such Person for any expense, claim, loss, damage or cost arising out of or relating to its performance as Cash Reserve Account Bank other than those arising out of the Cash Reserve Account Bank's gross negligence or willful misconduct or failure to comply with its obligations under this Agreement, (ii) in no event be liable for any special, indirect, exemplary or consequential damages, including but not limited to lost profits, (iii) be excused from failing to act or delay in acting, and no such failure or delay shall give rise to any liability of the Cash Reserve Account Bank, if: (a) such failure or delay is caused by circumstances beyond the Cash Reserve Account Bank's reasonable control, including but not limited to, legal constraint, emergency conditions, action or inaction of governmental, civil or military authority, fire, strike, lockout or other labor difficulties, war, riot, terrorism, flood, earthquake or other natural disaster, breakdown of public or private or common carrier communications or transmission facilities, equipment failure, force majeure, court order or decree, the commencement of bankruptcy or other similar proceedings with respect to any Raytheon Entity or the Insurer or (b) such failure or delay resulted from Cash Reserve Account Bank's reasonable belief that the action would have violated any guideline, rule or regulation of any governmental authority, (iv) have no duty to inquire or determine whether any obligations of any party hereto have been satisfied or whether any of the parties hereto are in default or whether the Control Party or the Administrative Agent are entitled to take any action or provide any notice hereunder or under any of the other Transaction Documents, and (v) be entitled to rely on notices and communications it believes in good faith to be genuine and given by the appropriate party. The Servicer shall indemnify the Cash Reserve Account Bank against, and each of the parties hereto shall hold the Cash Reserve Account Bank harmless from, any and all liabilities, claims, costs, expenses and damages of any nature in any way arising out of or relating to disputes or legal actions concerning this Agreement other than those arising out of the Cash Reserve Account Bank's gross negligence or willful misconduct.

SECTION 2.10 Sharing of Payments, Etc. If any Purchaser (for purposes of this Section 2.10 only, being a "Recipient") shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of the portion of the Asset Interest owned by it (other than pursuant to the Purchaser Fee Letter, Section 3.3(b) or Article IX and other than as a result of the differences in the timing of the applications of Collections in accordance with and subject to the priorities for payment set forth in Section 2.12 and other than a result of the different methods for calculating Yield) in excess of its ratable share of payments on account of the Asset Interest obtained by the Purchasers entitled thereto, such Recipient shall forthwith purchase from the Purchasers entitled to a share of such amount participations in the portions of the Asset Interest owned by such Persons as shall be necessary to cause such Recipient to share the excess payment ratably with each such other Person entitled thereto; provided, however, that if all or any portion of such excess payment is thereafter recovered from such Recipient, such purchase from each such other Person shall be rescinded and each such other Person shall repay to the Recipient the purchase price paid by such Recipient for such participation to the extent of such recovery, together with an amount equal to such other Person's ratable share (according to the proportion of (a) the amount of such other Person's required payment to (b) the total amount so recovered from the Recipient) of any interest or other amount paid or payable by the Recipient in respect of the total amount so recovered.

SECTION 2.11 Right of Setoff. Without in any way limiting the provisions of Section 2.10, each of the Administrative Agent, each Purchaser and the Insurer is hereby authorized (in addition to any other rights it may have) at any time after the occurrence of the Termination Date due to the occurrence of an Event of Default or during the continuance of an Unmatured Event of Default to set-off, appropriate and apply (without presentment, demand, protest or other notice which are hereby expressly waived) any deposits and any other indebtedness held or owing by the Administrative Agent, such Purchaser or the Insurer to, or for the account of, the Seller against the amount of the Aggregate Unpaids owing by the Seller to such Person or to the Administrative Agent on behalf of such Person (even if contingent or unmatured).

SECTION 2.12 Settlement Procedures; Order of Application. On each Settlement Date, funds then on deposit in the Collection Account (other than Advance Payments not yet then due and payable as identified on the related Monthly Servicer Report or in such other instructions referred to below) shall be released by the Collection Account Bank based on (i) prior to the delivery by the Administrative Agent of a "notice of control" (in accordance with the related Blocked Account Agreement) to the Collection Account Bank, the written instructions of the Servicer received on the Reporting Date and (ii) on or after the delivery by the Administrative Agent of a "notice of control" to the Collection Account Bank, the written instructions of the Administrative Agent (which shall be based upon written instructions provided to the Administrative Agent by the Control Party no later than the Business Day immediately preceding such Settlement Date), on such Settlement Date from the Collection Account for the following purposes and in the following order of priorities,

(i) to the Servicer, unreimbursed Servicing Fees, if any;

(ii) to the Servicer, the Servicing Fee (to the extent not in excess of eighty-five basis points (0.85%) per annum on the aggregate Unpaid Balances of the Receivables at the end of the immediately preceding Fiscal Month), and if the Servicer is not RACC or an Affiliate of RACC, Permissible Servicer Expenses (to the extent not previously reimbursed);

(iii) to the Insurer, if no Insurer Default has occurred and is continuing, the premium payable under the Insurance Premium Letter and all amounts owed to the Insurer in connection with any transitioning of servicing to a successor Servicer (such amounts, in the aggregate, not to exceed one hundred fifty thousand dollars ($150,000));

(iv) first, to the Purchasers, Yield accrued and unpaid through the end of the immediately preceding Fiscal Month; provided, however, that in the event at any time on any Settlement Date the accrued and unpaid Yield shall exceed the amount which would have accrued at a per annum rate equal to the Offshore Rate plus seventy-five basis points (0.75%) per annum, such excess shall be payable pursuant to clause (xi) of Section 2.12, and second, to the Insurer (to the extent previously paid by the Insurer to the Administrative Agent on behalf of the Conduit Purchaser or the Alternate Purchaser) or

to the Purchasers (to the extent not previously paid by the Insurer) all accrued and unpaid Yield (solely to the extent such Yield did not exceed a per annum rate equal to the Offshore Rate plus seventy-five basis points (0.75%) per annum on such Settlement Date) due on previous Settlement Dates;

(v) first, to the Purchasers the Minimum Capital Payment if any Minimum Capital Payment is due on such Settlement Date; and second, to the Insurer (to the extent previously paid by the Insurer to the Administrative Agent on behalf of the Conduit Purchaser or the Alternate Purchaser) or to the Purchasers (to the extent not previously paid by the Insurer) all accrued and unpaid Minimum Capital Payments due on previous Settlement Dates;

(vi) to the Administrative Agent, the Administrative Agent Fee;

(vii) to the Insurer, amounts in or towards the reimbursement of claims paid under the Insurance Policy and, if there is no Insurer Default then outstanding related to failure to pay amounts due under the Insurance Policy, any other unpaid amounts due to the Insurer;

(viii) to the Servicer, (A) Permissible Servicer Expenses to the extent not previously reimbursed and (B) any Servicing Fee in excess of the Servicing Fee paid pursuant to clause (ii) above;

(ix) to the Purchasers, Additional Capital Payments, to be applied toward the Minimum Capital Payments set forth on Annex A in the order of maturity until the Net Investment has been reduced to zero (it being understood that the amount available for Additional Capital Payments pursuant to this clause (ix) shall be determined taking into account and after deduction for the amount of Permitted Dividends that would be payable pursuant to the following clause (x) if no Additional Capital Payments were paid pursuant to this clause (ix));

(x) subject to the satisfaction of each of the provisions of Section 2.14(b), to the Seller for distribution to its stockholders on or after the first anniversary of the Closing Date, Permitted Dividends, if any, in an aggregate amount (including all other amounts, if any, previously paid to the Seller as Permitted Dividends) not to exceed the Maximum Permitted Dividend Amount (it being understood that any amounts available as Permitted Dividends pursuant to this clause (x) shall be determined taking into account and after deduction for the amounts that would be payable pursuant to the following clause (xi) if no Permitted Dividends were paid pursuant to this clause (x));

(xi) first, any other amounts payable to the Purchasers, including, without limitation, any Indemnified Amounts and any Yield in excess of a rate per annum equivalent of the Offshore Rate plus seventy-five basis points (0.75%) per annum, second, any other amounts payable to the Administrative Agent, and third, any other amounts payable, to the extent not previously paid, to the Insurer;

(xii) any amounts payable to the holders of any permitted subordinated interest in the Receivables consented to by each of the Administrative Agent and, if applicable, the Insurer pursuant to Section 11.8; and

(xiii) any remaining amounts to the Seller.

SECTION 2.13 [Reserved].

SECTION 2.14 Application of Collections Distributable to the Seller; Permitted Dividends. (a) The Servicer shall allocate and apply, on behalf of the Seller, Collections distributable to the Seller hereunder first, to the payment or provision for payment of the Seller's operating expenses and, thereafter, for the general corporate purposes of the Seller.

(b) Notwithstanding anything in this Agreement or in any of the other Transaction Documents to the contrary, no amount of Collections shall be payable to the Seller as Permitted Dividends on any Settlement Date unless each of the following criteria are satisfied:

(i) such Settlement Date shall be a date occurring on or after September 27, 2004;

(ii) the Minimum Equity, calculated as of the end of the immediately preceding Fiscal Month, shall exceed thirteen percent (13%);

(iii) the Performance Guarantor shall have a controlling interest in Flight Options, unless each of the Administrative Agent and the Control Party has previously given its written consent to a transfer of such controlling interest in Flight Options (it being understood that any decision made by such Person shall be made in good faith and in a commercially reasonable manner) and the Servicer shall have provided each of the Rating Agencies with written notice of any transfer of such controlling interest;

(iv) as of the end of the immediately preceding Fiscal Month, the aggregate Unpaid Balance of all Receivables between 101 and 180 days past due (excluding any past due interest on arrears) shall not exceed four percent (4%) of the aggregate of the Unpaid Balances of all Receivables;

(v) on such Settlement Date, the Net Investment shall represent no more than one hundred percent (100%) of the total value of (i) the Aircraft as calculated with reference to the "Retail Value" of equivalent assets listed in the latest edition of the Aircraft Blue Book Price Digest published by PRIMEDIA Business Managers and Media (the "Blue Book Value") and (ii) Aircraft Fractional Shares as calculated with reference to the relevant share percentage applied to the Blue Book Value (it being understood that, in the event that either the Administrative Agent or the Control Party reasonably determines that there is a material adverse change in the value of the Aircraft relative to the current Blue Book Value, such Person may request that desktop appraisals prepared by Back Aviation Solutions or another appraiser reasonably acceptable to each of the Administrative Agent and the Control Party be obtained for such Aircraft, in which event such appraised value shall replace the Blue Book Value for purposes of making a determination pursuant to this clause (v); provided that (y) the same Person shall not

make such request more frequently than once per calendar year and (z) the aggregate annual cost of such appraisals for which the Seller is responsible shall not exceed twenty thousand dollars ($20,000));

(vi) on such Settlement Date (after giving effect to the payment of Permitted Dividends on such date) the aggregate amount of Collections distributed to the Seller as Permitted Dividends shall not exceed the Maximum Permitted Dividend Amount; and

(vii) immediately prior to and immediately after giving effect to the application of Collections on such Settlement Date, no Event of Default, Unmatured Event of Default or Servicer Default shall have occurred and be continuing.

(c) Notwithstanding anything in this Agreement or any other Transaction Document to the contrary, each of the parties hereto, the Performance Guarantor and the Insurer hereby expressly agree that any distributions of the "Deferred Investment Amount" made directly from the Cash Reserve Account (as opposed to distributions made from Collections on deposit in the Collection Account) shall not be subject to the limitations on "Permitted Dividends" set forth in this Section 2.14.

SECTION 2.15 Collections Held in Trust. So long as the Seller or the Servicer shall hold any Collections or Deemed Collections then or thereafter required to be paid by the Seller to the Servicer or the Collection Account or by the Seller or the Servicer to the Administrative Agent or the Collection Account, it shall hold such Collections in trust, and, shall deposit (or cause to be deposited) such Collections or Deemed Collections within five (5) Business Days after its receipt thereof into the Collection Account (or such other account as designated by the Administrative Agent at such time). The Net Investment shall not be deemed reduced by any amount held in trust or in the Collection Account unless and until, and then only to the extent that, such amount is finally distributed to the Administrative Agent in accordance with and subject to the priorities for payment set forth in Section 2.12.

SECTION 2.16 Optional Repurchase by Transferor. As an administrative convenience, by providing the Administrative Agent and the Insurer with ten (10) days' prior written notice, the Transferor may on any Settlement Date on or after the date on which the aggregate Unpaid Balance of all Receivables (as calculated at the end of the immediately preceding Fiscal Month) first becomes less than ten percent (10%) of the Investment and, so long as the repurchase price to be paid for the Receivables and all Affected Assets at such time is sufficient to pay in full the Net Investment at such time plus accrued Yield and all other amounts owing to the Purchasers, the Administrative Agent, the Insurer (including in respect of the reimbursement of claims, if any, paid pursuant to the Insurance Policy) and the other Secured Parties, purchase, in whole and not in part, all Receivables and other Affected Assets purchased (or substituted) for the benefit of the Secured Parties pursuant to this Agreement.

SECTION 2.17 Repurchase or Substitution of Receivables. (a) In the event that any representation or warranty relating to any Receivable made as of the Closing Date was not true and correct in any material respect when made, which, at any time after the Closing Date, has a materially adverse impact on the collectibility of such Receivable or on the value of such Receivable or the related Affected Assets taken as a whole, the Administrative Agent (with the

prior written consent of the Control Party) may have the right at such time to, and at the written direction of the Control Party at such time shall, require that: (i) the Seller repurchase the Purchasers' interest in such Receivable by depositing into the Collection Account an amount equal to the Unpaid Balance of such Receivable plus accrued interest thereon; or (ii) the Seller substitute another Eligible Receivable for such Receivable (an "Eligible Substitute Receivable"), which Eligible Substitute Receivable shall (A) have an Unpaid Balance (calculated as of the date of substitution) equal to or greater than that of the then Unpaid Balance of the replaced Receivable and a remaining average life not more than ten percent (10%) greater than the remaining average life of such replaced Receivable, (B) be approved by each of the Administrative Agent and the Control Party (in their respective reasonable credit judgment) as a Receivable acceptable for substitution hereunder, (C) satisfy the definition of "Eligible Receivable" at the time of such substitution without regard to the Investment Condition and without regard to the reference to the Closing Date set forth at the beginning of the definition of Eligible Receivable, and (D) if (x) the Aircraft relating to the Receivable being replaced is U.S. registered, the Aircraft relating to the substituted Receivable is also U.S. registered, (y) the Contract File for the Receivable being replaced contains recorded Security Agreements in favor of the Administrative Agent, then the Contract File for the substituted Receivable will contain substantially equivalent recorded Security Agreements and (z) the Contract File for the Receivable being replaced does not contain any recorded Security Agreements in favor of the Administrative Agent, then the Contract File for the substituted Receivable will not be required, on the date of substitution, to contain recorded Security Agreements (it being understood that (I) with respect to any Eligible Substitute Receivable and the related Contract File referred to in clause (z), the Servicer shall, within six (6) months of the date of substitution and subject to terms set forth in Section 6.1(q), perform all actions with respect to such Receivable, as would be required with respect to such Receivable if such Receivable were included on the Schedule of Receivables on the Closing Date, and (II) the Servicer shall direct the Obligor of each Eligible Substitute Receivable, not later than the date of the substitution thereof, to make all payments on such Eligible Substitute Receivable to a Blocked Account or to the Collection Account). For the avoidance of doubt, a breach of the representation and warranty in Section 4.1(z) with respect to any Receivable will be deemed to have a material adverse effect on the value of such Receivable.

(b) With respect to each substitution pursuant to Section 2.17(a) above, the Servicer shall deliver (or cause to be delivered) to the Administrative Agent and the Insurer, an updated Schedule of Receivables reflecting such substitution and the Servicer shall, subject to Section 2.17(a) above, have possession of each item required to be included in the related Contract File with respect to such Eligible Substitute Receivable (and each such Eligible Substitute Receivable and all Affected Assets related thereto shall, subject to Section 2.17(a) above, be subject to the Administrative Agent's security interest for the benefit of the Secured Parties). The Administrative Agent shall authorize the filing of and/or execute such documents reasonably requested by the Servicer on behalf of the Seller in order to effect the reassignment and release of the Receivable being repurchased or substituted pursuant to Section 2.17(a) above at such time and the Seller and the Servicer shall, subject to Section 2.17(a) above, take or cause to be taken all action (including delivery of the related Contract File to a custodian pursuant to the terms of this Agreement and the authorization of the filing of financing statements in all applicable UCC jurisdictions with respect to any such Eligible Substitute Receivable) as may be reasonably requested by either the Administrative Agent or the Control Party from time to time, to evidence, perfect and protect the Administrative Agent's security interest (for the benefit of the Secured Parties) in any such Eligible Substitute Receivable and all Affected Assets related thereto.

ARTICLE III

ADDITIONAL ALTERNATE PURCHASER PROVISIONS

SECTION 3.1 Assignment to Alternate Purchasers.

(a) Assignment Amounts. At any time, if the Administrator on behalf of the Conduit Purchaser so elects, by written notice to the Administrative Agent and the Servicer, the Servicer on behalf of the Seller hereby irrevocably requests and directs that the Conduit Purchaser assign, and the Conduit Purchaser does hereby assign, effective on the Assignment Date referred to below all or such portions as may be elected by the Conduit Purchaser of its interest in the Net Investment and the Asset Interest at such time to the Alternate Purchasers pursuant to this Section 3.1; provided, however, that no such assignment shall take place pursuant to this Section 3.1 at a time when an Event of Bankruptcy with respect to the Conduit Purchaser exists. No further documentation or action on the part of the Conduit Purchaser or the Seller shall be required to exercise the rights set forth in the immediately preceding sentence, other than the giving of the notice by the Administrator on behalf of the Conduit Purchaser referred to in such sentence and the delivery by the Administrative Agent of a copy of such notice to each Alternate Purchaser (the date of the receipt by the Administrative Agent of any such notice being the "Assignment Date"). Each Alternate Purchaser hereby agrees, unconditionally and irrevocably and under all circumstances, without setoff, counterclaim or defense of any kind, to pay the full amount of its Assignment Amount on such Assignment Date to the Conduit Purchaser in immediately available funds to an account designated by the Administrative Agent. Upon payment of its Assignment Amount, each Alternate Purchaser shall acquire an interest in the Asset Interest and the Net Investment equal to its pro rata share (based on the outstanding portions of the Net Investment funded by it) of the Alternate Purchaser Percentage thereof.

(b) [Reserved].

(c) Administration of Agreement after Assignment from Conduit Purchaser to Alternate Purchasers following the Termination Date. After any assignment in whole by the Conduit Purchaser to the Alternate Purchasers pursuant to this Section 3.1 (and the payment of all amounts owing to the Conduit Purchaser in connection therewith), all rights of the Administrator set forth herein shall be given to the Administrative Agent on behalf of the Alternate Purchasers instead of the Administrator.

(d) Payments to Administrative Agent's Account. After any assignment in whole by the Conduit Purchaser to the Alternate Purchasers pursuant to this Section 3.1, all payments to be made pursuant to this Agreement to the Conduit Purchaser shall be made to the Administrative Agent's account as such account shall have been notified to the Seller and the Servicer.

(e) Recovery of Net Investment. In the event that the aggregate of the Assignment Amounts paid by the Alternate Purchasers pursuant to this Section 3.1 on any Assignment Date occurring on or after the Termination Date is less than the Net Investment of the Conduit

Purchaser on such Assignment Date, then to the extent Collections thereafter received by the Administrative Agent hereunder in respect of the Net Investment exceed the aggregate of the unrecovered Assignment Amounts and Net Investment funded by the Alternate Purchasers, such excess shall be remitted by the Administrative Agent to the Conduit Purchaser (or to the Administrator on its behalf) for the account of the Conduit Purchaser.

SECTION 3.2 Downgrade of Alternate Purchaser. (a) Downgrades Generally. If at any time on or prior to the Termination Date, the short term debt rating of any Alternate Purchaser shall be "A-2" or "P-2" from S&P or Moody's, respectively, with negative credit implications, such Alternate Purchaser, upon request of the Administrative Agent, shall, within thirty (30) days of such request, assign its rights and obligations hereunder to another financial institution (which institution's short term debt rating shall be at least "A-2" or "P-2" from S&P or Moody's, respectively, and which shall not be so rated with negative credit implications and which is acceptable to the Conduit Purchaser and the Administrative Agent). If the short term debt rating of an Alternate Purchaser shall be "A-3" or "P-3", or lower, from S&P or Moody's, respectively (or such rating shall have been withdrawn by S&P or Moody's), such Alternate Purchaser, upon request of the Administrative Agent, shall, within five (5) Business Days of such request, assign its rights and obligations hereunder to another financial institution (which institution's short term debt rating shall be at least "A-2" or "P-2", from S&P or Moody's, respectively, and which shall not be so rated with negative credit implications and which is acceptable to the Conduit Purchaser and the Administrative Agent). In either such case, if any such Alternate Purchaser shall not have assigned its rights and obligations under this Agreement within the applicable time period described above (in either such case, the "Required Downgrade Assignment Period"), the Administrator on behalf of the Conduit Purchaser shall have the right to require such Alternate Purchaser to pay upon one (1) Business Day's notice at any time after the Required Downgrade Assignment Period (and each such Alternate Purchaser hereby agrees in such event to pay within such time) to the Administrative Agent an amount equal to such Alternate Purchaser's unused Commitment (a "Downgrade Draw") for deposit by the Administrative Agent into an account, in the name of the Administrative Agent (a "Downgrade Collateral Account"), which shall be in satisfaction of such Alternate Purchaser's obligations to make the Investment and to pay its Assignment Amount upon an assignment from the Conduit Purchaser in accordance with Section 3.1; provided, however, that if, during the Required Downgrade Assignment Period, such Alternate Purchaser delivers a written notice to the Administrative Agent of its intent to deliver a direct pay irrevocable letter of credit pursuant to this proviso in lieu of the payment required to fund the Downgrade Draw, then such Alternate Purchaser will not be required to fund such Downgrade Draw. If any Alternate Purchaser gives the Administrative Agent such notice, then such Alternate Purchaser shall, within one (1) Business Day after the Required Downgrade Assignment Period, deliver to the Administrative Agent a direct pay irrevocable letter of credit in favor of the Administrative Agent in an amount equal to the unused portion of such Alternate Purchaser's Commitment, which letter of credit shall be issued through an United States office of a bank or other financial institution (i) whose short term debt ratings by S&P and Moody's are at least equal to the ratings assigned by such statistical rating organization to the Commercial Paper and (ii) that is acceptable to the Conduit Purchaser and the Administrative Agent. Such letter of credit shall provide that the Administrative Agent may draw thereon for payment of the Investment or Assignment Amount payable by such Alternate Purchaser which is not paid hereunder when required, shall expire no earlier than the Termination Date and shall otherwise be in form and substance acceptable to the Administrative Agent.

(b) Application of Funds in Downgrade Collateral Account. If any Alternate Purchaser shall be required pursuant to Section 3.2(a) to fund a Downgrade Draw, then the Administrative Agent shall apply the monies in the Downgrade Collateral Account applicable to such Alternate Purchaser's Pro Rata Share of Investments required to be made by the Alternate Purchasers, to any Assignment Amount payable by such Alternate Purchaser pursuant to Section 3.1 and to any purchase price payable by such Alternate Purchaser pursuant to Section 3.3(b) at the times, in the manner and subject to the conditions precedent set forth in this Agreement. The deposit of monies in such Downgrade Collateral Account by any Alternate Purchaser shall not constitute an Investment or the payment of any Assignment Amount (and such Alternate Purchaser shall not be entitled to interest on such monies except as provided below in this Section 3.2(b), unless and until (and then only to the extent that) such monies are used to fund Investments or to pay any Assignment Amount or purchase price pursuant to Section 3.3(b) pursuant to the first sentence of this Section 3.2(b). The amount on deposit in such Downgrade Collateral Account shall be invested by the Administrative Agent in Eligible Investments and such Eligible Investments shall be selected by the Administrative Agent in its sole discretion. The Administrative Agent shall remit to such Alternate Purchaser, on the last Business Day of each month, the income actually received thereon. Unless required to be released as provided below in this Section 3.2(b), Collections received by the Administrative Agent in respect of such Alternate Purchaser's portion of the Net Investment shall be deposited in the Downgrade Collateral Account for such Alternate Purchaser. Amounts on deposit in such Downgrade Collateral Account shall be released to such Alternate Purchaser (or the stated amount of the letter of credit delivered by such Alternate Purchaser pursuant to Section 3.2(a) above may be reduced) within one (1) Business Day after each Settlement Date following the Termination Date to the extent that, after giving effect to the distributions made and received by the Purchasers on such Settlement Date, the amount on deposit in such Downgrade Collateral Account would exceed such Alternate Purchaser's Pro Rata Share (determined as of the day prior to the Termination Date) of the sum of all Portion of Investment then funded by the Conduit Purchaser, plus the Interest Component. All amounts remaining in such Downgrade Collateral Account shall be released to such Alternate Purchaser no later than the Business Day immediately following the earliest of (i) the effective date of any replacement of such Alternate Purchaser or removal of such Alternate Purchaser as a party to this Agreement, (ii) the date on which such Alternate Purchaser shall furnish the Administrative Agent with confirmation that such Alternate Purchaser shall have short term debt ratings of at least "A-2" or "P-2" from S&P and Moody's, respectively, without negative credit implications, and (iii) the Termination Date (or if earlier, the Termination Date in effect prior to any renewal pursuant to Section 3.3 to which such Alternate Purchaser does not consent, but only after giving effect to any required purchase pursuant to Section 3.3(b)). Nothing in this Section 3.2 shall affect or diminish in any way any such downgraded Alternate Purchaser's Commitment to the Seller or the Conduit Purchaser or such downgraded Alternate Purchaser's other obligations and liabilities hereunder and under the other Transaction Documents.

(c) Program Support Agreement Downgrade Provisions. Notwithstanding the other provisions of this Section 3.2, an Alternate Purchaser shall not be required to make a Downgrade Draw (or provide for the issuance of a letter of credit in lieu thereof) pursuant to Section 3.2(a) at a time when such Alternate Purchaser has a downgrade collateral account (or letter of credit in lieu thereof) established pursuant to the Program Support Agreement relating to the transactions contemplated by this Agreement to which it is a party in an amount at least equal to its unused

Commitment, and the Administrative Agent may apply monies in such downgrade collateral account in the manner described in Section 3.2(b) as if such downgrade collateral account were a Downgrade Collateral Account.

SECTION 3.3 Non-Renewing Alternate Purchasers. (a) If at any time the Administrator requests that the Alternate Purchasers renew their Commitments hereunder and some but less than all the Alternate Purchasers consent to such renewal within thirty (30) days of the Administrator's request, the Administrator may arrange for an assignment to one or more financial institutions of all the rights and obligations hereunder of each such non-consenting Alternate Purchaser in accordance with Section 11.8. Any such assignment shall become effective on the then-current Termination Date. Each Alternate Purchaser which does not so consent to any renewal shall cooperate fully with the Administrator in effectuating any such assignment.

(b) If at any time the Administrator requests that the Alternate Purchasers extend the Termination Date hereunder and some but less than all the Alternate Purchasers consent to such extension within thirty (30) days after the Administrator's request, and if none or less than all the Commitments of the non-renewing Alternate Purchasers are assigned as provided in Section 3.3(a), then (without limiting the obligations of all the Alternate Purchasers to make Investments and pay any Assignment Amount prior to the Termination Date in accordance with the terms hereof) the Conduit Purchaser may sell an interest in the Net Investment and the Asset Interest hereunder for an aggregate purchase price equal to the lesser of (i) the maximum aggregate Assignment Amounts which would be payable if the Conduit Purchaser assigned its entire interest in the Asset Interest at that time under Section 3.1, and (ii) the aggregate available Commitments of the non-renewing Alternate Purchasers, which purchase price shall be paid solely by the non-renewing Alternate Purchasers, pro rata according to their respective Commitments. Following the payment of such purchase price, (x) the extended Termination Date shall be effective with respect to the renewing Alternate Purchasers, (y) the Facility Limit shall automatically be reduced by the aggregate of the Commitments of all non-renewing Alternate Purchasers, and (z) this Agreement and the Commitments of the renewing Alternate Purchasers shall remain in effect in accordance with their terms notwithstanding the expiration of the Commitments of the non-renewing Alternate Purchasers. Prior to the Termination Date, all amounts which, under Section 2.12 are to be applied in reduction of the Net Investment, up to the aggregate Net Investment sold to the non-renewing Alternate Purchasers as described above in this Section 3.3(b), shall be distributed to the non-renewing Alternate Purchasers ratably according to the aggregate Investments held by them, in reduction of such Investments. On and after the Termination Date, each non-renewing Alternate Purchaser shall be entitled to receive distributions as otherwise provided in Section 2.12, such that all distributions of Collections in accordance with and subject to the priorities for payment set forth in Section 2.12 thereafter shall be allocated among the non-renewing Alternate Purchasers and the other Alternate Purchasers in accordance with each such Alternate Purchaser's pro rata share (based on its Investments as of the Termination Date) of the Alternate Purchaser Percentage of the Net Investment. When (after the expiration of the Commitments of the non-renewing Alternate Purchasers) the aggregate of the Investments described above in this Section 3.3(b) shall have been reduced to zero and all accrued Yield allocable thereto and all other Aggregate Unpaids owing to such Alternate Purchasers shall have been paid to such Alternate Purchasers in full, then such Purchasers shall cease to be parties to this Agreement for any purpose.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.1 Representations and Warranties of the Originator, the Transferor, the Seller and the Servicer. Each of the Originator, the Transferor, the Seller and the Servicer severally represents and warrants to the Secured Parties, that, on the Closing Date:

(a) Corporate Existence and Power. It (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, (ii) has all corporate power and all licenses, authorizations, consents and approvals of all Official Bodies required to carry on its business in each jurisdiction in which its business is now and proposed to be conducted (except where the failure to have any such licenses, authorizations, consents and approvals would not individually or in the aggregate have a Material Adverse Effect) and (iii) is duly qualified to do business and is in good standing in every other jurisdiction in which the nature of its business requires it to be so qualified, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect.

(b) Corporate and Governmental Authorization; Contravention. The execution, delivery and performance by it of this Agreement and the other Transaction Documents to which it is a party (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate and shareholder action, (iii) require no action by or in respect of, or filing with, any Official Body or official thereof (except as contemplated by Sections 5.1(f), 5.1(g) and 7.7, all of which have been (or as of the Closing Date will have been) duly made and in full force and effect), (iv) do not contravene or constitute a default under (A) its articles of incorporation or by-laws, (B) any Law applicable to it, (C) any contractual restriction binding on or affecting it or its property or (D) any order, writ, judgment, award, injunction, decree or other instrument binding on or affecting it or its property, and (v) do not result in the creation or imposition of any Adverse Claim upon or with respect to its property or the property of any of its Subsidiaries (except as expressly provided by the Transaction Documents).

(c) Binding Effect. Each of this Agreement and the other Transaction Documents to which it is a party has been duly executed and delivered and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws affecting the rights of creditors generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(d) Perfection. In the case of (i) the Transferor, it is the owner of each Leased Aircraft and, immediately prior to the transactions contemplated under the Sale and Conveyance Agreement, it is the owner of all of the Receivables and the Related Security (other than with respect to Aircraft or Aircraft Fractional Shares related to Receivables the Contract with respect to which is a loan), and it holds a valid, perfected first priority security interest in all Aircraft or Aircraft Fractional Shares related to Receivables the Contract with respect to which is a loan, in each case, free and clear of all Adverse Claims (other than any Permitted Lien) and upon the making of the Investment on the Closing Date, all financing statements and other documents required to be recorded or filed in order to perfect and protect the interest of the Seller against all

creditors of and purchasers from the Originator and the Transferor will have been duly filed in each filing office necessary for such purpose and all filing fees and taxes, if any, payable in connection with such filings shall have been paid in full and (ii) the Seller, immediately after giving effect to the transactions contemplated under the Sale and Conveyance Agreement, it is the owner of all of the Receivables and the Related Security, free and clear of all Adverse Claims (other than any Permitted Lien) and upon the making of the Investment on the Closing Date all financing statements and other documents required to be recorded or filed in order to perfect and protect the interest of the Administrative Agent on behalf of the Secured Parties in the Receivables and other Affected Assets in connection therewith against all creditors of and purchasers from the Originator, the Transferor and the Seller will have been duly filed in each filing office necessary for such purpose and all filing fees and taxes, if any, payable in connection with such filings shall have been paid in full.

(e) Accuracy of Information. All information heretofore furnished by it (including the Monthly Servicer Reports, any other reports delivered pursuant to Section 2.8 and its financial statements) to the Administrative Agent, the Administrator, any Purchaser or the Insurer for purposes of or in connection with this Agreement, the other Transaction Documents, or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by it to the Administrative Agent, the Administrator, any Purchaser or the Insurer will be, true, complete and correct in every material respect, on the date such information is stated or certified, and no such item contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (it being understood that with respect to any information received by the Seller or the Servicer from an Obligor and furnished to the Administrative Agent, the Administrator, any Purchaser or the Insurer, the Seller and the Servicer, as applicable, represents that any such information, to its knowledge is true, complete and correct in every material respect, on the date such information is stated or certified, and no such item contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading).

(f) Tax Status. It has (i) timely filed all federal, state and local tax returns or permitted extensions thereof in the United States and all other tax returns or permitted extensions thereof in foreign jurisdictions required to be filed, (ii) paid or made adequate provision in accordance with GAAP for the payment of all taxes, assessments and other governmental charges and (iii) in the case of the Seller, accounted for the sale of the Asset Interest hereunder, in its books and financial statements as sales, consistent with GAAP.

(g) Action, Suits. It is not in violation of any order of Official Body or arbitrator. Except as set forth in Schedule 4.1(g), there are no actions, suits, litigation or proceedings pending, or to its knowledge, threatened, against or affecting it or any of its Affiliates or their respective properties, in or before any Official Body or arbitrator which could reasonably be expected to have a Material Adverse Effect.

(h) Use of Proceeds. In the case of the Seller, no proceeds of the Investment will be used by it (i) to acquire any security in any transaction which is subject to Section 13 or 14 of the

Securities Exchange Act of 1934, (ii) to acquire any equity security of a class which is registered pursuant to Section 12 of such act or (iii) for any other purpose that violates applicable Law, including Regulations T, U or X of the Federal Reserve Board.

(i) Principal Place of Business; Chief Executive Office; Location of Records. Its jurisdiction of incorporation (which is the only jurisdiction in which it is incorporated), principal place of business, chief executive office and the offices where it keeps all its Records, are located at the address(es) described in Schedule 4.1(i) (and (a) with respect to the Originator and the Transferor, it has been located at such locations at all times during the five-year period ending on the Closing Date and (b) with respect to the Seller, it has been located at such locations at all times since its incorporation) or such other locations notified to the Administrative Agent and the Insurer in accordance with Section 7.7 in jurisdictions where all actions required by Section 7.7 have been taken and completed.

(j) Subsidiaries; Tradenames, Etc. With respect to the Transferor and the Seller, as of the Closing Date: (i) it has no Subsidiaries (other than, with respect to the Transferor only, the Seller); (ii) it has operated only under its name set forth in the preamble to this Agreement, and has not changed its name, merged with or into or consolidated with any other Person or been the subject of any proceeding under the Bankruptcy Code and (iii) Schedule 4.1(j) lists the correct federal employer identification number of the Transferor and the Seller. With respect to the Servicer, as of the Closing Date: (i) has operated only under its name set forth in the preamble to this Agreement, and has not within five (5) years prior to the Closing Date, changed its name, merged with or into or consolidated with any other Person or been the subject of any proceeding under the Bankruptcy Code, and (ii) Schedule 4.1(j) lists the correct federal employer identification number of the Servicer.

(k) Good Title. The Originator, the Transferor and the Seller intend that (i) the sale, conveyance, transfer and assignment of all of the Originator's right, title and interest in, to and under the Receivables and the other Affected Assets to the Transferor under the First Tier Agreement to be true sales of the Affected Assets by the Originator to the Transferor for all purposes, providing the Transferor with the full risks and benefits of ownership of the Affected Assets (such that the Affected Assets would not be property of the Originator's estate in the event of an Event of Bankruptcy with respect to the Originator) and (ii) the sale, conveyance, transfer and assignment of all of the Transferor's right, title and interest in, to and under the Receivables and the other Affected Assets to the Seller under the Sale and Conveyance Agreement to be true sales of the Affected Assets by the Transferor to the Seller for all purposes, providing the Seller with the full risks and benefits of ownership of the Affected Assets (such that the Affected Assets would not be property of the Transferor's estate in the event of an Event of Bankruptcy with respect to the Transferor). Solely to the extent that (i) the First Tier Agreement does not effect a true sale of the Affected Assets from RACC to the Transferor for all purposes and (ii) the Sale and Conveyance Agreement does not effect a true sale of the Affected Assets from the Transferor to the Seller for all purposes, as applicable, (A) the First Tier Agreement creates in favor of the Transferor a legal, valid and enforceable security interest in the Affected Assets which security interest has been assigned by the Transferor to the Seller in accordance with the terms of the Sale and Conveyance Agreement and further assigned by the Seller to the Administrative Agent (on behalf of the Secured Parties) in accordance with the terms of this Agreement; and the Sale and Conveyance Agreement creates in favor of the Seller a

legal, valid and enforceable security interest in the Affected Assets which security interest has been assigned by the Seller to the Administrative Agent (on behalf of the Secured Parties) in accordance with the terms of this Agreement. The Seller, the Administrative Agent and the Purchasers intend that the sale, conveyance, transfer and assignment of all of the Seller's right, title and interest in, to and under the Receivables and the other Affected Assets to the Administrative Agent (on behalf of the Secured Parties) hereunder shall be treated as a sale for all purposes, other than federal and state income tax purposes. Solely to the extent that this Agreement does not affect a true sale of the Affected Assets from the Seller to the Administrative Agent (on behalf of the Secured Parties), this Agreement creates in favor of the Administrative Agent (on behalf of the Secured Parties) a legal, valid and enforceable security interest in the Affected Assets, together with a security interest in any Affected Assets that were the subject of a true sale from the Originator to the Transferor under the First-Tier Agreement or from the Transferor to the Seller under the Sale and Conveyance Agreement. No authorization, approval or other action by, and no notice to or filing with, any Official Body that has not already been taken or made and which is in full force and effect, is required for the grants of security interest described in the immediately preceding sentence. Upon the Investment, the Administrative Agent (on behalf of the Secured Parties) shall acquire a legal, valid and enforceable perfected first priority ownership interest in each Receivable and all other Affected Assets, that exist on the Closing Date, free and clear of any Adverse Claim (other than any Permitted Lien) or, if the Administrative Agent (on behalf of the Secured Parties) does not acquire such a first priority ownership interest, then, upon the Investment, the Administrative Agent (on behalf of the Secured Parties) shall acquire a first priority perfected security interest in each Receivable and all other Affected Assets, that exist on the Closing Date, free and clear of any Adverse Claim (other than any Permitted Lien).

(l) Nature of Receivables. Each Receivable listed on the Schedule of Receivables satisfies the definition of "Eligible Receivable" set forth herein on the Closing Date. It has no knowledge of any fact (including any defaults by the Obligor thereunder on any other Receivable) that would cause it or should have caused it to expect any payments on such Receivable not to be paid in full when due or that is reasonably likely to cause or result in any other Material Adverse Effect with respect to such Receivable.

(m) Credit and Collection Policy. Since August 31, 2003, there have been no material changes in the Credit and Collection Policy other than in accordance with this Agreement. Since such date, no material adverse change has occurred in the overall rate of collection of the Receivables. In the case of the Transferor, the Seller and the Servicer, it has at all times materially complied with the Credit and Collection Policy with regard to each Receivable and each Contract, and in the case of the Originator, it has at all times materially complied with each Receivable and each Contract, as applicable.

(n) Material Adverse Effect. With respect to the Originator, the Transferor and the Servicer, since December 31, 2002, there has been no Material Adverse Effect, and with respect to the Seller, since its formation, there has been no Material Adverse Effect.

(o) No Event of Default. No event has occurred and is continuing and no condition exists, or would result from the Investment or from the application of the proceeds therefrom, which constitutes an Event of Default or an Unmatured Event of Default.

(p) Not an Investment Company or Holding Company. It is not, and is not controlled by, an "investment company" within the meaning of the Investment Company Act of 1940, or is exempt from all provisions of such act. It is not a "holding company," or a subsidiary or affiliate of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935.

(q) ERISA. Each of the Originator, the Transferor and the Seller and their 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 Pension Plans (based on those assumptions used to fund each such Pension Plan) did not, as of the last certified annual valuation date of January 1, 2002, exceed the fair market value of the assets of all Pension Plans as of such date, and the present value of all benefit liabilities of all underfunded Pension Plans (based on those assumptions used to fund each such Pension Plan) did not, as of the last certified annual valuation dates applicable thereto before the Closing Date, exceed by more than two hundred eighty million dollars ($280,000,000) the fair market value of the assets of all such underfunded Pension Plans as of such dates. However, it is anticipated that as of the next annual certification date of January 1, 2003, the present value of all benefit liabilities under all Pension Plans will exceed the fair market value of the assets of all Pension Plans and that there will be a material increase in the levels of underfundings.

(r) Blocked Accounts. The names and addresses of all the Blocked Account Banks, together with the account numbers of the Blocked Accounts at such Blocked Account Banks, are as specified in Schedule 4.1(r) (or at such other Blocked Account Banks and/or with such other Blocked Accounts as have been approved by the Administrative Agent and the Control Party in writing and for which Blocked Account Agreements have been executed in accordance with Section 7.3 and copies of which have been delivered to the Servicer, the Administrative Agent and the Control Party). All Blocked Accounts are subject to Blocked Account Agreements. Within five (5) Business Days after the Closing Date, the Servicer will instruct all Obligors to make payments with respect to Receivables directly to a Blocked Account or to the Collection Account or to post office boxes or lock-boxes to which only Blocked Account Banks have access. No funds other than Collections will be deposited into the Blocked Accounts, and, with respect to the Receivables, all amounts received by any of the Originator, the Transferor, the Seller or the Servicer representing interest accrued thereon from the period on and after the Cut-Off Date through the Closing Date shall be deposited into the Collection Account within five (5) Business Days after the Closing Date.

(s) Bulk Sales. In the case of the Originator, the Transferor and the Seller, no transaction contemplated by this Agreement or the other Transaction Documents requires compliance with any bulk sales act or similar law.

(t) Transfers Under First Tier Agreement and Sale and Conveyance Agreement. In the case of the Originator and the Transferor, each Receivable, the related Leased Aircraft and all other Affected Assets (other than Aircraft and Aircraft Fractional Shares related to a Receivable which arises under a Contract which is a loan) have been purchased or the prior purchase has

been reaffirmed, by it pursuant to, and in accordance with, the terms of the First Tier Agreement, and the Originator has no further right, title or interest therein. In the case of the Transferor and the Seller, each Receivable and all Affected Assets (other than the Aircraft) have been sold or purchased, as applicable, by it pursuant to, and in accordance with, the terms of the Sale and Conveyance Agreement, and the Transferor has no further right, title or interest therein (other than title with respect to the Leased Aircraft).

(u) Preference; Voidability. In the case of the Originator and the Transferor, the Transferor has given reasonably equivalent value to the Originator, in consideration for the transfer to it by the Originator of the Originator's interest in the Affected Assets, and such transfer has not been made for or on account of an antecedent debt owed by the Originator to the Transferor and no such transfer is or may be voidable under any section of the Bankruptcy Code. In the case of the Transferor and the Seller, the Seller has given reasonably equivalent value to the Transferor, in consideration for the transfer to it by the Transferor of the Transferor's interest in the Affected Assets (other than title to the Leased Aircraft), and such transfer was not made for or on account of an antecedent debt owed by the Transferor to the Seller and no such transfer is or may be voidable under any section of the Bankruptcy Code.

(v) Nonconsolidation. Each of the Transferor and the Seller is operated in such a manner that the separate corporate existence of each of the Transferor and the Seller, on the one hand, and the Originator or any Affiliate thereof, on the other, would not be disregarded in the event of the bankruptcy or insolvency of any of the Originator or any Affiliate thereof, the Transferor or the Seller and, without limiting the generality of the foregoing:

(i) each of the Transferor and the Seller is a limited purpose corporation whose activities are restricted in its certificate of incorporation to activities related to purchasing or otherwise acquiring receivables (including the Receivables) and related assets and rights and conducting any related or incidental business or activities it deems necessary or appropriate to carry out its primary purpose, including entering into agreements like the Transaction Documents;

(ii) neither the Transferor nor the Seller has engaged, or presently engages, in any activity other than those activities expressly permitted hereunder and under the other Transaction Documents, nor has the Transferor or the Seller entered into any agreement other than this Agreement, the other Transaction Documents to which it is a party, and with the prior written consent of each of the Administrative Agent and the Control Party, any other agreement necessary to carry out more effectively the provisions and purposes hereof or thereof;

(iii) (A) each of the Transferor and the Seller maintains its own deposit account or accounts, separate from those of any of its Affiliates, with commercial banking institutions, (B) the funds of the Transferor and the Seller are not and have not been diverted to any other Person for any use other than the corporate use of the Transferor or the Seller, as applicable and (C), except as may be expressly permitted by this Agreement and except, in the case of the Transferor only, in connection with the Performance Guarantor's integrated cash management system, the funds of the Transferor and the Seller are not and have not been commingled with those of any other Person;

(iv) to the extent that the Transferor or the Seller contracts or does business with vendors or service providers where the goods and services provided are partially for the benefit of any other Person, the costs incurred in so doing are fairly allocated to or among the Transferor or the Seller, as the case may be, and such entities for whose benefit the goods and services are provided, and the Transferor and the Seller, as the case may be, and each such entity bears its fair share of such costs; and all material transactions between the Transferor or the Seller, as applicable, and any of their respective Affiliates shall be only on an arm's-length basis;

(v) each of the Transferor and the Seller maintains a principal executive and administrative office through which its business is conducted and a telephone number and stationery through which all business correspondence and communication are conducted, in each case separate from those of its Affiliates;

(vi) each of the Transferor and the Seller conducts its affairs strictly in accordance with its certificate of incorporation and observes all necessary, appropriate and customary corporate formalities, including (A) holding all regular and special stockholders' and directors' meetings appropriate to authorize all corporate action (which, in the case of regular stockholders' and directors' meetings, are held at least annually), (B) keeping separate and accurate minutes of such meetings, (C) passing all resolutions or consents necessary to authorize actions taken or to be taken, and (D) maintaining accurate and separate books, records and accounts, including intercompany transaction accounts;

(vii) all decisions with respect to its business and daily operations are independently made by the Transferor or the Seller, as applicable (although the officer making any particular decision may also be an employee, officer or director of an Affiliate of the Transferor or the Seller, as applicable) and are not dictated by any Affiliate of the Transferor or the Seller (it being understood that the Servicer, which is an Affiliate of the Transferor and the Seller, will undertake and perform all of the operations, functions and obligations of it set forth herein and it may appoint Sub-Servicers, which may be Affiliates of the Transferor and the Seller, to perform certain of such operations, functions and obligations);

(viii) each of the Transferor and the Seller acts solely in its own corporate name and through its own authorized officers and agents, has not held itself out as a "division" or "part" of any other Person, and no Affiliate of such Person shall be appointed to act as its agent, except as expressly permitted by this Agreement and the other Transaction Documents;

(ix) no Affiliate of the Transferor or the Seller advances funds to the Transferor or the Seller, other than as is otherwise expressly provided herein or in the other Transaction Documents, and no Affiliate of the Transferor or the Seller otherwise supplies funds to, or guaranties debts of, the Transferor or the Seller; provided, however, that the Transferor, as an Affiliate of the Seller, may provide funds to the Seller in connection with the capitalization of the Seller;

(x) other than organizational expenses and as expressly provided herein, each of the Transferor and the Seller pays all expenses, indebtedness and other obligations incurred by it;

(xi) neither the Transferor nor the Seller guarantees, or is otherwise liable for, any obligation of any of their respective Affiliates;

(xii) any financial reports required of the Transferor and the Seller comply with generally accepted accounting principles and are issued separately from, but may be consolidated with, any reports prepared for any of their respective Affiliates;

(xiii) each of the Transferor and the Seller is adequately capitalized to engage in the transactions contemplated in its certificate of incorporation;

(xiv) neither the Transferor nor the Seller acts as agent for the other or any Affiliate thereof, but instead presents itself to the public as a corporation separate from each such member and independently engaged in the business of purchasing and financing Receivables;

(xv) each of the Transferor and the Seller maintains a five person board of directors, including at least one independent director who has never been, and shall at no time be, a stockholder, director, officer, employee or associate, or any relative of the foregoing, of any Affiliate of the Transferor or the Seller (other than the Seller and any other bankruptcy-remote special purpose entity formed for the sole purpose of securitizing, or facilitating the securitization of, financial assets of the Transferor or any Affiliate thereof), all as provided in its certificate of incorporation, and is otherwise reasonably acceptable to the Administrative Agent and the Insurer;

(xvi) the bylaws or the certificate of incorporation of each of the Transferor and the Seller require (A) the affirmative vote of an independent director before a voluntary petition under Section 301 of the Bankruptcy Code may be filed by such Person, and (B) such Person to maintain correct and complete books and records of account and minutes of the meetings and other proceedings of its stockholders and board of directors; and

(xvii) RACC hereby agrees that it will retain all ERISA liabilities related to its employees who provide services to GARC or RARC, and GARC or RARC, respectively, will pay to RACC its pro rata share of ERISA contributions for RACC's employees who provide services to GARC or RARC, respectively.

Without limiting the foregoing, all of the factual statements and assumptions relating to the Transferor and the Seller that are set forth in each of the "true sale" and "non-consolidation" opinions of Bingham McCutchen LLP, delivered pursuant to Section 5.1, are true and correct.

(w) Representations and Warranties in other Transaction Documents. Each of the representations and warranties made by it contained in any of the Transaction Documents (other

than this Agreement) to which it is a party is true, complete and correct in all respects and it hereby makes each such representation and warranty to, and for the benefit of, the Administrative Agent, the Administrator, the Purchasers and the Insurer, as if the same were set forth in full herein and each of the Originator and the Transferor hereby ratifies all of the Transaction Documents previously executed by it and confirms that except as modified hereby, each such Transaction Document remains in full force and effect.

(x) No Servicer Default. No event has occurred and is continuing and no condition exists, or would result from the Investment or from the application of the proceeds therefrom, which constitutes a Servicer Default or an Unmatured Servicer Default.

(y) Parties Necessary to Amend Prior Purchase and Sale Agreement. Each of the Originator and the Transferor hereby represents and warrants that all parties necessary to amend and restate the Prior Purchase and Sale Agreement are parties to this Agreement.

(z) No Extension. The Originator, the Transferor, the Seller and the Servicer have not granted any payment extension of the terms of any Receivable or any Contract related to any Receivable, nor any right on the part of the related Obligor to implement any extension, other than (i) extensions granted prior to the Cut-off Date which have been paid in full prior to the Cut-off Date or (ii) as disclosed in the "Extended Receivables" section in Schedule II to a date no later than the maturity date for such Receivable set forth in Schedule IV.

(aa) No Defaults. The Originator, the Transferor, the Seller and the Servicer are not in default under any material contract, lease agreement, instrument or commitment to which such Person is a party which has or would have a Material Adverse Effect.

(bb) Indonesian Aircraft. With respect to the Originator, the Transferor and the Servicer, title to the two (2) Indonesian Aircraft listed on Schedule IV was transferred by Raytheon Aircraft Credit Special Purpose Company, a Kansas corporation ("RACSPC"), to RACC pursuant to bills of sale executed by RACSPC, subject to the assignment and novation in favor of RACC of the underlying lease Receivables pursuant to novation agreements executed by RACSPC, RACC, RARC and the related lessees, in consideration for RACC's repayment in full of the mortgage loans made by RACC, in the case of one Indonesian Aircraft, and by RARC, in the case of the other, that were secured by the respective Indonesian Aircraft, which consideration was determined by RACSPC, RACC and RARC in good faith to be the fair market value of such Indonesian Aircraft.

SECTION 4.2 Additional Representations and Warranties of the Originator and the Servicer. The Originator and the Servicer each for itself only represents and warrants on the Closing Date to the Administrative Agent, the Administrator, the Purchasers and the Insurer, which representation and warranty shall survive the execution and delivery of this Agreement, that (a) each of the representations and warranties of the Originator and the Servicer (whether made in its individual capacity or as the Originator or the Servicer, as applicable) contained in any Transaction Document to which it is a party is true, complete and correct and, if made by the Originator or the Servicer in its individual capacity, applies with equal force to the Originator or the Servicer, as applicable, in its capacity as the Originator or the Servicer, as applicable, and the Originator and the Servicer each hereby makes each such representation and warranty to, and for

the benefit of, the Administrative Agent, the Administrator, the Purchasers and the Insurer, as if the same were set forth in full herein, and (b) without limiting the foregoing, all of the factual statements and assumptions relating to the Originator and the Servicer that are set forth in each of the "true sale" and "non-consolidation" opinions of Bingham McCutchen LLP, delivered pursuant to Section 5.1, are true and correct.

ARTICLE V

CONDITIONS PRECEDENT

SECTION 5.1 Conditions Precedent to Closing and Investment. The occurrence of the Closing Date, the effectiveness of the Commitments hereunder and the Investment shall be subject to the conditions precedent that (i) the Transferor and the Seller shall have paid in full (A) all amounts required to be paid by either of them on or prior to the Closing Date pursuant to each of the Fee Letters and (B) the fees and expenses described in clause (a)(i) of Section 9.4 and invoiced prior to the Closing Date, and (ii) each of (A) the Administrative Agent shall have received, for itself and each of the Purchasers and the Administrative Agent's counsel, and (B) the Insurer shall have received, for itself and its counsel, an original (unless otherwise indicated) of each of the following, each dated (if applicable) the Closing Date (unless otherwise indicated) and each in form and substance satisfactory to the Administrative Agent and the Insurer and each of their respective counsel (unless otherwise indicated).

(a) A duly executed counterpart of this Agreement, the First Tier Agreement, the Sale and Conveyance Agreement, the Administrative Agent Fee Letter, the Purchaser Fee Letter, the Insurance Premium Letter, the Performance Guaranty, the Insurance and Reimbursement Agreement, the Insurance Policy and each of the other Transaction Documents to which each of the Originator, the Transferor, the Seller, the Servicer and the Performance Guarantor, as applicable, is a party (other than the Security Agreements, in which case the Investment Condition shall have been satisfied with respect to such Security Agreements).

(b) A certificate of the secretary or assistant secretary of the Seller, certifying and (in the case of clauses (i) through (iii)) attaching as exhibits thereto, among other things:

(i) the articles of incorporation, charter or other organizing document of the Seller (certified by the Secretary of State or other similar official of the Seller's jurisdiction of incorporation or organization, as applicable, as of a recent date);

(ii) the by-laws of the Seller;

(iii) the resolutions of the board of directors or other governing body of the Seller authorizing the execution, delivery and performance by the Seller of this Agreement, the Sale and Conveyance Agreement and the other Transaction Documents to be delivered by the Seller hereunder or thereunder and all other documents evidencing necessary corporate action (including shareholder consents, if required) and government approvals, if any; and

(iv) the incumbency, authority and signature of each officer of the Seller executing the Transaction Documents or any certificates or other documents delivered hereunder or thereunder on behalf of the Seller.

(c) A certificate of the secretary or assistant secretary of each of the Originator, the Transferor and the Servicer certifying and (in the case of clauses (i) through (iii)) attaching as exhibits thereto, among other things:

(i) the articles of incorporation, charter or other organizing document of each of the Originator, the Transferor and the Servicer (certified by the Secretary of State or other similar official of its jurisdiction of incorporation or organization, as applicable, as of a recent date);

(ii) the by-laws of each of the Originator, the Transferor and the Servicer;

(iii) resolutions of the board of directors or other governing body of each of the Originator, the Transferor and the Servicer authorizing the execution, delivery and performance by it of this Agreement, the Sale and Conveyance Agreement, the First Tier Agreement and the other Transaction Documents to be delivered by it hereunder or thereunder and all other documents evidencing necessary corporate action (including shareholder consents, if required) and government approvals, if any; and

(iv) the incumbency, authority and signature of each officer of the Originator, the Transferor and the Servicer executing the Transaction Documents or any certificates or other documents delivered hereunder or thereunder on its behalf.

(d) A good standing certificate for the Seller issued by the Secretary of State or a similar official of the Seller's jurisdiction of incorporation or organization, as applicable, and certificates of qualification as a foreign corporation issued by the Secretaries of State or other similar officials of each jurisdiction where such qualification is material to the transactions contemplated by this Agreement and the other Transaction Documents, in each case, dated as of a recent date.

(e) A good standing certificate for each of the Originator, the Transferor and the Servicer issued by the Secretary of State or a similar official of its jurisdiction of incorporation or organization, as applicable, and certificates of qualification as a foreign corporation issued by the Secretaries of State or other similar officials of each jurisdiction where such qualification is material to the transactions contemplated by this Agreement and the other Transaction Documents, in each case, dated as of a recent date.

(f) Evidence of filing, acceptable to the Administrative Agent and the Insurer, of proper financing statements (Form UCC-1), filed on or before the Closing Date naming the Seller, as debtor, in favor of the Administrative Agent, as secured party, for the benefit of the Secured Parties, or, subject to the Investment Condition, other similar instruments or documents as may be necessary or in the reasonable opinion of the Administrative Agent or the Insurer desirable under the UCC of all appropriate jurisdictions or any comparable law to perfect the Administrative Agent's ownership or security interest in all Receivables and the other Affected Assets.

(g) Evidence of filing, acceptable to the Administrative Agent and the Insurer, of proper financing statements (Form UCC-1), filed on or before the Closing Date naming the Transferor, as debtor, the Seller, as secured party and the Administrative Agent, as assignee of secured party, or, subject to the Investment Condition, other similar instruments or documents as may be necessary or in the reasonable opinion of the Administrative Agent or the Insurer desirable under the UCC of all appropriate jurisdictions or any comparable law to perfect the Seller's ownership or security interest in all Receivables and the other Affected Assets (other than with respect to any ownership interest in the related Aircraft or Aircraft Fractional Shares) and to perfect the Administrative Agent's security interest in all Receivables and the other Affected Assets.

(h) Evidence of filing, acceptable to the Administrative Agent and the Insurer, of proper financing statements (Form UCC-1), filed on or before the Closing Date naming the Originator, as debtor, the Transferor, as secured party and the Administrative Agent, as assignee of secured party, or, subject to the Investment Condition, other similar instruments or documents as may be necessary or in the reasonable opinion of the Administrative Agent or the Insurer desirable under the UCC of all appropriate jurisdictions or any comparable law to perfect the Transferor's ownership interest in the Affected Assets and to perfect the Administrative Agent's security interest in the Affected Assets.

(i) Evidence of filing, acceptable to the Administrative Agent and the Insurer, of proper financing statements (Form UCC-3), if applicable, filed on or before the Closing Date necessary to terminate all security interests and other rights of any Person (other than title to the Aircraft or Aircraft Fractional Shares, which shall remain in favor of the Transferor in the case of Leased Aircraft or the Obligor in the case of loans) in Receivables and the other Affected Assets previously granted by the Seller.

(j) Evidence of filing, acceptable to the Administrative Agent and the Insurer, of proper financing statements (Form UCC-3), if applicable, filed on or before the Closing Date necessary to terminate all security interests (other than any Permitted Lien) and other rights of any Person (other than Obligors) in Receivables or the other Affected Assets previously granted by the Transferor (other than those filed in favor of Bank of America in connection with the Prior Purchase and Sale Agreement).

(k) Evidence of filing, acceptable to the Administrative Agent and the Insurer, of proper financing statements (Form UCC-3), if applicable, filed on or before the Closing Date necessary to terminate all security interests (other than any Permitted Lien) and other rights of any Person (other than Obligors) in Receivables or the other Affected Assets previously granted by the Originator (other than those filed in favor of Bank of America in connection with the Prior Purchase and Sale Agreement).

(l) Search reports from a third-party search company acceptable to the Administrative Agent and the Insurer, dated a date reasonably near the Closing Date, listing all effective financing statements which name the Originator, the Transferor or the Seller (under

their respective present names and any previous names) as debtor and which are filed in jurisdictions in which the filings were made pursuant to clauses (f), (g) or (h) above and such other jurisdictions where the Administrative Agent or the Insurer may reasonably request, together with copies of such financing statements (none of which shall cover any Receivables other Affected Assets), and similar search reports with respect to judgments, state tax liens, federal tax liens and liens of the Pension Benefit Guaranty Corporation in such jurisdictions, showing no such liens (other than any Permitted Lien) on any of the Receivables or on the other Affected Assets.

(m) Evidence that each Blocked Account required to be established pursuant to this Agreement (including the Collection Account) has been established in accordance with the terms hereof, and executed copies of each of the Blocked Account Agreements relating to each of the Blocked Accounts, and the Servicer shall have the processes in place to insure that all Collections from and after the Cut-off Date have been deposited in the Collection Account within five (5) Business Days after the Seller's or the Servicer's receipt thereof.

(n) A favorable opinion, dated the Closing Date and addressed to the Administrative Agent, each Purchaser, the Insurer and each of the Rating Agencies, of Martin, Pringle, Oliver, Wallace & Bauer L.L.P., special counsel to the Originator and the Transferor, covering certain UCC perfection and priority matters and such other matters as the Administrative Agent or Insurer may reasonably request.

(o) Favorable opinion(s), dated the Closing Date and addressed to the Administrative Agent, each Purchaser, the Insurer and each of the Rating Agencies, of Bingham McCutchen LLP, special counsel to the Raytheon Entities, covering (i) certain UCC perfection and priority matters (based on UCC search reports) and certain corporate matters of the Seller including, but not limited to, non-contravention, (ii) "true sale" and "non-consolidation" matters, (iii) enforceability matters and (iv) such other matters as the Administrative Agent or the Insurer may reasonably request.

(p) A favorable opinion, dated the Closing Date and addressed to the Administrative Agent, each Purchaser, the Insurer and each of the Rating Agencies, of in-house counsel to each Raytheon Entity (other than the Seller) which is party to a Transaction Document, covering certain corporate matters, including, but not limited to, non-contravention and such other matters as the Administrative Agent or the Insurer may reasonably request.

(q) A favorable opinion, dated the Closing Date and addressed to the Administrative Agent, each Purchaser and each of the Rating Agencies, of in-house counsel to the Insurer, covering such matters as the Administrative Agent may reasonably request, in form and substance satisfactory to the Administrative Agent and its counsel.

(r) A Schedule of Receivables identifying all Receivables and the respective Unpaid Balance and accrued interest with respect thereto as of the Cut-off Date, and such other information as the Administrative Agent or the Insurer may reasonably request.

(s) Satisfactory results of a review and audit of the Servicer's collection, operating and reporting systems, the Credit and Collection Policy, historical receivables data and accounts,

including satisfactory results of a review of the Servicer's operating location(s) and satisfactory review and approval by the Administrative Agent and the Control Party of the Eligible Receivables in existence on the Cut-off Date and a written outside audit report of Ernst & Young or another nationally-recognized accounting firm satisfactory to the Administrative Agent and the Insurer as to such matters.

(t) Evidence of the appointment of CT Corporation System as agent for service of process as required by Section 11.4.

(u) Evidence from each of the Rating Agencies that (i) prior to giving effect to the issuance of the Insurance Policy, the transactions contemplated by this Agreement have been rated to a level satisfactory to each of the Administrative Agent and the Insurer, and (ii) after giving effect to the issuance of the Insurance Policy, the transactions contemplated by this Agreement, have been rated "AAA" (or its equivalent) by such Rating Agency.

(v) A schedule (i) specifying the days on which Fiscal Months for the period from the Closing Date through December 31, 2003 will begin and end, and (ii) listing all days that are not Business Days during such period.

(w) Evidence that each of the parties to the Prior Purchase and Sale Agreement shall have received all amounts owing to such Person immediately prior to giving effect to this Agreement.

(x) Such other approvals, documents, instruments, certificates and opinions as the Administrative Agent, the Administrator, any Purchaser or the Insurer may reasonably request.

SECTION 5.2 Additional Conditions Precedent to Investment. The Investment shall be subject to the additional conditions precedent that on the Closing Date the following statements shall be true, complete and correct (and the Seller by accepting any amount of the Investment shall be deemed to have certified that):

(a) The representations and warranties contained in Sections 4.1 and 4.2 are true, complete and correct on and as of such date.

(b) Each of (I) the Administrative Agent shall have received, for itself and each of the Purchasers and the Administrative Agent's counsel, and (II) the Insurer shall have received for itself and its counsel, each of the following documents or such other evidence thereof, as applicable, each in form and substance satisfactory to the Administrative Agent and the Insurer:

(i) evidence, in the form of a certificate from an authorized officer of the Servicer, that (A) in the case of Receivables, the related Contract with respect to which is not a lease, an executed copy of such Contract and each related Security Agreement with respect thereto is in the possession of the Servicer, (B) the Servicer is in possession of every other Security Agreement subject to clause (C) of this clause (i), and (C) notwithstanding clauses (B) and (C) of this clause (i), in the case of leases, each Assignment of Rents in favor of the Administrative Agent is in possession of the Administrative Agent;

(ii) evidence, in the form of a certificate from an authorized officer of the Servicer, that, in the case of each Receivable related to a lease, an executed copy of an Assignment of Rents, covering any proceeds of any residual interest in such Aircraft, is in the possession of the Administrative Agent, and, if applicable, has been filed with the FAA, or in the case of Aircraft registered under the laws of a jurisdiction other than the United States, the appropriate Aviation Authority or Official Body, subject to the satisfaction of the Investment Condition;

(iii) evidence, in the form of a certificate from an authorized officer of the Servicer, that, in the case of each Receivable related to a loan, an executed original security agreement, made by the Obligor and assigned in favor of the Seller and the Administrative Agent, has been filed with the FAA, or in the case of Aircraft registered under the laws of a jurisdiction other than the United States, the appropriate Aviation Authority or Official Body, subject to the satisfaction of the Investment Condition;

(iv) evidence in the form of a certificate from an authorized officer of the Servicer that, with respect to each Receivable related to an Aircraft Fractional Share, (A) the Originator has assigned to the Transferor all of the Originator's rights to require Flight Options to repurchase such Aircraft Fractional Share upon the occurrence of a default under the related Contract by the related Obligor, (B) the Transferor has assigned such rights to the Seller and (C) the Seller has assigned such rights to the Administrative Agent; and

(v) in the case of:

(A) each Aircraft with respect to which the related Receivable arises under a loan, evidence of lien search results and a favorable opinion from Local Aviation Counsel, as special counsel to the Transferor and the Seller, dated on or prior to the Closing Date, addressed to the Administrative Agent, each Purchaser and the Insurer, covering (i) certain perfection and priority matters under local law with respect to each Aircraft and (ii) such other matters as the Administrative Agent or the Insurer may reasonably request, in each case in form and substance satisfactory to each of the Administrative Agent and the Control Party;

(B) (i) each Aircraft Fractional Share, evidence, in the form of an opinion from in-house counsel to the Transferor and the Seller, dated the Closing Date, addressed to the Administrative Agent, each Purchaser and the Insurer, that the FAA bill of sale and the Transferor's form documents which are required to properly evidence title in the Obligor's name and reflect the security interest therein, are in the related Contract File and contain accurate conveyance numbers, (ii) one Aircraft Fractional Share designated by the in-house counsel referred to in clause (i) above as having related documentation filed with the FAA that is representative of those for other Aircraft Fractional Shares, evidence, in the form of an opinion from Local Aviation Counsel, as special counsel to the Transferor and the Seller, dated the Closing Date, addressed to the Administrative Agent, each Purchaser and the Insurer that such representative documentation is in proper form for filing and recording with the FAA, and that no renewal or other filing

will be required in order to maintain the perfection of such security interest (or if any such renewal or filing is required, such opinion shall so specify), (iii) each Aircraft Fractional Share, searches from a third-party search company listing the liens of record, including the related security agreement, with respect to such Aircraft Fractional Share, and (iv) one Aircraft Fractional share per Aircraft, evidence in the form of an opinion from in-house counsel to the Transferor and the Seller, dated the Closing Date, addressed to the Administrative Agent, each Purchaser and the Insurer that, based on the results in clause (iii) of this Section 5.2(b)(v)(B), no liens on the related Aircraft Fractional Share are prior to the lien in favor of the Administrative Agent (on behalf of the Secured Parties), in each case, in form and substance satisfactory to the Administrative Agent and the Control Party; and

(C) each Aircraft with respect to which the related Receivable arises under a lease, subject to the Investment Condition, evidence, in the form of an opinion from Local Aviation Counsel, as special counsel to the Transferor and the Seller, dated the Closing Date, addressed to the Administrative Agent, each Purchaser and the Insurer, that (i) title to each related Aircraft as reflected in the records of the FAA is vested in the Transferor and (ii) the related Assignment of Rents is in proper form for filing and recording with the FAA or applicable Aviation Authority or Official Body, and covering such other matters as the Administrative Agent or the Control Party may reasonably request in each case, in form and substance satisfactory to the Administrative Agent and the Control Party.

(c) The Termination Date has not occurred.

ARTICLE VI
COVENANTS

SECTION 6.1 Affirmative Covenants of the Originator, the Transferor, the Seller and the Servicer. At all times from the date hereof to the Final Payout Date, unless the Administrative Agent and the Control Party shall otherwise consent in writing:

(a) Reporting Requirements. Each of the Originator, the Transferor, the Seller and the Servicer shall maintain, for itself and each of its Subsidiaries, a system of accounting established and administered in accordance with GAAP, and each of the Seller and the Servicer shall furnish (or cause to be furnished) to the Administrative Agent and the Insurer:

(i) Annual Reporting. As soon as available and in any event within ninety (90) days after the end of each fiscal year of the Seller, an unaudited balance sheet of the Seller as of the end of such fiscal year and the related unaudited consolidated statements of income and retained earnings for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on and certified by an authorized officer of the Seller.

(ii) Notice of an Event of Default or an Unmatured Event of Default or a Servicer Default; Etc. (A) As soon as possible and in any event within two (2) Business Days after the Servicer knows or should have known of the occurrence of an Event of Default or an Unmatured Event of Default or a Servicer Default, a statement of the chief financial officer or chief accounting officer of the Servicer setting forth details of such Event of Default, Unmatured Event of Default or Servicer Default and the action which the Servicer proposes to take (or cause to be taken) with respect thereto, which information shall be updated promptly from time to time; (B) promptly after the Servicer obtains knowledge thereof, notice of any litigation, investigation or proceeding that may exist at any time that could reasonably be expected to result in a Material Adverse Effect or any litigation or proceeding relating to any Transaction Document; and (C) promptly after the occurrence thereof, notice of a Material Adverse Effect.

(iii) Change in Credit and Collection Policy and Debt Ratings. Within ten (10) Business Days after the date any material change in or amendment to the Credit and Collection Policy is made, a copy of the Credit and Collection Policy then in effect indicating such change or amendment. Within five (5) Business Days after the date of any change in the Performance Guarantor's public or private debt ratings, if any, a written certification of such public or private debt ratings after giving effect to any such change.

(iv) Credit and Collection Policy. Within ninety (90) days after the close of each of the Servicer's fiscal years, a complete copy of the Credit and Collection Policy then in effect, if requested by the Administrative Agent or the Insurer.

(v) ERISA. Promptly upon the occurrence thereof, written notice of any contribution failure with respect to any Pension Plan sufficient to give rise to a lien under Section 302(f) of ERISA.

(vi) Change in Accountants or Accounting Policy. Promptly, notice of any change in the accountants or accounting policy of the Originator, the Transferor, the Seller or the Servicer.

(vii) Documents Provided to the Insurer. Any document, notice, certificate, report or information (including non-financial information) provided from time to time by any Raytheon Entity to the Insurer, at the same time that the same is being provided to the Insurer.

(viii) Other Information. Such other information (including non-financial information) as the Administrative Agent, the Administrator or the Insurer may from time to time reasonably request with respect to any Raytheon Entity or any of their respective Subsidiaries or Affiliates.

(ix) Annual UCC Opinions of Counsel. Within ninety (90) days after the beginning of each calendar year, beginning with the calendar year 2004, the Servicer on behalf of the Seller shall furnish to the Administrative Agent (for the benefit of the Secured Parties) an opinion of counsel (which counsel shall not be in-house counsel to

the Seller or any of its Affiliates) addressed to the Administrative Agent, each Purchaser and the Insurer, either stating that, in the opinion of such counsel, such action has been taken with respect to the recording, filing, re-recording or re-filing of any financing statements and continuation statements under Article 9 of the UCC as are necessary to maintain the security interests created by the First Tier Agreement, the Sale and Conveyance Agreement and this Agreement and reciting the details of such action or stating that, in the opinion of such counsel, no such action is necessary to maintain such security interest, in all cases in form and substance satisfactory to each of the Administrative Agent and the Control Party. Such opinion of counsel shall also describe the recording, filing, re-recording and re-filing of any financing statements and continuation statements that, in the opinion of such counsel, are required under Article 9 of the UCC to maintain such security interests.

(b) Conduct of Business; Ownership. Each of the Originator, the Transferor, the Seller and the Servicer shall, and the Servicer shall cause each of its Subsidiaries to, carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and do all things necessary to remain duly organized, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted. Each of the Transferor and the Seller shall at all times be (either directly or indirectly) a wholly-owned Subsidiary of RACC, and the Seller shall at all times be (either directly or indirectly) a wholly-owned Subsidiary of the Transferor.

(c) Compliance with Laws, Etc. Each of the Originator, the Transferor, the Seller and the Servicer shall, and the Servicer shall cause each of its Subsidiaries to, comply with all Laws to which it or its respective properties may be subject and preserve and maintain its corporate existence, rights, franchises, qualifications and privileges, except where any such noncompliance could not reasonably be expected to have a Material Adverse Effect.

(d) Furnishing of Information and Inspection of Records. Each of the Originator, the Transferor, the Seller and the Servicer (including each Sub-Servicer) shall furnish to the Administrative Agent and the Insurer from time to time such information with respect to the Affected Assets as the Administrative Agent or the Insurer may reasonably request. Each of the Transferor, the Seller and the Servicer shall, at any time and from time to time (and, if no Event of Default or Servicer Default has occurred, upon reasonable prior written notice from the Administrative Agent, the Administrator or the Insurer to the Servicer), permit each of the Administrative Agent, the Administrator and the Insurer (or any of their respective agents), during regular business hours (i) to examine and make copies of and take abstracts from all books, records and documents (including computer tapes and disks) relating to the Receivables or other Affected Assets, including the related Contracts and (ii) to visit the offices and properties of the Originator, the Transferor, the Seller or the Servicer, as applicable, for the purpose of examining such materials described in clause (i), and to discuss matters relating to the Affected Assets or the Originator's, the Transferor's, the Seller's, or the Servicer's performance hereunder or under the Contracts and under the other Transaction Documents to which such Person is a party with any of the officers, directors, employees or independent public accountants of the Originator, the Transferor, the Seller, or the Servicer, as applicable, having knowledge of such matters. The costs and expenses of the first such audit in any calendar year incurred by the

Control Party or, if an Insurer Default shall have occurred and be continuing, each of the Insurer and the Administrative Agent, and all such audits after the occurrence of an Event of Default or a Servicer Default shall be paid by the Servicer. Notwithstanding anything to the contrary in this Agreement or any other Transaction Document, prior to the occurrence of a Servicer Default the Servicer shall provide "read only" access to the data in the Servicer's management information systems; provided that the Servicer shall not be required to provide access to such data to any of the Administrative Agent's and the Insurer's employees who are not U.S. citizens.

(e) Keeping of Records and Books of Account. Each of the Originator, the Transferor, the Seller and the Servicer shall maintain and implement administrative and operating procedures (including an ability to recreate records evidencing Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain, all documents, books, computer tapes, disks, records and other information reasonably necessary or advisable for the collection of all Receivables (including records adequate to permit the daily identification of each new Receivable and all Collections of and adjustments to each existing Receivable). Each of the Originator, the Transferor, the Seller and the Servicer shall give the Administrative Agent and the Insurer prompt notice of any material change in its administrative and operating procedures referred to in the previous sentence. All such records will be maintained at the offices set forth in Schedule 4.1(i).

(f) Performance and Compliance with Receivables and Contracts and Credit and Collection Policy. (i) The Originator shall, at its own expense, timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it, if any, under the Contracts related to the Receivables; and (ii) each of the Transferor, the Seller and the Servicer shall timely and fully comply in all material respects with the Credit and Collection Policy in regard to each Receivable and the related Contract.

(g) Notice of the Administrative Agent's Interest. In the event that the Originator, the Transferor or the Seller shall sell or otherwise transfer any interest in accounts receivable or any other financial assets (other than as contemplated by any of the Transaction Documents), any computer tapes or files or other documents or instruments provided by the Servicer in connection with any such sale or transfer shall disclose the Transferor's ownership interest in the Leased Aircraft, the Seller's ownership of the Receivables and the other Affected Assets (other than with respect to title to any Aircraft or Aircraft Fractional Shares) and the Administrative Agent's security interest in the Affected Assets.

(h) Collections. The Servicer shall, within five (5) Business Days after the Closing Date, instruct all Obligors to make payments with respect to Receivables directly to a Blocked Account or the Collection Account or to post office boxes or lock-boxes to which only Blocked Account Banks have access, and shall cause all items and amounts relating to such Collections received in such post office boxes or lock-boxes to be removed and deposited into a Blocked Account on a daily basis.

(i) Collections Received. Each of the Originator, the Transferor, the Seller and the Servicer shall hold in trust for the benefit of the Administrative Agent on behalf of the Secured Parties, and the Servicer shall remit (or cause to be remitted) daily to the Collection Account, all Collections within five (5) Business Days (i) after deposit thereof into either of the Raytheon

Aircraft and Affiliated Companies Account or the RACC Intrust Bank Account and (ii) in the case of Collections otherwise received by any Raytheon Entity or any Affiliate of a Raytheon Entity, after identification by the Servicer of such funds as Collections. Notwithstanding anything to the contrary in this Agreement or in any other Transaction Document, the Servicer shall, as soon as practicable following the Servicer's receipt and identification of any cash collections or other cash proceeds deposited in the Collection Account not constituting Collections, and in any event within two (2) Business Days after its identification thereof, notify the Administrative Agent and the Control Party in writing, and the Administrative Agent shall, within two (2) Business Days after its receipt of such notice, instruct the Blocked Account Bank maintaining the Collection Account, to turn over to the Servicer such cash collections or other cash proceeds on deposit in the Collection Account not constituting Collections. Within five (5) Business Days after the Closing Date, the Servicer will instruct all Obligors to make payments with respect to Receivables directly to a Blocked Account or to the Collection Account or to post office boxes or lock-boxes to which only Blocked Account Banks have access. With respect to the Receivables, all amounts received by the Originator, the Transferor, the Seller and the Servicer representing interest accrued thereon from the period on and after the Cut-off Date shall be deposited into the Collection Account within five (5) Business Days after the later of (i) the Closing Date and (ii) receipt thereof.

(j) Blocked Accounts. Each Blocked Account shall at all times be subject to a Blocked Account Agreement.

(k) Sale Treatment. None of the Originator, the Transferor nor the Seller shall (i) account for (including for accounting and tax purposes), or otherwise treat, the transactions contemplated by the First Tier Agreement or the Sale and Conveyance Agreement, as applicable, in any manner other than as a sale by the Originator of its right, title and interest in, to and under the Affected Assets to the Transferor, or as a sale by the Transferor of its right, title and interest in, to and under the Receivables and its right, title and interest in, to and under the Affected Assets (other than the related Leased Aircraft) to the Seller, as the case may be, or (ii) account for (other than for tax purposes) or otherwise treat the transactions contemplated hereby in any manner other than as a sale of the Asset Interest by the Seller to the Administrative Agent on behalf of the Secured Parties. In addition, each of the Originator, the Transferor and the Seller shall disclose (in a footnote or otherwise) in all of its financial statements (including any such financial statements consolidated with any other Person's financial statements) the existence and nature of the transactions contemplated by the First Tier Agreement, the Sale and Conveyance Agreement and this Agreement and the ownership interest of the Seller and the security interest of the Administrative Agent, on behalf of the Secured Parties, in the Affected Assets (it being understood that such financial statements shall not show the Seller as owner of any Aircraft or Aircraft Fractional Shares unless the Seller properly obtains title to such Aircraft or Aircraft Fractional Shares).

(l) Separate Business; Nonconsolidation. Neither the Transferor nor the Seller shall (i) engage in any business not permitted by its articles of incorporation or by-laws as in effect on the Closing Date or (ii) conduct its business or act in any other manner which is inconsistent with Section 4.1(v). The officers and directors of the Transferor and the Seller (as appropriate) shall make decisions with respect to the business and daily operations of the Transferor and the Seller independent of and not dictated by any other controlling Person. Each of the Originator, the

Transferor, the Seller and the Servicer shall comply with the factual statements and assumptions applicable to it set forth in each of the "true sale" and "non-consolidation" opinions of Bingham McCutchen LLP delivered pursuant to Section 5.1.

(m) Corporate Documents. Neither the Originator, the Transferor nor the Seller shall amend, alter, change or repeal its respective articles of incorporation except with the prior written consent of each of the Administrative Agent and the Control Party.

(n) Ownership Interest, Etc. Each of the Transferor, the Seller and the Servicer shall, at its own expense, take all action necessary or desirable to establish and maintain a valid and enforceable ownership interest in or, to the extent that the First-Tier Agreement, the Sale and Conveyance Agreement or this Agreement, as applicable, does not effect a true sale of the Affected Assets by such Person, as the case may be, a valid and enforceable security interest in, the Receivables, the Related Security (other than the related Aircraft) and proceeds with respect thereto, and a first priority perfected security interest in the Affected Assets to the extent a valid and enforceable ownership interest was not established in favor of the Transferor, the Seller and the Administrative Agent (on behalf of the Secured Parties), as applicable, in each case free and clear of any Adverse Claim (other than any Permitted Lien), in favor of the Administrative Agent for the benefit of the Secured Parties, including taking such action to perfect, protect or more fully evidence the interest of the Administrative Agent, for the benefit of the Secured Parties, as the Administrative Agent or the Insurer may reasonably request. If the Transferor or the Servicer fails to take any action required to establish, protect, or maintain the rights of the Administrative Agent in any Affected Asset, subject to the Investment Condition, the Administrative Agent may (with the prior written consent of the Control Party) and at the written direction of the Control Party, shall, perform the same and all of the expenses of the Administrative Agent shall be payable in accordance with Section 9.4(ii)(B). In addition, each of the Originator, the Transferor and the Seller hereby irrevocably authorizes the Administrative Agent at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto covering the applicable Affected Assets.

(o) Enforcement of First Tier Agreement and Sale and Conveyance Agreement. The Transferor, on its own behalf and on behalf of the Administrative Agent, each Purchaser and the Insurer, shall promptly enforce all covenants and obligations of the Originator contained in the First Tier Agreement, as may be directed from time to time by the Administrative Agent (with the prior written consent of the Control Party) or by the Control Party (with prior written notice to the Administrative Agent). The Seller, on its own behalf and on behalf of the Administrative Agent, each Purchaser and the Insurer, shall promptly enforce all covenants and obligations of the Transferor contained in the Sale and Conveyance Agreement as may be directed from time to time by the Administrative Agent (with the prior written consent of the Control Party) or by the Control Party (with prior written notice to the Administrative Agent). The Transferor shall deliver to the Administrative Agent and the Insurer all consents, approvals, directions, notices, waivers and take other actions under the First Tier Agreement, as may be directed from time to time by the Administrative Agent (with the prior written consent of the Control Party) or by the Control Party (with simultaneous written notice to the Administrative Agent). The Servicer (on behalf of the Seller but, for the avoidance of doubt, not RACC in its individual capacity) shall deliver to the Administrative Agent and the Insurer all consents, approvals, directions, notices, waivers and take other actions under the First Tier Agreement and the Sale and Conveyance

Agreement, as may be directed from time to time by the Administrative Agent (with the prior written consent of the Control Party) or by the Control Party (with simultaneous written notice to the Administrative Agent).

(p) Insurance Requirements. The Originator, the Transferor, the Seller and the Servicer shall maintain or cause to be maintained (i) contingent hull and liability and contingent war and liability gap insurance coverage, to include terrorism coverage so long as it is commercially available, for Aircraft in the possession of the related Obligors and Aircraft Fractional Shares and (ii) hull and liability insurance coverage, to include terrorism coverage so long as it is commercially available, for Aircraft in the possession of the Servicer or its Affiliates, and, shall, on or prior to the first renewal of each such type of insurance after the Closing Date, cause all such insurance coverage (and the insurance coverage required to be maintained by each Obligor) to provide that each of the Administrative Agent and the Insurer are named as an additional insured under all such insurance coverage and the Administrative Agent is the loss payee (on behalf of the Secured Parties) under all such insurance coverage; provided, that upon the occurrence of an Event of Default, the Servicer shall cause (including by causing Obligors to cause) the Administrative Agent and the Insurer to be named as an additional insured and the Administrative Agent to be named as loss payee (on behalf of the Secured Parties) under all such insurance coverage as soon as commercially possible after the request of either the Administrative Agent or the Insurer. Without limiting the foregoing, the Servicer shall provide all notices and obtain all consents necessary to cause the insurance contemplated by clauses (i) and (ii) of this paragraph to remain in full force and effect.

(q) Certain Post-Closing Agreements. The Originator, the Transferor, the Seller and the Servicer shall use commercially reasonable efforts for a period of six (6) months after the date of the Investment (or, in the case of an Eligible Substitute Receivable, the date of substitution) to deliver evidence satisfactory to the Administrative Agent and the Control Party that all items related to Receivables (other than those exempt Receivables set forth in the "Exempt Receivables" section in Schedule II), which as of the date of the Investment or, the date of substitution, as applicable, did not satisfy the requirements of perfection referred to in the definition of "Investment Condition", have been executed, recorded and delivered so that, with respect to such items all documents required to be recorded or filed in order to perfect and protect the interest of (i) the Seller against all creditors of and purchasers from the Originator and the Transferor and (ii) the Administrative Agent of behalf of the Secured Parties against all creditors of and purchasers from the Originator, the Transferor and the Seller, will have been duly filed in each filing office necessary for such purpose and all filing fees and taxes, if any, payable in connection with such filings shall have been paid in full; provided, that none of the Originator, the Transferor, the Seller or the Servicer shall be required to incur related costs in respect of any such remaining items in an amount materially greater than the average cost per Aircraft incurred by any of the Originator, the Transferor, the Seller or the Servicer with respect to the items satisfying the Investment Condition as of the date of the Investment. Notwithstanding the foregoing, if the long-term senior unsecured debt of the Performance Guarantor fails to be rated at least "BB+" by S&P, "Ba1" by Moody's or "BB+" by Fitch, the Originator, the Transferor, the Seller and the Servicer shall promptly cause Security Agreements in favor of the Seller and the Administrative Agent to have been fully signed and properly filed with the FAA and other applicable Aviation Authorities with respect to all Aircraft and Aircraft Fractional Shares except for those Aircraft that are registered in a jurisdiction which does not

provide for the filing of liens on aircraft similar to the lien to be created pursuant to the related Assignment of Rents. Notwithstanding anything to the contrary contained in this Agreement or in any other Transaction Document, any term, provision or condition with respect to any requirement for a security interest or the perfection thereof with respect to any Affected Asset, shall be deemed to be satisfied in all respects if the Investment Condition with respect thereto is satisfied as of the Closing Date, or the date of substitution, as applicable, and thereafter, the Originator, the Transferor, the Seller and the Servicer are in compliance with their obligations pursuant to this Section 6.1(q) and Section 2.17(a)(ii)(D).

(r) FAA Requirements. The Transferor shall, so long as any Leased Aircraft is registered with the FAA, remain a "Citizen of the United States" (as such term is defined in the Federal Aviation Act).

(s) Taxes. The Originator, the Transferor, the Seller and the Servicer, shall file all tax returns and permitted extensions thereof and reports required by Law to be filed by such Person and will promptly pay all taxes and governmental charges at any time owing, except such as are being contested by it in good faith by appropriate proceedings and for which appropriate reserves have been established in accordance with GAAP. Each of the Originator, the Transferor, the Seller and the Servicer, shall pay when due any taxes payable by it in connection with the Receivables and the other Affected Assets (other than any tax with respect to any Aircraft for which the related Obligor is responsible under the related Contract).

(t) ERISA Matters. (a) Each of the Originator, the Transferor, the Seller and the Servicer shall comply in all material respects with the applicable provisions of ERISA and the Code and (b) furnish to the Administrative Agent and Insurer as soon as possible after, and in any event within thirty (30) days after any responsible officer of such Person 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 such Person in an aggregate amount exceeding seventy-five million dollars ($75,000,000) in any year, a statement of a financial officer of such Person setting forth details as to such ERISA Event and the action, if any, that such Person proposes to take with respect thereto.

(u) List of Business Days. The Servicer shall provide to the Administrator, the Administrative Agent and the Insurer, not later than December 1 of each calendar year beginning in 2003, a schedule specifying the days on which Fiscal Months during the next calendar year will begin and end, and listing all days that are not Business Days during the next calendar year.

(v) Evidence of UCC Filings. Not later than sixty (60) days after the Closing Date, the Servicer shall provide to the Administrative Agent and the Insurer search reports from a third-party search company (A) which reflect the filing in the applicable filing offices of the UCC financing statements filed pursuant to Article V and (B) attached to which are copies of such UCC financing statements bearing the file-stamps of such filing offices.

SECTION 6.2 Negative Covenants of the Originator, the Transferor, the Seller and the Servicer. At all times from the date hereof to the Final Payout Date, unless each of the Administrative Agent and the Control Party shall otherwise consent in writing:

(a) No Sales, Liens, Etc. Except as expressly provided in the First Tier Agreement, the Sale and Conveyance Agreement and in this Agreement, (i) none of the Originator, the Transferor, the Seller nor the Servicer shall, nor shall it permit any of its respective Subsidiaries to, sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim (other than any Permitted Lien) upon (or the filing of any financing statement) or with respect to any of the Affected Assets, or assign any right to receive income in respect thereof (other than in the case of the Transferor, the sales and assignments expressly permitted pursuant to the Sale and Conveyance Agreement), and (ii) neither the Transferor nor the Seller shall issue any note, bond or similar security to, or sell, transfer or otherwise dispose of any of its property or other assets to any other Person.

(b) No Extension or Amendment of Receivables. Except as otherwise permitted in Section 7.2 and Annex B, none of the Originator, the Transferor, the Seller nor the Servicer shall extend, amend or otherwise modify the terms of any Receivable, or amend, modify or waive any term or condition of any Contract related thereto.

(c) No Change in Business or Credit and Collection Policy. Unless otherwise approved in accordance with Section 11.2, none of the Originator, the Transferor, the Seller nor the Servicer shall make any change in the character of its business or in the Credit and Collection Policy, which change would, in either case, impair the collectibility of any Receivable or otherwise have a Material Adverse Effect.

(d) No Mergers; Subsidiaries, Etc. None of the Originator, the Transferor, the Seller or the Servicer shall consolidate or merge with or into, or sell, lease or transfer all or substantially all of its assets to, any other Person, except as expressly provided or permitted by the terms of this Agreement, and in the case of any such action by the Servicer, prior to any such consolidation or merger, the Servicer shall deliver to the Administrative Agent, each Purchaser, the Insurer and each of the Rating Agencies, (i) a certificate from its President and an opinion of counsel (who shall be reasonably acceptable to each of the Administrative Agent and the Insurer) stating, *inter alia*, that all conditions and requirements under this Agreement and each other Transaction Document have been complied with and the agreement pursuant to which such new entity expressly assumes the duties and obligations as Servicer hereunder is legal, binding and enforceable against such Person and all actions in respect of perfection and priority under the applicable UCC (including authorizing the filing of UCC-3 financing statements) have been taken or will be taken prior to such consolidation or merger or that no such actions are required and (ii) other agreements, certificates and/or opinions of counsel as the Administrative Agent or the Control Party may reasonably request. The Transferor shall not form or create any Subsidiary other than the Seller. The Seller shall not form or create any Subsidiary.

(e) Change in Payment Instructions to Obligors. None of the Originator, the Transferor, the Seller nor the Servicer shall add or terminate any bank as a Blocked Account Bank or any account as a Blocked Account to or from those listed in Schedule 4.1(r) or make any change in its instructions to Obligors regarding payments to be made in respect of the Receivables, unless (i) such instructions are to deposit such payments to an existing Blocked Account or to the Collection Account (or to a post office box or a lock-box covered by a Blocked Account Agreement) or (ii) each of the Administrative Agent and the Control Party shall have provided their prior written consent to such addition, termination or change at least fifteen (15)

days prior thereto and each of the Administrative Agent and the Control Party shall have received a Blocked Account Agreement in form and substance reasonably satisfactory to each of the Administrative Agent and the Control Party executed by each new Blocked Account Bank or an existing Blocked Account Bank with respect to each new Blocked Account, post office box or lock-box, as applicable.

(f) Deposits to Blocked Accounts. None of the Originator, the Transferor, the Seller nor the Servicer shall deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Blocked Account or the Collection Account or to post office boxes or lock-boxes to which only Blocked Account Banks have access, cash or cash proceeds other than Collections.

(g) Change of Name, Etc. None of the Originator, the Transferor nor the Seller shall change its name, identity or structure (including a merger), its form of organization or its jurisdiction of incorporation, unless at least thirty (30) days prior to the effective date of any such change such Person delivers to the Administrative Agent and the Insurer (i) such documents, instruments or agreements, executed by such Person as are necessary to reflect such change and to continue the perfection and priority of the Administrative Agent's ownership interests or security interests in the Affected Assets and (ii) new or revised Blocked Account Agreements executed by the Blocked Account Banks which reflect such change and enable the Administrative Agent to continue to exercise its rights contained in Section 7.3.

(h) Amendment to Transaction Documents. None of the Originator, the Transferor, the Seller nor the Servicer shall amend, modify, or supplement any Transaction Document or waive any provision thereof, except in any case with the prior written consent of each of the Administrative Agent and the Control Party; nor shall the Originator, the Transferor, the Seller or the Servicer take, or permit the Transferor or the Seller to take, any other action under any Transaction Document that could have a Material Adverse Effect or which is inconsistent with the terms of this Agreement or any other Transaction Document.

(i) Other Debt. Except as provided herein, neither the Transferor nor the Seller shall create, incur, assume or suffer to exist any indebtedness whether current or funded, or any other liability other than (i) in the case of the Transferor, indebtedness of the Transferor representing the purchase price under the First Tier Agreement and fees, expenses and indemnities arising under the First Tier Agreement, the Sale and Conveyance Agreement and this Agreement, (ii) in the case of the Seller, indebtedness of the Seller representing the purchase price under the Sale and Conveyance Agreement and fees, expenses and indemnities arising under the Sale and Conveyance Agreement and this Agreement and (iii) in the case of each of the Transferor and the Seller, other indebtedness incurred in the ordinary course of its business in an amount not to exceed nine thousand five hundred dollars ($9,500) at any time outstanding.

(j) Payment to the Transferor. The Seller shall not acquire any Receivable other than through, under, and pursuant to the terms of, the Sale and Conveyance Agreement, either as a capital contribution from the Transferor or in exchange for the payment by the Seller in cash, or a combination of the two of an amount equal to the purchase price for such Receivable as required by the terms of the Sale and Conveyance Agreement.

(k) Restricted Payments. Neither the Transferor nor the Seller shall (A) purchase or redeem any shares of its capital stock, (B) prepay, purchase or redeem any Indebtedness, (C) lend or advance any funds or (D) repay any loans or advances to, for or from any of its Affiliates (the amounts described in clauses (A) through (D) being referred to as "Restricted Payments"), except that the Seller may (1) make Restricted Payments out of funds received pursuant to Section 2.2 and Section 2.9(c) and (2) may make other Restricted Payments (including the payment of Permitted Dividends) if, (i) each of the requirements set forth in Section 2.14 have been satisfied and (ii) after giving effect thereto, no Event of Default shall have occurred and be continuing.

ARTICLE VII

ADMINISTRATION AND COLLECTIONS

SECTION 7.1 Appointment of Servicer.

(a) The servicing, administering and collection of the Receivables and the Affected Assets shall be conducted by the Person (the "Servicer") so designated from time to time as Servicer in accordance with this Section 7.1. Each of the Originator, the Transferor, the Seller, the Administrative Agent, the Insurer and the Purchasers hereby appoints as its agent the Servicer, from time to time designated pursuant to this Section 7.1, to enforce its respective rights and interests in and under the Affected Assets. To the extent permitted by applicable law, each of the Originator, the Transferor and the Seller (to the extent such Person is not then acting as Servicer hereunder) hereby grants to any Servicer appointed hereunder an irrevocable power of attorney to take any and all steps in the Originator's, the Transferor's and/or the Seller's name and on behalf of the Originator, Transferor or the Seller as necessary or desirable, in the reasonable determination of the Servicer, to collect all amounts due under any and all Receivables and the Affected Assets, including endorsing the Originator's, the Transferor's and/or the Seller's name on checks and other instruments representing Collections and enforcing such Receivables and the related Contracts and to take all such other actions set forth in this Article VII. Subject to the immediately following sentence, RACC is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer, pursuant to the terms of this Agreement. RACC shall act as Servicer until the date which is one year and one day after the Final Payout Date, unless the Administrative Agent (with the prior written consent of the Control Party), or the Control Party (with prior written notice to the Administrative Agent and each of the Rating Agencies), gives notice to RACC and the Transferor (in accordance with this Section 7.1) of the designation of a new Servicer following the occurrence of a Servicer Default. Upon the occurrence of a Servicer Default, the Administrative Agent (with the prior written consent of the Control Party), or the Control Party (with prior written notice to the Administrative Agent and each of the Rating Agencies), may designate as Servicer any Person (including itself) to succeed RACC or any successor Servicer, on the condition in each case that any such Person so designated shall agree to perform the duties and obligations of the Servicer pursuant to the terms hereof.

(b) Upon the designation of a successor Servicer following the occurrence of a Servicer Default as set forth above, the Servicer agrees that it will terminate its activities as Servicer hereunder in a manner which the Administrative Agent (with the prior written consent

of the Control Party), or the Control Party (with prior written notice to the Administrative Agent), determines will facilitate the transition of the performance of such activities to the successor Servicer, and the Servicer shall cooperate with and assist such successor Servicer. Such cooperation shall include providing all computer tapes and disks, documents, instruments and other records relating to the Receivables and access to information technology personnel and transferring to any successor Servicer all cash amounts and documents or instruments relating to the Receivables held by the Servicer at the time of the acceptance by such successor Servicer of the obligation to perform the Services and access to and transfer of records and use by the successor Servicer of all records necessary or desirable to collect the Receivables and the Related Security. The Servicer shall be responsible for all costs incurred in connection with transitioning servicing to a successor Servicer as a result of a Servicer Default.

(c) The Servicer acknowledges that each of the Transferor, the Seller, the Administrative Agent, the Purchasers and the Insurer have relied on the Servicer's agreement to act as Servicer hereunder in making their decision to execute and deliver this Agreement and the other Transaction Documents to which it is a party. Accordingly, the Servicer agrees that it will not voluntarily resign as Servicer.

(d) The Servicer may delegate its duties and obligations hereunder to any Affiliate of RAH or any other third party sub-servicer, including, but not limited to, Flight Options (with respect to Aircraft Fractional Shares) and to each other sub-servicer listed (together with the general servicing functions performed by such Person) in Schedule V (each, a "Sub-Servicer"), as such schedule shall be amended, amended and restated, supplemented or otherwise modified by the Servicer, and provided to the Administrative Agent and the Control Party in connection with the addition of any new Sub-Servicer (together with the servicing function to be performed by such Sub-Servicer) or any change to the servicing functions provided by a Sub-Servicer on such Schedule V, provided that, in each such delegation, (i) the Servicer shall remain primarily liable to the Transferor, the Seller, the Administrative Agent, the Purchasers and the Insurer for the performance of the duties and obligations so delegated, (ii) the Transferor, the Seller, the Administrative Agent, the Purchasers and the Insurer shall have the right to look solely to the Servicer for such performance and (iii) the terms of any agreement with any Sub-Servicer shall provide that the Administrative Agent (with the prior written consent of the Control Party) or the Control Party (with prior written notice to the Administrative Agent) may terminate such agreement upon the termination of the Servicer hereunder by giving notice of its desire to terminate such agreement to the Servicer (and the Servicer shall provide appropriate notice to such Sub-Servicer). The Servicer shall be liable for any and all fees and expenses incurred by or through a Sub-Servicer (but shall be entitled to reimbursement for any fees and expenses to the extent such fees and expenses constitute Permissible Servicer Expenses from related Recovery Proceeds and in accordance with the priorities for payment set forth in Section 2.12) and no such Sub-Servicer shall have any rights to the Affected Assets or Collections for payment of any amounts owing to such Sub-Servicer or any other Person. The Servicer may appoint professional advisers, but shall immediately notify the Administrative Agent and the Insurer of such appointment.

(e) If (i) a Flight Options Trigger Event has occurred, and (ii) the Insurer is not the Control Party, then notwithstanding any term or provision of any Transaction Document, the Control Party, with respect to the Flight Options Contracts or with respect to any Receivable

related to the Flight Options Contracts, shall have (and at its option may exercise) rights of the type contemplated by Section 8.2(c), solely with respect to the applicable Flight Options Contracts.

SECTION 7.2 Duties of Servicer. (a) The Servicer shall take or cause to be taken all such action, including the services more specifically set forth on Annex B (collectively, the "Services") as may be necessary or advisable to collect each Receivable and the Affected Assets from time to time and except as otherwise expressly provided in Section 6.1(q), to maintain the perfection of the Transferor's, the Seller's and the Administrative Agent's respective interests in any Aircraft or Aircraft Fractional Shares, including, without limitation, maintenance of recordation with the FAA or other applicable Aviation Authority, all in accordance with this Agreement and all applicable Law, and shall use such care and diligence at all times in the performance of the Services consistent with the care and diligence that it uses for servicing receivables for its own account, and in no event shall use less than such care and diligence as is customary and reasonable in the general aviation finance industry (the "Standard of Care"). Without prejudice to the Standard of Care, the Servicer shall not (i) be imputed with the knowledge of any Affiliate or any of such Affiliate's directors, officers or employees or (ii) be obligated to take or refrain from taking any action that will violate applicable Law. The Servicer shall remit (or cause to be remitted) daily to the Collection Account, all Collections within five (5) Business Days (i) after deposit thereof into either of the Raytheon Aircraft and Affiliated Companies Account or the RACC Intrust Bank Account and (ii) in the case of Collections otherwise received by any Raytheon Entity or any Affiliate of a Raytheon Entity, after identification by the Servicer of such funds as Collections. The Servicer will not commingle funds collected with respect to the Affected Assets with its own funds or the funds of any other Person except, prior to the occurrence of a Servicer Default, for security deposits related to Receivables. The Servicer shall hold (as trustee on behalf of the Administrative Agent, for the benefit of the Secured Parties) all Collections and Advance Payments, prior to the deposit of the same into the Collection Account associated with the Receivables and the Affected Assets; upon the occurrence of a Servicer Default, the Administrative Agent (with the prior written consent of the Control Party), or the Control Party (with prior written notice to the Administrative Agent), may require that the Servicer transfer all cash collateral related to Receivables to an account controlled by the Administrative Agent and subject to a blocked account agreement in form and substance satisfactory to each of the Administrative Agent and the Control Party, and the Servicer, at its own expense, hereby agrees to cause the transfer of cash collateral to be completed within thirty (30) days after such request to do so. In the event the Servicer shall be entitled (pursuant to the terms of the applicable Contract) to apply any portion of such cash collateral to any Receivable, such cash collateral shall be deposited into the Collection Account for distribution as a "Collection" pursuant to and in accordance with Section 2.12. The Servicer may not extend, amend or otherwise modify the terms of any Contract (other than as expressly set forth in Annex B) or adjust the Unpaid Balance of any Receivable. The Seller shall deliver to the Servicer and the Servicer shall hold in trust for the Seller and the Administrative Agent, on behalf of the Secured Parties, in accordance with their respective interests, all Contract Files and all Records which evidence or relate to any Affected Asset, in each case in accordance with the Credit and Collection Policy and customary and reasonable standards in the commercial aviation finance industry. Each promissory note, security agreement and lease relating to a Receivable will be marked with the following legend: "This document and all related documentation are subject to a Uniform Commercial Code security agreement among Bank of America, N.A., as

Administrative Agent (the "Administrative Agent"), Raytheon Aircraft Credit Corporation, Raytheon Aircraft Receivables Corporation, General Aviation Receivables Corporation and certain of their affiliates, and financing statements evidencing the Administrative Agent's security interest therein have been filed of record in the manner provided for by the Uniform Commercial Code and other applicable law. The granting of another security interest in, or the sale of, this document and related documentation would, without consent of the Administrative Agent, violate the Administrative Agent's rights under such security agreement" (or such other legend acceptable to each of the Administrative Agent and the Control Party). Upon the occurrence of a Servicer Default, the Administrative Agent (with the prior written consent of the Control Party), or the Control Party (with prior written notice to the Administrative Agent), may require that the Servicer transfer all Contract Files to a third party custodian acceptable to each of the Administrative Agent and the Control Party (pursuant to a custodial agreement acceptable to each of the Administrative Agent and the Control Party), and the Servicer, at its own expense, hereby agrees to cause the transfer of the Contract Files to be completed within thirty (30) days after such request to do so. The Servicer may use any legal action necessary to enforce collection of any Receivable as provided in this Agreement without the consent of the Administrator, the Administrative Agent, any of the Purchasers or the Insurer; provided, that the Servicer shall not add the Administrator, the Administrative Agent, any of the Purchasers or the Insurer as a party to any litigation without the prior written consent of such Person. Notwithstanding anything to the contrary contained herein, the Control Party (with prior written notice to the Administrative Agent), shall have the absolute and unlimited right to direct the Servicer (whether RACC or any other Person is the Servicer) to commence or settle any legal action to enforce collection of any Receivable or to foreclose upon or repossess any Affected Asset. At any time when an Event of Default or a Servicer Default exists, each of the Administrative Agent and the Control Party may notify any Obligor of the Administrative Agent's interest, on behalf of the Secured Parties, in the Receivables and the other Affected Assets.

(b) Notwithstanding anything to the contrary contained in this Article VII, the Servicer, if not RACC, the Seller or any Affiliate of RACC or the Seller, shall have no obligation to collect, enforce or take any other action described in this Article VII with respect to any indebtedness that is not included in the Asset Interest other than to remit to the Collection Account the Collections and to deliver any documents related to any such indebtedness as described in this Agreement.

(c) (I) Prior to the occurrence of (x) a Servicer Default, or (y) an Unmatured Servicer Default, so long as the Performance Guarantor is rated at least "BBB-" (or its equivalent) by each of the Rating Agencies, the Servicer shall deliver to the Administrative Agent and the Insurer (A) within 120 days after the last day of each fiscal year, a report of internationally recognized independent accountants to the effect that the firm has made an examination of management's assertion that the Servicer has maintained effective internal control over financial reporting and that firm has performed the agreed upon procedures relating to settlements of receivables to be mutually agreed by the Servicer, the Administrative Agent and the Control Party and (B) within thirty (30) days of the end of each fiscal quarter, a Microsoft Excel download containing an extract from the Servicer's management information system substantially in the form of Exhibit E and (II) at all other times, the Servicer shall deliver the items referred to in clause (I)(B) on each Reporting Date.

(d) Any payment by an Obligor in respect of any indebtedness owed by it to the Originator, the Transferor or the Seller shall, except as otherwise specified by such Obligor (including in response to a Servicer query), required by contract or law or clearly indicated by facts or circumstances (including by way of example an equivalence of a payment and the amount of a particular invoice), and unless otherwise instructed by the Administrative Agent and the Control Party, be applied as a Collection of any Receivable of such Obligor (starting with the oldest such Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other indebtedness of such Obligor.

SECTION 7.3 Blocked Account Arrangements. Prior to the Closing Date, the Transferor, the Seller, the Servicer and the Administrative Agent shall enter into a Blocked Account Agreement with each of the Blocked Account Banks, covering each Blocked Account, and the Servicer shall deliver original counterparts thereof to the Administrative Agent and the Insurer. Upon the occurrence of an Event of Default or a Servicer Default, the Administrative Agent may (or at the written direction of the Control Party, shall) at any time thereafter give notice to any Blocked Account Bank that the Administrative Agent is exercising its rights under the related Blocked Account Agreement to do any or all of the following: (i) to have the exclusive ownership and control of each related Blocked Account (and any related post office boxes or lock-boxes) transferred to the Administrative Agent and to exercise exclusive dominion and control over the funds deposited from time to time therein, (ii) to have the proceeds that are sent to such Blocked Account (and any related post office boxes or lock-boxes) be redirected pursuant to its instructions rather than deposited in the applicable Blocked Account, without the consent of the Transferor, the Seller or the Servicer and (iii) to take any or all other actions permitted under the related Blocked Account Agreement, without the consent of the Transferor, the Seller or the Servicer. Each of the Transferor, the Seller and the Servicer hereby agrees that if the Administrative Agent, at any time, takes any action set forth in the preceding sentence, the Administrative Agent shall have exclusive control of the proceeds (including Collections) of all Receivables, and each of the Transferor, the Seller and the Servicer hereby further agrees to take any other action that the Administrative Agent or the Control Party may reasonably request to transfer such control. Any proceeds of Receivables received by the Transferor, the Seller or RACC, as Servicer or otherwise, thereafter shall be sent immediately to the Administrative Agent (or to such account as the Administrative Agent may designate in writing from time to time). All such proceeds received by the Administrative Agent shall be distributed pursuant to and in accordance with the priorities for payment set forth in Section 2.12.

SECTION 7.4 Enforcement Rights After Designation of New Servicer. (a) At any time following the designation of a Servicer (other than RACC or an Affiliate of RACC) pursuant to Section 7.1(a):

(i) the Servicer shall, at the Control Party's request (with prior written notice to the Administrative Agent) and at the Servicer's expense, give notice of the Administrative Agent's (on behalf of the Secured Parties), the Servicer's, and/or the Purchasers' ownership of the Receivables and (in the case of the Administrative Agent, the Administrative Agent's) interest in the Asset Interest to each Obligor and direct such Obligor to make payments under each Receivable directly to the Collection Account (or to such account as the Control Party (with the prior written consent of the Administrative Agent, such consent not to be unreasonably withheld) may designate in writing from time

to time to the Servicer and the Administrative Agent), except that if the Servicer fails to so notify any Obligor, the Control Party (with prior written notice to the Administrative Agent) may so notify such Obligor; and

(ii) the Servicer shall, at the Control Party's request (with prior written notice to the Administrative Agent) and at the Servicer's expense, (A) assemble all of the Records and shall make the same available to each of the Administrative Agent and the Control Party or any of their respective designees at a place selected by the Control Party (with prior written notice to the Administrative Agent) or its related designee, and (B) segregate all cash, checks and other instruments received by it from time to time constituting Collections of Receivables in a manner acceptable to each of the Administrative Agent and the Control Party and shall, promptly upon receipt, remit all such cash, checks and other instruments, duly endorsed or with duly executed instruments of transfer, to the Administrative Agent or the Control Party or their respective designees.

(b) Each of the Originator, the Transferor, the Seller and the Servicer hereby authorizes the Administrative Agent, and irrevocably appoints the Administrative Agent as its attorney-in-fact with full power of substitution and with full authority in the place and stead of the Originator, the Transferor, the Seller or the Servicer, as applicable, which appointment is coupled with an interest, to take any and all steps in the name of the Originator, the Transferor, the Seller or the Servicer, as applicable, and on behalf of the Originator, the Transferor, the Seller or the Servicer, as applicable, necessary or desirable, in the determination of the Administrative Agent or the Control Party, to collect any and all amounts or portions thereof due under any and all Receivables, the other Affected Assets, the Related Security or the related Contracts, including endorsing the name of the Originator, the Transferor, the Seller or the Servicer on checks and other instruments representing Collections and enforcing such Raytheon Entity's rights with respect to the Receivables, the other Affected Assets, the Related Security and the related Contracts, subject to the terms and conditions of this Agreement, the other Transaction Documents and the related Contracts. Notwithstanding anything to the contrary contained in this Section 7.4(b), none of the powers conferred upon such attorney-in-fact pursuant to the immediately preceding sentence shall subject such attorney-in-fact to any liability if any action taken by it shall prove to be inadequate or invalid, nor shall they confer any obligations upon such attorney-in-fact in any manner whatsoever (it being understood that the Administrative Agent, as attorney-in-fact, shall only take the actions set forth in this Section 7.4(b) after the occurrence of a Servicer Default).

SECTION 7.5 Servicer Default. The occurrence of any one or more of the following events shall constitute a "Servicer Default":

(a) the Servicer (I) shall fail to remit (or cause to be remitted) to the Collection Account any Collections within five (5) Business Days (i) after deposit thereof into either of the Raytheon Aircraft and Affiliated Companies Account or the RACC Intrust Bank Account and (ii) in the case of all other Collections otherwise received by any Raytheon Entity or any Affiliate of a Raytheon Entity, after identification by the Servicer of such funds as Collections; provided that, in the case of any Collections deposited pursuant to clause (i) which the related Obligor failed to provide reasonably adequate identification of the indebtedness to which the applicable payment relates, the Servicer shall fail to remit (or cause to be remitted) to the

Collection Account such Collections within seven (7) Business Days, after such deposit or (II) shall fail to observe or perform any term, provision, covenant (other than as set forth in clause (a)(I) above) (whether financial or otherwise), agreement, obligation or duty (including the Services) of the Servicer set forth in this Agreement or in any of the other Transaction Documents to which it is a party, which failure, if capable of cure, shall fail to be cured (i) within the time period so specified for such term, provision, other covenant, agreement, obligation or duty or (ii) if no such time period is so specified, within thirty (30) days of the earlier of the Servicer's knowledge or notice of such failure; or

(b) any representation, warranty, certification or statement made or deemed made by the Servicer in this Agreement, any other Transaction Document to which it is a party or in any other information, report or document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made or delivered, and, if capable of cure, shall fail to be cured within thirty (30) days of the earlier of the Servicer's knowledge or notice thereof; or

(c) any Event of Bankruptcy shall occur (i) with respect to the Servicer or any other Raytheon Entity or any Subsidiary of the Servicer or (ii) with respect to any Subsidiary of any Raytheon Entity, (solely with respect to this clause (ii)) the effect of which could reasonably be expected to have a Material Adverse Effect; or

(d) a Change of Control with respect to RACC shall have occurred; or

(e) an "Event of Default" under the Raytheon Revolver (as such term is defined therein) shall have occurred that has not been cured within the time period provided for therein, if any, or waived by the required parties thereto; or

(f) if the Servicer is not RACC (or an Affiliate thereof), the long-term senior unsecured debt of the Servicer fails to be rated at least "BBB" by S&P, "Baa2" by Moody's or "BBB" by Fitch; or

(g) any Event of Default shall occur and be continuing; or

(h) the Servicer shall fail to submit a Monthly Servicer Report within ten (10) days after the due date therefor; or

(i) RACC shall resign as the Servicer; or

(j) Either RACC or RAC shall cease to be (a) directly or indirectly majority owned by the Performance Guarantor or (b) actively involved in the business of financing and servicing aircraft related receivables, as applicable, in a substantially similar manner as that conducted on the Closing Date; or

(k) the Servicer shall cease to maintain access to a world-wide dealer network substantially similar to the one maintained by the Servicer and its Affiliates on the Closing Date; or

(l) any Person shall receive any indication or evidence that the Servicer has been involved in any criminal activity that might result in the forfeiture of any substantial portion of the Servicer's property to any Official Body; or

(m) an event set forth in Schedule III with respect to the Performance Guarantor shall have occurred and shall not have been waived in accordance with the provisions for waiver set forth in Schedule III.

SECTION 7.6 Servicing Fee. The Servicer shall be paid a Servicing Fee in accordance with and subject to the priorities for payment set forth in Section 2.12. If the Servicer is not RACC or an Affiliate thereof, the Administrative Agent (with the prior written consent of the Control Party), or the Control Party (with prior written notice to the Administrative Agent), by giving three (3) Business Days' prior written notice to the Seller, may revise the percentage used to calculate the Servicing Fee so long as the revised percentage will not result in a Servicing Fee that exceeds one hundred ten percent (110%) of the reasonable and appropriate out-of-pocket costs and expenses of such Servicer incurred in connection with the performance of its obligations hereunder as documented to the reasonable satisfaction of each of the Administrative Agent and the Control Party.

SECTION 7.7 Protection of Ownership Interest of the Purchasers. Each of the Originator, the Transferor, the Seller and the Servicer agrees that it shall, from time to time, at its own expense, promptly execute and deliver all instruments and documents and take all reasonable actions as may be necessary or as the Administrative Agent or the Control Party may reasonably request in order to perfect or protect the Asset Interest or to enable the Administrative Agent, any of the Purchasers or the Control Party to exercise or enforce any of their respective rights hereunder. Without limiting the foregoing, each of the Originator, the Transferor, the Seller and the Servicer shall, upon the request of the Administrative Agent or the Control Party, in order to accurately reflect this purchase and sale transaction or any other purchase and sale transaction contemplated by any of the Transaction Documents, (i) file (and, if necessary, execute and/or authorize) such financing or continuation statements or amendments thereto or assignments thereof (as otherwise permitted to be filed pursuant hereto) as may be requested by the Administrative Agent or the Control Party or as otherwise may be required under Section 6.2(g) and (ii) mark its respective master data processing records and other documents with a legend describing the conveyances contemplated by the Transaction Documents. Each of the Originator, the Transferor, the Seller and the Servicer shall, upon request of the Administrative Agent, any of the Purchasers or the Control Party obtain such additional search reports as the Administrative Agent, any of the Purchasers or the Control Party shall request. To the fullest extent permitted by applicable Law, the Administrative Agent shall be permitted to file (and, if necessary, execute) continuation statements and amendments thereto and assignments thereof without the Originator's, the Transferor's, the Seller's or the Servicer's approval. Carbon, photographic or other reproduction of this Agreement or any financing statement shall be sufficient as a financing statement.

SECTION 7.8 Servicer Liability. (a) Except as otherwise expressly provided herein (including, without limitation, pursuant to Section 6.1(p)) the Servicer shall not be liable for (i) the failure by any Obligor or guarantor with respect to the Receivables or any other Person (other than the Servicer or any of its Sub-Servicer or delegates) to perform any of its obligations, (ii)

the accuracy or completeness of any notices, reports or other communications (other than those from the Servicer or any of its Sub-Servicers or delegates) and shall be entitled to rely upon all such notices, reports and communications, except to the extent that the Servicer has actual notice to the contrary or reasonably should have known if the Servicer had acted in accordance with the Standard of Care and (iii) for any action or inaction taken at the written request or at the written direction of the Administrative Agent or the Control Party. The Servicer shall not be subject to any obligations or liabilities other than to those set forth in the Transaction Documents.

(b) The Servicer shall be liable to the Purchasers, the Administrative Agent and Insurer for any and all direct (but not special, exemplary, punitive or consequential) losses arising out of, in connection with or related to, the failure of the Servicer to perform its duties (including, but not limited to, the Services) and obligations with respect to the Services, but specifically excluding any losses on account of any non-payment by Obligors arising from the financial inability of such Obligors to make payments or resulting from the gross negligence or willful misconduct of any Person seeking such payment.

SECTION 7.9 Conflicts of Interest. Each of the Administrative Agent, the Purchasers and the Insurer hereby acknowledges that the Servicer may from time to time perform services for its own separate assets and businesses and those of the Performance Guarantor and other third parties. In the course of conducting such activities, the Servicer may have conflicts of interest and each of the parties hereto acknowledges that if such a conflict of interest arises, the Servicer shall perform the Services in accordance with the Standard of Care, and in any event will not perform the Services in a manner that discriminates against any of the Purchasers, the Administrative Agent or the Insurer. For the avoidance of doubt, notwithstanding the foregoing, the Servicer shall not be required to perform the Services in a manner that prefers any of the Purchasers, the Administrative Agent or the Insurer.

SECTION 7.10 Limitation of Servicer Authority. The Servicer shall have no authority or agency to make any representations or warranties or give any instructions on behalf of any of the Secured Parties. The Servicer shall have no authority or agency to enter into any binding or in principle obligation on behalf of any of the Secured Parties, except to the extent expressly provided in this Agreement. The Servicer shall comply at all times with instructions of the Administrative Agent (with the prior written consent of the Control Party, if the Administrative Agent is not the Control Party, and if such Person's consent is required pursuant to the terms of this Agreement or any of the other Transaction Documents) or the Control Party, if the same are communicated by a duly authorized person. The Servicer will not propose any transaction relating to or affecting any Receivable or any Contract, which transaction would (i) not be an arm's-length transaction, (ii) not comply with the Standard of Care and the Credit and Collection Policy or (iii) impair any of the rights of the Administrative Agent or any of the other Secured Parties under this Agreement or any other Transaction Document.

SECTION 7.11 Servicer Information. Neither the Administrative Agent nor the Insurer (nor any of their respective agents) shall have any rights to information which is the property of the Servicer or have any right to amend the information in the Servicer's management systems, except, in either case, as expressly set forth in this Agreement or any other Transaction Document. Subject to Section 11.10, if either the Administrative Agent or the Insurer gains access to non-public information related to the Servicer, such Person agrees to keep such information confidential.

ARTICLE VIII

EVENT OF DEFAULTS

SECTION 8.1 Event of Defaults. The occurrence of any one or more of the following events shall constitute a "Event of Default":

(a) any Raytheon Entity shall fail to observe or perform any term, provision, covenant (whether financial or otherwise), agreement or obligation of such Person set forth in any of the Transaction Documents to which it is a party, which failure, if capable of cure, shall fail to be cured within thirty (30) days of the earlier of such Person's knowledge or notice thereof;

(b) any representation, warranty, certification or statement made or deemed made by any Raytheon Entity in this Agreement, any other Transaction Document to which it is a party or in any other information, report or document delivered pursuant hereto or thereto shall prove to have been incorrect in any material respect when made or deemed made or delivered, and, if capable of cure, shall fail to be cured within thirty (30) days of the earlier of such Person's knowledge or notice thereof; or

(c) any Event of Bankruptcy shall occur (i) with respect to the Servicer or any other Raytheon Entity or any Subsidiary of the Servicer or (ii) with respect to any Subsidiary of any Raytheon Entity (solely with respect to this clause (ii)), the effect of which could reasonably be expected to have a Material Adverse Effect; or

(d) the Administrative Agent, on behalf of the Secured Parties, shall for any reason fail or cease to have a valid and enforceable perfected first priority ownership or security interest in the Affected Assets, free and clear of any Adverse Claim (other than any Permitted Lien); or

(e) a Servicer Default shall have occurred and, within thirty (30) days after the giving notice by the Administrative Agent or the Control Party to the Servicer that the Servicer shall be replaced as a result of such Servicer Default, no successor Servicer reasonably satisfactory to each of the Administrative Agent and the Control Party shall have accepted the duties of Servicer; or

(f) an "Event of Default" under the Raytheon Revolver (as such term is defined therein) shall have occurred that has not been cured within the time period provided for therein, if any, or waived by the required parties thereto; or

(g) the failure of any Raytheon Entity (or any Subsidiary of any Raytheon Entity) to pay when due any amounts due under any agreement to which any such Person is a party and under which any Indebtedness greater than fifty million dollars ($50,000,000) is governed; or the default by any Raytheon Entity (or any Subsidiary of any Raytheon Entity) in the performance of any term, provision or condition contained in any agreement to which any such Person is a party and under which any Indebtedness owing by any Raytheon Entity (or any Subsidiary of any

Raytheon Entity) greater than such amount was created or is governed, regardless of whether such event is an "event of default" or "default" under any such agreement if the effect of such default is to cause such Indebtedness to become due and payable prior to its stated maturity; or any Indebtedness owing by any Raytheon Entity (or any Subsidiary of any Raytheon Entity) greater than such amount shall be declared to be due and payable, required to be prepaid or accelerated (other than by a regularly scheduled payment) prior to the date of maturity thereof; or

(h) the entry of any judgment (a) against the Transferor or the Seller or (b) for money in excess of fifty million dollars ($50,000,000) against any other Raytheon Entity, which such judgment shall not have been vacated, discharged, satisfied, stayed or bonded pending appeal within thirty (30) days from the date of entry thereof; or

(i) a Change of Control with respect to the Transferor or the Seller shall have occurred or, without the prior written consent of each of the Administrative Agent and the Control Party, a Change of Control with respect to any other Raytheon Entity shall have occurred; or

(j) this Agreement or any other Transaction Document to which any Raytheon Entity is a party, or any provision hereunder or thereunder, shall cease to be the legal, valid and binding obligation of any such Person or shall cease to be in full force and effect, enforceable as against such Person, or any Raytheon Entity shall so state in writing; or

(k) the long-term, senior unsecured debt of the Performance Guarantor shall cease to be rated by S&P, Moody's or Fitch or shall be rated below "BB+" by S&P, below "Bal" by Moody's or below "BB+" by Fitch; or

(l) any draw shall occur under the Insurance Policy; or

(m) either the Transferor or the Seller becomes subject to the Investment Company Act; or

(n) any Raytheon Entity shall assign any of its rights or obligations under any of the Transaction Documents to which it is a party in violation of the terms of this Agreement or thereof; or

(o) an ERISA Event shall have occurred with respect to any Raytheon Entity that, in the reasonable opinion of the Control Party, when taken together with all other ERISA Events that have occurred with respect to any Raytheon Entity could reasonably be expected to have a Material Adverse Effect; or

(p) the Net Investment and Yield, if any, shall not have been paid in full from Collections on or prior to the Settlement Date occurring in October 2014.

SECTION 8.2 Remedies. Upon the occurrence of (a) an Event of Default in clause (b) or clause (d) of Section 8.1 above, the Administrative Agent may (with the prior written consent of the Control Party) and at the written direction of the Control Party, shall, by notice to the Seller and the Servicer, require that (i) the Seller repurchase each Receivable in respect of which such Event of Default arises by depositing into the Collection Account an amount equal to the

Unpaid Balance of such Receivable and accrued interest thereon or (ii) the Seller substitute an Eligible Substitute Receivable for such Receivable, in accordance with Section 2.17, (b) an Event of Default in clause (c) of Section 8.1 above with respect to the Transferor or the Seller, the Termination Date shall be deemed to have automatically occurred and all Aggregate Unpaids shall be deemed to be immediately due and payable without presentment, demand, protest or other notice each of which are hereby expressly waived and (c) an Event of Default in Section 8.1 above (other than as set forth in clause (a) of this Section 8.2), the Administrative Agent may (with the prior written consent of the Control Party) and at the written direction of the Control Party, shall, exercise all rights under all applicable Laws in respect of the Receivable and the other Affected Assets related thereto, including declaring the Termination Date to have occurred, and have the right to foreclose on or dispose of the Affected Assets or any portion thereof or interests therein, at one or more public or private sales called and conducted in any manner permitted by Law and to apply all proceeds of any such foreclosure or disposition as Collections pursuant to and in accordance with Section 2.12 (it being understood that the Administrative Agent's right to take any action with respect to any Aircraft shall be subject to the terms of the related Contract); provided, however, that the Administrative Agent shall not conduct (and the Control Party shall not instruct) any public auction or accept any private sale contract with respect to all or any portion of the Affected Assets unless, not less than two (2) weeks prior thereto, the Administrative Agent (at the written direction of the Control Party) shall have given the Seller and the Servicer written notice that the Administrative Agent (at the direction of the Control Party) intends to conduct a public auction or solicit or consider a private sale contract of the Affected Assets or such portion thereof. The proceeds of such sale or liquidation shall be delivered to the Collection Account for distribution in accordance with and subject to the priorities for payment set forth in Section 2.12. For the avoidance of doubt, except as may otherwise be specifically provided in Section 2.12 or Article IX of this Agreement or as provided in any other Transaction Document there shall be no recourse to any Raytheon Entity or any Affiliate thereof as a result of the occurrence of any Event of Default.

SECTION 8.3 Leased Aircraft Collateral. If an Event of Default shall have occurred and be continuing, the Administrative Agent may (with the prior written consent of the Control Party) and at the written direction of the Control Party, shall, by notice to the Transferor and the Servicer, request that the Transferor transfer any of its right, title or interest in or to the underlying collateral set forth in any Assignment of Rents (the "Leased Aircraft Collateral") or take such action as may be reasonably requested to permit the Administrative Agent, the Servicer or their respective designees to exercise any of their rights with respect to the Leased Aircraft Collateral, all subject to any rights that the related Obligor may have under the lease related to such Aircraft.

ARTICLE IX

INDEMNIFICATION; EXPENSES; RELATED MATTERS

SECTION 9.1 Indemnities by the Seller. Without limiting any other rights which the Administrative Agent, the Administrator, any of the Purchasers, the Insurer, the Program Support Providers and each of their respective officers, directors, employees, counsel and other agents (collectively, "Indemnified Parties") may have hereunder or under applicable Law, the Seller hereby agrees to indemnify each Indemnified Party from and against any and all damages, losses,

claims, liabilities, costs and expenses, including reasonable attorneys' fees (which such attorneys may be an employ of any Indemnified Party) and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them in any action or proceeding between any Raytheon Entity (including, in its capacity as the Servicer or any Affiliate of RACC acting as Servicer) and any of the Indemnified Parties or between any of the Indemnified Parties and any third party or otherwise arising out of or as a result of this Agreement, the other Transaction Documents, the ownership or maintenance, either directly or indirectly, by the Administrative Agent, any Purchaser or the Insurer of the Asset Interest or any of the other transactions contemplated hereby or thereby, excluding, however, (i) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party (ii) recourse (except as otherwise specifically provided in this Agreement) for uncollectible Receivables or (iii) any indirect, special, exemplary, punitive or consequential losses or damages. Without limiting the generality of the foregoing, the Seller shall indemnify each Indemnified Party for Indemnified Amounts relating to or resulting from:

(a) any representation or warranty made by any Raytheon Entity or any officers of any Raytheon Entity under or in connection with this Agreement, any of the other Transaction Documents, any Monthly Servicer Report or any other information or report delivered by any Raytheon Entity pursuant hereto, or pursuant to any of the other Transaction Documents which shall have been incomplete, false, inaccurate, untrue or incorrect in any respect when made or deemed made (without regard to any materiality or knowledge qualification set forth in any such representation or warranty);

(b) the failure by the Seller or the Servicer to comply with any applicable Law with respect to any Receivable or the related Contract or related Aircraft, or the nonconformity of any Receivable or the related Contract or related Aircraft with any such applicable Law (other than any noncompliance or nonconformity of any Aircraft for which the related Obligor is responsible under the related Contract);

(c) the failure (i) to vest and maintain vested in the Administrative Agent, on behalf of the Secured Parties, a first priority, perfected ownership interest in the Asset Interest free and clear of any Adverse Claim or (ii) to create or maintain a valid and first priority, perfected security interest in favor of the Administrative Agent, for the benefit of the Secured Parties, in the Affected Assets, free and clear of any Adverse Claim;

(d) the failure to file, or any delay in filing, financing statements, continuation statements, amendments or other similar instruments or documents under the UCC or the Federal Aviation Act or any similar statute of any applicable jurisdiction or other applicable laws with respect to any of the Affected Assets or the failure to file, or any delay in filing, any other Security Agreement;

(e) any dispute, claim, offset or defense (other than discharge in bankruptcy) of the Obligor to the payment of any Receivable (including a defense based on such Receivable or the related Contract not being the legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of merchandise or services related to such Receivable or the furnishing or failure to furnish such merchandise or services, or from any breach or alleged breach of any provision of the Receivables or the related Contracts restricting assignment of any Receivables;

(f) any failure of any Raytheon Entity to perform its duties or obligations in accordance with the provisions hereof or any other Transaction Document which is a party;

(g) any products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort arising out of or in connection with Aircraft or Aircraft Fractional Shares which are the subject of any Receivable;

(h) the transfer of an interest pursuant to the terms of this Agreement in any Receivable other than an Eligible Receivable at the time of such transfer;

(i) the failure by any Raytheon Entity to comply with any term, provision or covenant contained in this Agreement or any of the other Transaction Documents to which it is a party or to perform any of its respective duties or obligations under the Receivables or related Contracts;

(j) the failure of the Seller or the Servicer to pay when due any sales, excise or personal property taxes payable in connection with any of the Receivables or any other Affected Asset (other than any tax with respect to any Aircraft for which the related Obligor is responsible under the related Contract);

(k) any repayment by any Indemnified Party of any amount previously distributed in reduction of Net Investment which such Indemnified Party believes in good faith is required to be made to the extent that such amount was distributed to the Seller pursuant to Section 2.12;

(l) the commingling by the Seller or the Servicer of Collections at any time with any other funds;

(m) any investigation, litigation or proceeding related to this Agreement, any of the other Transaction Documents, the use of proceeds of the Investment by the Seller or the Servicer, the ownership of the Asset Interest, or any Affected Asset;

(n) any failure of any Blocked Account Bank to remit any amounts held in the related Blocked Account or any related post office boxes or lock-boxes pursuant to, and in accordance with, the terms hereof and of the applicable Blocked Account Agreement, whether by reason of the exercise of set-off rights or otherwise;

(o) any inability to obtain any judgment in or utilize the court or other adjudication system of, any jurisdiction in which an Obligor may be located as a result of the failure of the Seller or the Servicer to qualify to do business or file any notice of business activity report or any similar report;

(p) any attempt by any Person to void, rescind or set-aside any transfer of the Originator's right, title and interest in the Affected Assets to the Transferor or any transfer of the Transferor's right, title and interest in the Affected Assets to the Seller, whether under statutory provisions or common law or equitable action, including any provision of the Bankruptcy Code or other insolvency law;

(q) any action taken by the Seller or the Servicer in the enforcement or collection of any Receivable, subject to Section 7.8 (with the same exculpatory language in Section 7.8 being applied to the Seller as if such Section 7.8 were also applicable to the Seller);

(r) the use of the proceeds of the Investment; or

(s) the transactions contemplated hereby being characterized as other than debt for the purposes of the Code; or

(t) any dispute or claim of any Person or third party related to or in connection with the existence of more than one originally executed counterpart of a Contract constituting chattel paper.

SECTION 9.2 Indemnity for Taxes, Reserves and Expenses. (a) If the adoption of any Law or bank regulatory guideline or any amendment or change in the administration, interpretation or application of any existing or future Law or bank regulatory guideline by any Official Body charged with the administration, interpretation or application thereof, or the compliance with any directive of any Official Body (in the case of any bank regulatory guideline, whether or not having the force of Law) occurring after the Closing Date:

(i) shall subject any of the Affected Parties, or a lending office of an Affected Party, to any tax, duty or other charge (other than Excluded Taxes) with respect to any of the Transaction Documents, the ownership, maintenance or financing of the Asset Interest, or payments of amounts due hereunder or thereunder, or shall change the basis of taxation of payments to any Affected Party of amounts payable in respect of any of the Transaction Documents, the ownership, maintenance or financing of the Asset Interest, or payments of amounts due hereunder or thereunder or its obligation to advance funds hereunder or thereunder, under a Program Support Agreement or the credit or liquidity support furnished by a Program Support Provider or otherwise in respect of any of the Transaction Documents, the ownership, maintenance or financing of the Asset Interest (except for changes in the rate of income tax imposed on such Affected Party by the jurisdiction in which such Affected Party's principal executive office is located);

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including any such requirement imposed by the Board of Governors of the Federal Reserve System) against assets of, deposits with or for the account of, or credit extended by, any Affected Party or shall impose on any Affected Party or on the United States market for certificates of deposit or the London interbank market any other condition affecting any of the Transaction Documents, the ownership, maintenance or financing of the Asset Interest, or payments of amounts due hereunder or thereunder or its obligation to advance funds hereunder or thereunder, under a Program Support Agreement or the credit or liquidity support provided by a Program Support Provider or otherwise in respect of any of the Transaction Documents, the ownership, maintenance or financing of the Asset Interest; or

(iii) imposes upon any Affected Party any other condition or expense (including any loss of margin, reasonable attorneys' fees and expenses, and expenses of litigation or preparation therefor in contesting any of the foregoing) with respect to any of the Transaction Documents, the ownership, maintenance or financing of the Asset Interest, or payments of amounts due hereunder or thereunder or its obligation to advance funds hereunder or thereunder or under a Program Support Agreement or the credit or liquidity support furnished by a Program Support Provider thereof or otherwise in respect of any of the Transaction Documents, the ownership, maintenance or financing of the Asset Interest,

and the result of any of the foregoing is to increase the cost to or to reduce the amount of any sum received or receivable by such Affected Party with respect to any of the Transaction Documents, the ownership, maintenance or financing of the Asset Interest, the Receivables, the obligations hereunder and thereunder, the funding of any purchases hereunder and thereunder or a Program Support Agreement, by an amount deemed by such Affected Party to be material, then, upon notice by such Affected Party through the Administrative Agent, the Seller shall pay to the Collection Account, such additional amount or amounts as will compensate such Affected Party for such increased cost or reduction.

(b) If any Affected Party shall have determined that, the adoption of any applicable Law or bank regulatory guideline regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Official Body, or any request or directive regarding capital adequacy (in the case of any bank regulatory guideline, whether or not having the force of law) of any such Official Body, has or would have the effect of reducing the rate of return on capital of such Affected Party (or its parent) as a consequence of such Affected Party's obligations under the Transaction Documents or with respect thereto to a level below that which such Affected Party (or its parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Affected Party to be material, then, by such Affected Party through the Administrative Agent, the Seller shall pay to the Collection Account within ten (10) days, such additional amount or amounts as will compensate such Affected Party (or its parent) for such reduction. For avoidance of doubt, any accounting interpretation, including, without limitation. Accounting Research Bulletin No. 41, or any other interpretation of the Financial Accounting Standards Board ("FASB"), including FASB Interpretation No. 46: Consolidation of Variable Interest Entities, shall constitute an adoption, change, request or directive subject to this Section 9.2(b).

(c) The Administrative Agent shall promptly notify the Seller of any event of which it has knowledge, occurring after the date hereof, which will entitle an Affected Party to compensation pursuant to this Section 9.2; provided that no failure to give or any delay in giving such notice shall affect the Affected Party's right to receive such compensation. A notice by the Administrative Agent or the applicable Affected Party claiming compensation under this Section 9.2 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Administrative Agent or any applicable Affected Party may use any reasonable averaging and attributing methods.

(d) Each party hereto hereby agrees that, subject to any adjustment as provided herein in the event of any future change in applicable Law or regulation, so long as the transactions contemplated by this Agreement (after giving effect to the Insurance Policy) continue to be rated "AAA" (or its equivalent) by each of the Rating Agencies, in no event shall the Yield plus any increased costs which are attributable to FASB Interpretation No. 46 exceed a rate per annum equivalent to the Offshore Rate plus seventy-five basis points (0.75%) per annum.

SECTION 9.3 Taxes. All payments and distributions made hereunder by the Seller or the Servicer (each, a "Payor") to the Insurer, any Purchaser, the Administrative Agent or any other Secured Party (each, a "Payee") shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and any other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any taxing authority on any Payee (or any assignee of such parties) (such non-excluded items being called "Taxes"), but excluding franchise taxes and taxes imposed on or measured by the Payee's net income or gross receipts ("Excluded Taxes"). In the event that any withholding or deduction from any payment made by the Payor hereunder is required in respect of any Taxes, then such Payor shall:

(a) pay directly to the relevant authority the full amount required to be so withheld or deducted;

(b) promptly forward to the Administrative Agent and the Payee an official receipt or other documentation satisfactory to the Administrative Agent evidencing such payment to such authority; and

(c) pay to the Collection Account for distribution to such Payee such additional amount or amounts as is necessary to ensure that the net amount actually received by the Payee will equal the full amount such Payee would have received had no such withholding or deduction been required.

Moreover, if any Taxes are directly asserted against any Payee with respect to any payment received by such Payee hereunder, the Payee may pay such Taxes and the Payor will promptly pay such additional amounts (including any penalties, interest or expenses) as shall be necessary in order that the net amount received by the Payee after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount such Payee would have received had such Taxes not been asserted.

If the Payor fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Payee the required receipts or other required documentary evidence, the Payor shall indemnify the Payee for any incremental Taxes, interest, or penalties that may become payable by any Payee as a result of any such failure.

SECTION 9.4 Other Costs and Expenses; Breakage Costs. The Seller agrees upon receipt of a written invoice, to pay or cause to be paid (to the Collection Account), and to save the Purchasers, the Administrative Agent and the Insurer harmless against liability for the payment of, all reasonable out-of-pocket expenses (including attorneys', accountants' and other third parties' fees and expenses, any filing fees and expenses (including without limitation, due diligence expenses) incurred by officers or employees of any Purchaser and/or the

Administrative Agent and/or the Insurer) or intangible, documentary or recording taxes incurred by or on behalf of any Purchaser or the Administrative Agent (i) in connection with the preparation, negotiation, execution and delivery of this Agreement, the other Transaction Documents and any documents or instruments delivered pursuant hereto and thereto and the transactions contemplated hereby or thereby (including the perfection or protection of the Asset Interest) and (ii) from time to time (A) relating to any amendments, waivers or consents under this Agreement and the other Transaction Documents, (B) arising in connection with any of the Purchaser's, the Administrative Agent's or the Insurer's enforcement or preservation of rights (including, without limitation, the perfection, protection or maintenance of value (after the occurrence of a Servicer Default) of the Asset Interest and other actions described in Section 6.1(n), in each case, to the extent that the Servicer has failed to perform such actions) or (C) arising in connection with any audit, dispute, disagreement, litigation or preparation for litigation involving this Agreement or any of the other Transaction Documents (all of such amounts, collectively, "Transaction Costs"; it being understood that any Transaction Costs paid by the Seller for the protection or maintenance of value (after the occurrence of a Servicer Default) of the Asset Interest shall be deemed to be Permissible Servicer Expenses for all purposes of this Agreement, and such Transaction Costs shall be entitled to be reimbursed from any related Recovery Proceeds or pursuant to clause (viii) of Section 2.12).

SECTION 9.5 [Reserved].

SECTION 9.6 Indemnities by the Servicer. (a) Without limiting any other rights which the Administrative Agent, any of the Purchasers, the Insurer or the other Indemnified Parties may have hereunder or under applicable Law, but subject to the limitations contained in Section 7.8, the Servicer hereby agrees to indemnify and hold harmless on an after tax basis, each of the Indemnified Parties from and against any and all Indemnified Amounts (but not including special, exemplary, punitive or consequential losses) arising out of or resulting from (whether directly or indirectly) (A) the failure of any information contained in any Monthly Servicer Report (to the extent provided by the Servicer) to be true, complete and correct, or the failure of any other information provided to any Indemnified Party by, or on behalf of, the Servicer to be true, complete and correct, (B) the failure of any representation, warranty or statement made or deemed made by the Servicer (or any of its officers) under or in connection with this Agreement or any other Transaction Document to which it is a party, to have been true, complete and correct as of the date made or deemed made, (C) the failure by the Servicer to comply with any applicable Law with respect to any Receivable or the related Contract, (D) any dispute, claim, offset or defense of the Obligor to the payment of any Receivable resulting from or related to the collection activities in respect of such Receivable not performed in accordance with the Standard of Care, or (E) any failure of the Servicer to perform its duties (including the Services) or obligations in accordance with the Standard of Care or any other term or provision of this Agreement. The Servicer hereby agrees to pay each Indemnified Party such Indemnified Amounts promptly upon written demand from such Person (or the Administrative Agent on behalf of such Person).

(b) Each Indemnified Party shall promptly notify the Administrative Agent and the Insurer of any event of which it has knowledge, occurring after the date hereof, which will entitle an Indemnified Party to compensation pursuant to this Section 9.6; provided that no failure to give or any delay in giving such notice shall affect the Indemnified Party's right to receive such

compensation. A notice by the Administrative Agent or the applicable Indemnified Party claiming compensation under this Section 9.6 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error.

ARTICLE X

THE ADMINISTRATIVE AGENT

SECTION 10.1 Appointment and Authorization of the Administrative Agent. Each Purchaser and the Insurer hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Transaction Document and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and any other Transaction Document, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Transaction Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth in this Agreement, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Purchaser or the Insurer, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Transaction Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

SECTION 10.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Transaction Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

SECTION 10.3 Liability of the Administrative Agent. No Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Transaction Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any Purchaser or the Insurer for any recital, statement, representation, warranty or covenant made by the Transferor, the Seller or the Servicer, or any officer thereof, contained in this Agreement or in any other Transaction Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Transaction Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Transaction Document, or for any failure of the Transferor, the Seller, the Servicer or any other party to any Transaction Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Purchaser or the Insurer to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Transaction Document, or to inspect the properties, books or records of the Transferor, the Seller or the Servicer or any of their respective Affiliates.

SECTION 10.4 Reliance by the Administrative Agent. (a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Insurer, the Originator, the Transferor, the Seller or the Servicer or the Performance Guarantor), independent accountants and other experts selected by the Administrative Agent or the Insurer. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Transaction Document unless it shall first receive such advice or concurrence of the Insurer (in the case where the Insurer is the Control Party) or Majority Purchasers (in the case where the Administrative Agent is the Control Party) as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Insurer or the Purchasers, as applicable, against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Transaction Document in accordance with a request or consent of the Insurer (in the case where the Insurer is the Control Party) and the Majority Purchasers (in the case where the Administrative Agent is the Control Party) or, if required hereunder, all Purchasers and such request and any action taken or failure to act pursuant thereto shall be binding upon the Insurer and such Purchasers, as the case may be.

(b) For purposes of determining compliance with the conditions specified in Article V on the Closing Date, each Purchaser that has executed this Agreement and the Insurer shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Administrative Agent to such Purchaser or the Insurer for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Purchaser or the Insurer, as applicable.

SECTION 10.5 Notice of Event of Default, Unmatured Event of Default, Servicer Default or Unmatured Servicer Default. The Administrative Agent shall not be deemed to have knowledge or notice from any Raytheon Entity, any Purchaser, the Servicer, or the Insurer of the occurrence of an Unmatured Event of Default, an Event of Default, an Unmatured Servicer Default or a Servicer Default, unless the Administrative Agent has received written notice from the Insurer, a Purchaser or the Servicer referring to this Agreement, describing such Unmatured Event of Default, Event of Default, Unmatured Servicer Default or Servicer Default, and stating that such notice is a "Notice of Event of Default or Unmatured Event of Default" or "Notice of Servicer Default or Unmatured Servicer Default," as applicable. The Administrative Agent will notify the Purchasers and the Insurer of its receipt of any such notice. The Administrative Agent shall (subject to Section 10.4) take, or refrain from taking, such action with respect to such Unmatured Event of Default, Event of Default, Unmatured Servicer Default or Servicer Default as may be requested by the Insurer (in the case where the Insurer is the Control Party) or the Majority Purchasers (in the case where the Administrative Agent is the Control Party); provided, however, that, unless and until the Administrative Agent shall have received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Unmatured Event of Default, Event of Default, Unmatured Servicer Default or Servicer Default as it shall deem advisable or in the best interest of the Purchasers.

SECTION 10.6 Credit Decision; Disclosure of Information by the Administrative Agent. Each Purchaser and the Insurer acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by the Administrative Agent hereinafter taken, including any consent to and acceptance of any assignment or review of the affairs of the Transferor, the Seller or the Servicer or any of their respective Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Purchaser or the Insurer as to any matter, including whether the Agent-Related Persons have disclosed material information in their possession. Each Purchaser, including any Purchaser by assignment, and the Insurer represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Transferor, the Seller or the Servicer or any of their respective Affiliates, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Seller hereunder. Each Purchaser and the Insurer also represents that it shall, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Transaction Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Transferor, the Seller or the Servicer. Except for notices, reports and other documents expressly herein required to be furnished to the Purchasers and the Insurer by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Purchaser or the Insurer with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Transferor, the Seller or the Servicer or any of their respective Affiliates which may come into the possession of any of the Agent-Related Persons.

SECTION 10.7 Indemnification of the Administrative Agent. Whether or not the transactions contemplated hereby are consummated, the Alternate Purchasers shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of the Seller and without limiting the obligation of the Seller to do so), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Amounts incurred by it; provided, however, that no Alternate Purchaser shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Amounts resulting from such Person's gross negligence or willful misconduct, as finally determined by a court of competent jurisdiction; provided, however, that no action taken in accordance with the directions of the Insurer (in the case where the Insurer is the Control Party) or the Majority Purchasers (in the case where the Administrative Agent is the Control Party) shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section 10.7. Without limitation of the foregoing, each Alternate Purchaser shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including attorney's fees) incurred by the Administrative Agent in connection with the preparation, negotiation, execution, delivery, administration,

modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Transaction Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Seller. The undertaking in this Section 10.7 shall survive payment on the Final Payout Date and the resignation or replacement of the Administrative Agent.

SECTION 10.8 Administrative Agent in Individual Capacity. Bank of America (and any successor acting as Administrative Agent) and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with any of the Originator, the Transferor, the Seller, the Servicer and the Performance Guarantor or any of their Subsidiaries or Affiliates as though Bank of America were not the Administrative Agent or an Alternate Purchaser hereunder and without notice to or consent of any of the Purchasers or the Insurer. The Purchasers and the Insurer acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding the Originator, the Transferor, the Seller, the Servicer and the Performance Guarantor or any of their respective Affiliates (including information that may be subject to confidentiality obligations in favor of such Person) and acknowledge that Bank of America (and its Affiliates) shall be under no obligation to provide such information to them. With respect to its Commitment, Bank of America (and any successor acting as Administrative Agent) in its capacity as an Alternate Purchaser hereunder shall have the same rights and powers under this Agreement as any other Alternate Purchaser and may exercise the same as though it were not the Administrative Agent or an Alternate Purchaser, and the term "Alternate Purchaser" or "Alternate Purchasers" shall, unless the context otherwise indicates, include the Administrative Agent in its individual capacity.

SECTION 10.9 Resignation or Removal of Administrative Agent. (a) The Administrative Agent may resign as Administrative Agent upon thirty (30) days' notice to the Purchasers, the Insurer and each of the Rating Agencies. The Administrative Agent may be removed by the Control Party "for cause" upon thirty (30) days' written notice from the Control Party to the Seller, the Servicer, the Administrative Agent, each Purchaser and each of the Rating Agencies. For purposes of this Section 10.9(a), "for cause" means the occurrence and continuance of any of the following:

(i) an Event of Bankruptcy with respect to the Administrative Agent;

(ii) the Administrative Agent shall violate, in any material respect, any provision of this Agreement or any other Transaction Documents to which it is a party, which violation has not been cured (if capable of being cured) within thirty (30) days of the Administrative Agent receiving notice from the Control Party of such violation; or

(iii) the occurrence of an act by the Administrative Agent that constitutes fraud, gross negligence, misappropriation of funds, willful misconduct, criminal activity or other material violation of law in the performance of its obligations under this Agreement or any other Transaction Document to which it is a party or in any other agreement under which the Administrative Agent acts as an agent or secured party on behalf of the Control Party.

(b) If the Administrative Agent resigns or is removed for cause pursuant to Section 10.9(a), any successor Administrative Agent must be reasonably acceptable to each of the Majority Purchasers and the Insurer (if the Insurer is the Control Party). If the Insurer is the Control Party and the Insurer and the Majority Purchasers cannot agree on a satisfactory successor within the thirty (30) day after such resignation or removal, then the Insurer may designate a successor Administrative Agent to act as secured party on behalf of the Secured Parties, and such successor Administrative Agent shall have the rights (i) to exercise all rights and remedies of the Administrative Agent with respect to the Transaction Documents, including with respect to any Receivables or other Affected Assets or other property transferred or collateral pledged under the Transaction Documents, (ii) to receive from the Raytheon Entities all payments required to be submitted to the Administrative Agent under the Transaction Documents, (iii) to maintain ownership and control of and to administer the Collection Account and the allocations of payments from the funds on deposit therein and (iv) to possession of each letter of credit and each other instrument, document and certificate included in the Affected Assets. Such successor Administrative Agent shall not, however, unless the Purchasers otherwise agree, be entitled to act as Administrator or otherwise administer the Transaction Documents on behalf of the Conduit Purchaser or in connection with any transfers from the Conduit Purchaser to the Alternate Purchasers under this Agreement. The provisions of Article X shall insure to the benefit of such successor Administrative Agent to the extent of the rights, duties and obligations assumed by it.

(c) This Section 10.9 shall not limit the effect of any other Section of this Article X.

SECTION 10.10 Payments by the Administrative Agent. Unless specifically allocated to an Alternate Purchaser pursuant to the terms of this Agreement, all amounts received by the Administrative Agent shall be paid subject to and in accordance with the priorities for payment set forth in Section 2.12.

SECTION 10.11 Administrative Agent to Hold Letters of Credit. After (i) the occurrence of a Servicer Default or (ii) such time as the Performance Guarantor ceases to be rated at least “BBB-” (or its equivalent) by each of the Rating Agencies, the Servicer shall deliver to the Administrative Agent and thereafter the Administrative Agent, on behalf of the Secured Parties shall hold (or cause to be held by a third-party bailee acceptable to each of the Administrative Agent and the Control Party) all letters of credit associated with any Receivables.

ARTICLE XI

MISCELLANEOUS

SECTION 11.1 Term of Agreement. This Agreement shall terminate on the Final Payout Date; provided, however, that (i) the rights and remedies of the Administrative Agent, the Purchasers, the Administrator and the Insurer with respect to any representation and warranty made or deemed to be made by the Transferor or the Seller pursuant to this Agreement, (ii) the indemnification and payment provisions of Article IX, (iii) the provisions of Section 10.7 and (iv) the agreements set forth in Sections 11.11 and 11.12, shall be continuing and shall survive any termination of this Agreement.

SECTION 11.2 Waivers; Amendments. (a) No failure or delay on the part of the Administrative Agent, the Purchasers, the Administrator, any Alternate Purchaser or the Insurer in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law.

(b) Any provision of this Agreement (including, without limitation, Schedule I) may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Transferor, the Seller, the Servicer, the Administrative Agent and the Control Party; provided, that if the Insurer is not the Control Party, no such amendment or waiver shall, unless signed directly by the Insurer:

(i) amend, modify or waive any provision of the Transaction Documents in any way which would reduce the fees, reimbursements and amounts payable to the Insurer under the Transaction Documents (including any reimbursement obligations under the Insurance and Reimbursement Agreement or any rights to payment the Insurer has obtained due to the subrogation of the rights of the Purchasers and the Administrative Agent to the Insurer) or delay the payment of any such amounts or eliminate any indemnification claim or any recourse which the Insurer has or may have against any party to the Transaction Documents;

(ii) amend, modify or waive any provisions of the Transaction Documents (A) expressly relating to the rights of the Insurer or the representations, warranties, covenants and agreements in favor of the Insurer under the Transaction Documents, or (B) otherwise granting any privileges to the Insurer;

(iii) modify any provision of Section 2.12 or, directly or indirectly, any of the substantive provisions of Section 2.12 (including, without limitation, the priority for payment or the distribution amounts set forth in Section 2.12), in any manner that adversely affects the Insurer; provided, that nothing in this Agreement or any other Transaction Document shall require the consent of the Insurer to any change or modification to the definition of "Administrative Agent Fee Letter" or "Purchaser Fee Letter" except as provided in such definitions;

(iv) to the extent any Aggregate Unpaids are then due and owing to the Insurer, release the Performance Guarantor from any of its obligations under the Performance Guaranty;

(v) to the extent any Aggregate Unpaids are then due and owing to the Insurer, amend, modify or waive the provisions relating to payments of Permitted Dividends so as to relax the restrictions on such payments; or

(vi) to the extent any Aggregate Unpaids are then due and owing to the Insurer, release any Asset Interest or Affected Assets or any other pledged collateral from the security interests and liens created under the Transaction Documents;

provided, further that no such amendment or waiver shall, unless signed by each Alternate Purchaser directly affected thereby, (i) increase the Commitment of an Alternate Purchaser, (ii) reduce the Net Investment or rate of Yield to accrue thereon or any fees or other amounts payable hereunder, (iii) postpone any date fixed for the payment of any scheduled distribution in respect of the Net Investment or Yield with respect thereto or any fees or other amounts payable hereunder or for termination of any Commitment, (iv) change the percentage of the Commitments of Alternate Purchasers which shall be required for the Alternate Purchasers or any of them to take any action under this Section 11.2 or any other provision of this Agreement, (v) release all or substantially all of the property with respect to which a security or ownership interest therein has been granted hereunder to the Administrative Agent or the Alternate Purchasers or (vi) extend or permit the extension of the Termination Date (it being understood that a waiver of an Event of Default shall not constitute an extension or increase in the Commitment of any Alternate Purchaser); and provided, further, that the signature of the Transferor, the Seller and the Servicer shall not be required for the effectiveness of any amendment which modifies the representations, warranties, covenants or responsibilities of the Servicer at any time when the Servicer is not RACC or any Affiliate of RACC or a successor Servicer is designated pursuant to Section 7.1(a). In the event the Administrative Agent requests a Purchaser's consent pursuant to the foregoing provisions and the Administrative Agent does not receive a consent (either positive or negative) from the such Purchaser within ten (10) Business Days of such Purchaser's receipt of such request, then such Purchaser (and its percentage interest hereunder) shall be disregarded in determining whether the sufficient consent hereunder has been obtained. The Servicer shall provide promptly, and in any event within ten (10) Business Days after effectiveness, written notice to each of the Rating Agencies of each amendment to, or waiver of any term or provision of, this Agreement.

SECTION 11.3 Notices; Payment Information. Except as provided below, all communications and notices and payments provided for hereunder shall be in writing (including facsimile or electronic transmission or similar writing) and shall be given to the other party at its address or facsimile number and, in the case of payments, sent by wire transfer pursuant to the wire transfer instructions for such party set forth in Schedule 11.3 or at such other address or facsimile number or pursuant to such other wire transfer instructions as such party may hereafter specify in writing for the purposes of notice or payment to each other party hereto. Each such notice or other communication shall be effective (i) if given by facsimile, when such facsimile is

transmitted to the facsimile number specified in this Section 11.3 and confirmation is received, (ii) if given by mail, three (3) Business Days following such posting, if postage prepaid and sent via U.S. certified or registered mail, (iii) if given by overnight courier, one (1) Business Day after deposit thereof with a national overnight courier service, or (iv) if given by any other means, when received at the address specified in this Section 11.3.

SECTION 11.4 Governing Law; Submission to Jurisdiction; Appointment of Service Agent.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REFERENCE TO THE CONFLICTS OF LAW PRINCIPLES THEREOF OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW). EACH OF THE ORIGINATOR, THE TRANSFEROR, THE SELLER AND THE SERVICER HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH OF THE ORIGINATOR, THE TRANSFEROR, THE SELLER AND THE SERVICER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING IN THIS SECTION 11.4 SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT, ANY OF THE PURCHASERS OR THE INSURER TO BRING ANY ACTION OR PROCEEDING AGAINST ANY OF THE ORIGINATOR, THE TRANSFEROR, THE SELLER OR THE SERVICER OR ANY OF THEIR RESPECTIVE PROPERTY IN THE COURTS OF OTHER JURISDICTIONS.

(b) EACH OF THE PARTIES HERETO HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG ANY OF THEM ARISING OUT OF, CONNECTED WITH, RELATING TO OR INCIDENTAL TO THE RELATIONSHIP BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS.

(c) The Originator, the Transferor, the Seller and the Servicer each hereby appoint CT Corporation System located at 111 8th Avenue, New York, New York 10011 as the authorized agent upon whom process may be served in any action arising out of or based upon this Agreement, the other Transaction Documents to which such Person is a party or the transactions contemplated hereby or thereby that may be instituted in the United States District Court for the Southern District of New York and of any New York State court sitting in The City of New York by any Purchaser, the Administrative Agent, the Administrator or any successor or assignee of any of them.

SECTION 11.5 Integration. This Agreement contains the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall (together with the other Transaction Documents) constitute the entire agreement among the parties, hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

SECTION 11.6 Severability of Provisions. If any one or more of the provisions of this Agreement shall for any reason whatsoever be held invalid, then such provisions shall be deemed severable from the remaining provisions of this Agreement and shall in no way affect the validity or enforceability of such other provisions.

SECTION 11.7 Counterparts; Facsimile Delivery. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Delivery by facsimile of an executed signature page of this Agreement shall be effective as delivery of an executed counterpart hereof.

SECTION 11.8 Successors and Assigns; Binding Effect. (a) This Agreement shall be binding on the parties hereto and their respective successors and assigns; provided, however, that none of the Raytheon Entities or any of their respective Affiliates shall assign (or shall permit or cause the assignment of) any of their respective rights, duties (including the Services, except duties delegated to a Sub-Servicer in accordance with and subject to the provisions of this Agreement) or obligations related to or in connection with this Agreement or any of the other Transaction Documents, without the prior written consent the Administrative Agent and, if no Insurer Default has occurred and is continuing, the Insurer. Notwithstanding the foregoing, the Transferor shall be entitled to sell no more than ninety-five percent (95%) of its interest in the Seller or the cash flow distributable thereto representing the Seller's subordinated interest in the Receivables and the other Affected Assets constituting the difference between the Unpaid Balance (as of the Closing Date) and the Investment (without giving effect to any reduction therein), and shall at all times retain at least five percent (5%) of the total of any such interest. Prior to the sale of any such interest, the Administrative Agent and, if no Insurer Default has occurred and is continuing, the Insurer, shall have received evidence satisfactory to such Person that the subordinated interest so sold is the subject of a subordination agreement and related legal opinions (including (i) an opinion to the effect that such sale will not result in adverse tax consequences to the Transferor, the Seller or any Purchaser and (ii) opinions affirming or reaffirming, after giving effect to such sale, each of the "true sale" and "non-consolidation" opinions of Bingham McCutchen LLP delivered pursuant to Section 5.1), which subordination agreements and legal opinions in each case, shall be in form and substance reasonably acceptable to the Administrative Agent and, if no Insurer Default has occurred and is continuing, the Insurer. Except as provided in Section 11.8 (b) below, no provision of this Agreement shall in any manner restrict the ability of any Purchaser to assign, participate, grant security interests in, or otherwise transfer any portion of the Asset Interest.

(b) Any Alternate Purchaser may assign all or any portion of its Commitment and its interest in the Net Investment, the Asset Interest and its other rights and obligations hereunder to any Person with the written approval of the Administrator, on behalf of the Conduit Purchaser, and the Administrative Agent. In connection with any such assignment, the assignor shall

deliver to the assignee(s) an Assignment and Assumption Agreement, duly executed, assigning to such assignee a pro rata interest in such assignor's Commitment and other obligations hereunder and in the Net Investment, the Asset Interest and other rights hereunder, and such assignor shall promptly execute and deliver all further instruments and documents, and take all further action, that the assignee may reasonably request, in order to protect, or more fully evidence the assignee's right, title and interest in and to such interest and to enable the Administrative Agent, on behalf of such assignee, to exercise or enforce any rights hereunder and under the other Transaction Documents to which such assignor is or, immediately prior to such assignment, was a party. Upon any such assignment, (i) the assignee shall have all of the rights and obligations of the assignor hereunder and under the other Transaction Documents to which such assignor is or, immediately prior to such assignment, was a party with respect to such assignor's Commitment and interest in the Net Investment and the Asset Interest for all purposes of this Agreement and under the other Transaction Documents to which such assignor is or, immediately prior to such assignment, was a party and (ii) the assignor shall have no further obligations with respect to the portion of its Commitment which has been assigned and shall relinquish its rights with respect to the portion of its interest in the Net Investment and the Asset Interest which has been assigned for all purposes of this Agreement and under the other Transaction Documents to which such assignor is or, immediately prior to such assignment, was a party. No such assignment shall be effective unless a fully executed copy of the related Assignment and Assumption Agreement shall be delivered to the Administrative Agent, the Servicer and the Seller. All costs and expenses of the Administrative Agent incurred in connection with any assignment hereunder shall be borne by the applicable assignor. No Alternate Purchaser shall assign any portion of its Commitment hereunder without also simultaneously assigning an equal portion of its interest in the Program Support Agreement to which it is a party or under which it has acquired a participation.

(c) By executing and delivering an Assignment and Assumption Agreement, the assignor and assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Assumption Agreement, the assignor 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, the other Transaction Documents or any other instrument or document furnished pursuant hereto or thereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value or this Agreement, the other Transaction Documents or any such other instrument or document; (ii) the assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Raytheon Entity or the performance or observance by any Raytheon Entity of any of their respective obligations under this Agreement, the other Transaction Documents or any other instrument or document furnished by any Raytheon Entity pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, each other Transaction Document and such other instruments, documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption Agreement and to purchase such interest; (iv) such assignee will, independently and without reliance upon the Administrative Agent, or any of its Affiliates, or the assignor and based on such agreements, 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 and the other Transaction Documents; (v) 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, the other Transaction Documents and any other instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto and to enforce its respective rights and interests in and under this Agreement, the other Transaction Documents and the Affected Assets; (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement and the other Transaction Documents are required to be performed by it as the assignee of the assignor; and (vii) such assignee agrees that it will not institute against, or join any other Person in instituting against, or solicit or encourage any Person to institute against, the Conduit Purchaser or the Seller any proceeding of the type referred to in Section 11.11 prior to the later of (a) date which is one year and one day after the payment in full of all Commercial Paper or other rated indebtedness of the Conduit Purchaser (or its related commercial paper issuer) and (b) the Final Payout Date.

(d) Without limiting the foregoing, the Conduit Purchaser may, from time to time, with prior or concurrent notice to the Seller and Servicer, in one transaction or a series of transactions, assign all or a portion of the Net Investment and its rights and obligations under this Agreement and any other Transaction Documents to which it is a party to a Conduit Assignee. Upon and to the extent of such assignment by the Conduit Purchaser to a Conduit Assignee, (i) such Conduit Assignee shall be the owner of the assigned portion of the Net Investment, (ii) the related administrator for such Conduit Assignee will act as the Administrator for such Conduit Assignee, with all corresponding rights and powers, express or implied, granted to the Administrator hereunder or under the other Transaction Documents, (iii) such Conduit Assignee (and any related commercial paper issuer, if such Conduit Assignee does not itself issue commercial paper) and their respective liquidity support provider(s) and credit support provider(s) and other related parties shall have the benefit of all the rights and protections provided to the Conduit Purchaser and its Program Support Provider(s) herein and in the other Transaction Documents (including any limitation on recourse against such Conduit Assignee or related parties, any agreement not to file or join in the filing of a petition to commence an insolvency proceeding against such Conduit Assignee, and the right to assign to another Conduit Assignee as provided in this paragraph), (iv) such Conduit Assignee shall assume all (or the assigned or assumed portion) of the Conduit Purchaser's obligations, if any, hereunder or any other Transaction Document, and the Conduit Purchaser shall be released from such obligations, in each case to the extent of such assignment, and the obligations of the Conduit Purchaser and such Conduit Assignee shall be several and not joint, (v) all distributions in respect of the Net Investment shall be made to the applicable agent or the Administrator, as applicable, on behalf of the Conduit Purchaser and such Conduit Assignee on a pro rata basis according to their respective interests, (vi) the definition of the term "CP Rate" with respect to the portion of the Net Investment funded with commercial paper issued by the Conduit Purchaser from time to time shall be determined in the manner set forth in the definition of "CP Rate" applicable to the Conduit Purchaser on the basis of the interest rate or discount applicable to commercial paper issued by such Conduit Assignee (or the related commercial paper issuer, if such Conduit Assignee does not itself issue commercial paper) (rather than the Conduit Purchaser), (vii) the defined terms and other terms and provisions of this Agreement and the other Transaction Documents shall be interpreted in accordance with the foregoing, and (viii) if requested by the Administrative Agent or Administrator with respect to the Conduit Assignee, the parties will execute and deliver such further agreements and documents and take such other actions as the Administrative Agent or such Administrator may reasonably request to evidence and give effect

to the foregoing. No assignment by the Conduit Purchaser to a Conduit Assignee of all or any portion of the Net Investment shall in any way diminish the related Alternate Purchasers' obligation under Section 2.3 to fund any Investment not funded by the Conduit Purchaser or such Conduit Assignee or to acquire from the Conduit Purchaser or such Conduit Assignee all or any portion of the Net Investment pursuant to Section 3.1.

(e) In the event that the Conduit Purchaser makes an assignment to a Conduit Assignee in accordance with Section 11.8(d) above, the Alternate Purchasers: (i) if requested by Bank of America, shall terminate their participation in the applicable Program Support Agreement to the extent of such assignment, (ii) if requested by Bank of America, shall execute (either directly or through a participation agreement, as determined by the Administrator) the Program Support Agreement related to such Conduit Assignee, to the extent of such assignment, the terms of which shall be substantially similar to those of the participation or other agreement entered into by such Alternate Purchaser with respect to the applicable Program Support Agreement (or which shall be otherwise reasonably satisfactory to Bank of America and the Alternate Purchasers), (iii) if requested by the Conduit Purchaser, shall enter into such agreements as requested by the Conduit Purchaser pursuant to which they shall be obligated to provide funding to the Conduit Assignee on substantially the same terms and conditions as is provided for in this Agreement in respect of the Conduit Purchaser (or which agreements shall be otherwise reasonably satisfactory to the Conduit Purchaser and the Alternate Purchasers), and (iv) shall take such actions as the Administrative Agent shall reasonably request in connection therewith.

(f) Each of the Originator, the Transferor, the Seller, the Servicer and the Insurer hereby agrees and consents to the assignment by the Conduit Purchaser from time to time of all or any part of its rights under, interest in and title to this Agreement and the Asset Interest to any Program Support Provider.

(g) Notwithstanding anything to the contrary in this Section 11.8, (i) no Purchaser may assign all or any portion of the Net Investment unless it has demonstrated to the reasonable satisfaction of the Administrative Agent that such assignment will not cause the aggregate number of Purchasers and other holders of beneficial interests in the Net Investment (including any Persons holding participations in the Asset Interest) to exceed fifty (50) (determined in accordance with the Investment Company Act of 1940, as amended); and (ii) the Transferor shall not be allowed to sell interests in the subordinated cash flow as described in Section 11.8(a) unless it has demonstrated to the reasonable satisfaction of the Administrative Agent and the Insurer that the beneficial owners of such interests, together with all other beneficial owners of outstanding securities of the Seller (other than the persons referred to in clause (i) above) would not exceed fifty (50) (determined in accordance with the Investment Company Act of 1940, as amended). For purposes of the foregoing, beneficial ownership by a company shall be deemed to be ownership by one person except that, if such company owns more than ten percent (10%) of the outstanding voting securities of the Seller and is, or but for Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940, would be an "investment company" as defined in such act, the beneficial ownership shall be deemed to be that of the holders of such company's outstanding securities (other than short-term paper).

SECTION 11.9 Waiver of Confidentiality. Subject to the following sentence and Section 11.14, the Administrative Agent, each Purchaser, the Administrator and the Insurer agree to keep any non-public information related to the transactions contemplated by this Agreement and the Transaction Documents, received by it directly from any Raytheon Entity, strictly confidential. Each of the Originator, the Transferor, the Seller and the Servicer hereby consents to the disclosure of any information with respect to it received by the Administrative Agent, any Purchaser, the Administrator or the Insurer (a) to any other Purchaser or potential Purchaser, the Administrative Agent, the Insurer, any nationally recognized statistical rating organization rating Commercial Paper, any dealer or placement agent of or depositary for Commercial Paper, the Administrator, any Program Support Provider or any of such Person's counsel or accountants in relation to this Agreement or any other Transaction Document, (b) in connection with any litigation relating to any Transaction Document, and (c) as may be required by applicable Law or order of a court of competent jurisdiction.

SECTION 11.10 Confidentiality Agreement. Each of the Originator, the Transferor, the Seller and the Servicer hereby agrees that during the term of this Agreement and for two (2) years after the termination of this Agreement, it will not disclose the contents of this Agreement (other than in accordance with the filing requirements of the Securities and Exchange Commission, if any) or any other Transaction Document or any other proprietary or confidential information of or with respect to any Purchaser, the Administrative Agent, the Insurer, the Administrator or any Program Support Provider to any other Person except (a) its auditors, attorneys, employees or financial advisors (other than any commercial bank) and any nationally recognized statistical rating organization, provided such auditors, attorneys, employees, financial advisors or nationally recognized statistical rating organizations are informed of the highly confidential nature of such information, (b) as otherwise required by applicable law or order of a court of competent jurisdiction, (c) in connection with any litigation relating to any Transaction Document, or (d) pursuant to Section 11.14 or (e) an Obligor or its advisors, as required in connection with obtaining any consent required pursuant to the related Contract.

SECTION 11.11 No Bankruptcy Petition Against the Conduit Purchaser. Each of the Originator, the Transferor, the Seller, the Servicer and the Performance Guarantor hereby covenants and agrees (and the Insurer, by its execution of this Agreement, expressly acknowledges) that, prior to the date which is one year and one day after the payment in full of all outstanding Commercial Paper or other rated indebtedness of the Conduit Purchaser (or its related commercial paper issuer), it will not institute against, or join any other Person in instituting against, or solicit or encourage any Person to institute against, the Conduit Purchaser any proceeding of a type referred to in the definition of Event of Bankruptcy.

SECTION 11.12 No Bankruptcy Petition Against the Transferor and the Seller. (a) Each of the Originator, the Transferor, the Seller, the Servicer and the Performance Guarantor (and, so long as no Insurer Default has occurred and is continuing, each of the Administrative Agent and each Purchaser) hereby covenants and agrees (and the Insurer, by its execution of this Agreement, expressly acknowledges) that, prior to the date which is one year and one day after the payment in full of all Aggregate Unpaids, it will not institute against or join any other Person in instituting against, or solicit or encourage any Person to institute against, the Transferor any proceeding of a type referred to in the definition of Event of Bankruptcy.

(b) Each of the Originator, the Transferor, the Seller, the Servicer and the Performance Guarantor (and, so long as no Insurer Default has occurred and is continuing, each of the Administrative Agent and each Purchaser) hereby covenants and agrees (and the Insurer, by its execution of this Agreement, expressly acknowledges) that, prior to the date which is one year and one day after the payment in full of all outstanding Aggregate Unpaids, it will not institute against, or join any other Person in instituting against, or solicit or encourage any Person to institute against, the Seller any proceeding of a type referred to in the definition of Event of Bankruptcy.

SECTION 11.13 No Recourse Against Conduit Purchaser, Stockholders, Officers or Directors. Notwithstanding anything to the contrary contained in this Agreement or any other Transaction Document, the obligations of the Conduit Purchaser under this Agreement and all other Transaction Documents are solely the corporate obligations of the Conduit Purchaser and shall be payable solely to the extent of funds received from the Seller in accordance herewith or from any party to any Transaction Document in accordance with the terms thereof in excess of funds necessary to pay matured and maturing Commercial Paper. No recourse under any obligation, covenant or agreement of the Conduit Purchaser contained in this Agreement shall be had against AMACAR Group, L.L.C. (the "Corporate Services Provider") (or any Affiliate thereof), or any stockholder, employee, officer, director or incorporator of the Conduit Purchaser or beneficial owner of any of them, as such, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that this Agreement is solely a corporate obligation of the Conduit Purchaser, and that no personal liability whatsoever shall attach to or be incurred by the Corporate Services Provider (or any Affiliate thereof), or the stockholder, employee, officer, director or incorporator of the Conduit Purchaser or beneficial owner of any of them, as such, or any of them, under or by reason of any of the obligations, covenants or agreements of the Conduit Purchaser contained in this Agreement, or implied therefrom, and that any and all personal liability for breaches by the Conduit Purchaser of any of such obligations, covenants or agreements, either at common law or at equity, or by statute or constitution, of the Corporate Services Provider (or any Affiliate thereof) and every such stockholder, employee, officer, director or incorporator of the Conduit Purchaser or beneficial owner of any of them is hereby expressly waived as a condition of and consideration for the execution of this Agreement; provided, however, that the Conduit Purchaser shall be considered to be an Affiliate of the Corporate Services Provider; and provided, further, that this Section 11.13 shall not relieve any such stockholder, employee, officer, director or incorporator of the Conduit Purchaser or beneficial owner of any of them of any liability it might otherwise have for its own intentional misrepresentation or willful misconduct.

SECTION 11.14 Tax Treatment. Notwithstanding anything herein to the contrary, each party (and each employee, representative or other agent of each party) hereto may disclose to any and all persons, without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to any such party (or its representatives) relating to such tax treatment and tax structure; provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transactions contemplated hereby as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the transactions contemplated hereby.

SECTION 11.15 Independent Nature of Purchasers' Rights; Miscellaneous. The obligations of the Purchasers under this Agreement and the other Transaction Documents are several and no Purchaser shall be responsible for the obligations or Commitments of any other Purchaser. Nothing contained in this Agreement or in any other Transaction Document, and no action taken by any Purchaser, the Administrative Agent, the Administrator or the Insurer, pursuant to this Agreement or any other Transaction Document, shall be deemed to constitute any such Person as a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to the Administrative Agent, each Purchaser, the Administrator and the Insurer shall be a separate and independent debt.

SECTION 11.16 Limitation of Liability. No claim may be made by any Raytheon Entity or any other Person against any of the Administrative Agent, any Purchaser or the Insurer or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential, exemplary or punitive damages or losses in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any other Transaction Document, or any act, omission or event occurring in connection herewith or therewith; and each Raytheon Entity and the Servicer hereby waives, releases, and agrees not to sue upon any claim for any such damages or losses, whether or not accrued and whether or not known or suspected to exist in its favor.

SECTION 11.17 Third Party Beneficiary. Each of the parties hereby acknowledges and agrees that the Insurer (and its successors and assigns) is an express third party beneficiary of this Agreement and shall be entitled to rely on and directly enforce each of the representations, warranties, covenants and agreements contained herein as if it were party hereto as the Insurer.

SECTION 11.18 Certain Understandings Regarding the Originator and the Transferor. Each of the parties hereto acknowledges and agrees that (a) pursuant to the First Tier Agreement, the Originator incurred certain obligations and liabilities in favor of the Transferor (collectively, the "Originator Obligations") which were assigned by the Transferor to the Seller pursuant to the Sale and Conveyance Agreement and were assigned by the Seller to the Administrative Agent for the benefit of the Secured Parties pursuant to this Agreement, (b) pursuant to the Sale and Conveyance Agreement, the Transferor incurred certain obligations and liabilities in favor of the Seller (collectively, the "Transferor Obligations") which were assigned by the Seller to the Administrative Agent for the benefit of the Secured Parties pursuant to this Agreement and (c) without derogating or otherwise modifying the express obligations of the Originator and the Transferor contained in this Agreement and the other Transaction Documents, the inclusion of the Originator and the Transferor as parties to this Agreement is intended as an administrative convenience in order to (i) recognize the Secured Parties as the assignees of the Originator Obligations and Transferor Obligations, respectively, and (ii) restate such Originator Obligations and Transferor Obligations as provided for herein for the purpose of confirming and ratifying such obligations, without the intent to expand such Originator Obligations and/or Transferor Obligations, as applicable.

SECTION 11.19 Representation of the Conduit Purchaser. The Conduit Purchaser hereby represents and warrants that, on the Closing Date: (i) it is the sole Purchaser funding the Investment and (ii) it would be deemed to constitute not more than one (1) beneficial owner of the Seller's securities for purposes of Section 3(c)(1) of the Investment Company Act of 1940, as amended.

[Signatures Follow]

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

GENERAL AVIATION RECEIVABLES CORPORATION, as Seller

By: /s/ Andrew A. Matthews

Title: President

RAYTHEON AIRCRAFT RECEIVABLES CORPORATION, individually and as Transferor

By: /s/ Andrews A. Matthews

Title: President

RAYTHEON AIRCRAFT CREDIT CORPORATION, individually, as Originator and as Servicer

By: /s/ Andrew A. Mathews

Title: President

RECEIVABLES CAPITAL CORPORATION,
as Conduit Purchaser

By: /s/ Evelyn Echevarria

Title: Vice President

Commitment	BANK OF AMERICA, N.A., as Administrative Agent, as Administrator and as an Alternate Purchaser
$286,040,103.53	By: /s/ Erle R.L. Archer
	Title: Principal

ACKNOWLEDGED AND AGREED:

MBIA INSURANCE CORPORATION

By: /s/ Adam M. Garta

Title: Assistant Secretary

ACKNOWLEDGED AND AGREED:

RAYTHEON COMPANY, as Performance Guarantor

By: /s/ Richard A. Goglia

Title: Vice President & Treasurer

SCHEDULE I

Section 2.4 of this Agreement shall be read in its entirety as follows:

SECTION 2.4 Determination of Yield and Rate Periods. (a) From time to time, for purposes of determining the Rate Periods applicable to the different portions of the Net Investment and of calculating Yield with respect thereto, the Administrative Agent shall allocate the Net Investment to one or more tranches (each a "Portion of Investment"). At any time, each Portion of Investment shall have only one Rate Period and one Rate Type. In addition, at any time when the Net Investment is not divided into more than one portion, "Portion of Investment" means 100% of the Net Investment.

(b) From time to time the Administrative Agent shall notify the Servicer and the Seller of the number of Portions of Investment and the Rate Type of each Portion of Investment.

(c) As used in this Section 2.4, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined)

"Alternate Rate" means, for any Rate Period for any Portion of Investment, an interest rate per annum equal to seventy-five basis points (0.75%) per annum above the Offshore Rate for such Rate Period; provided, however, that in the case of:

(i) any Rate Period which commences on a date other than a Settlement Date or which commences prior to the Administrative Agent receiving at least three (3) Business Days notice thereof, or

(ii) any Rate Period relating to a Portion of Investment which is less than five million dollars ($5,000,000),

the "Alternate Rate" for each day in such Rate Period shall be an interest rate per annum equal to the Base Rate in effect on such day. The "Alternate Rate" for any date on or after the declaration of Termination Date pursuant to Section 8.2 shall be an interest rate equal to two percent (2.00%) per annum above the Base Rate in effect on such day.

"Base Rate" means, for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate for such day, plus 1/2 of one percent (1%) and (b) the rate of interest in effect for such day as publicly announced from time to time by the Administrative Agent as its "prime rate". The "prime rate" is a rate set by the Administrative Agent based upon various factors including the Administrative Agent's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the prime rate announced by the Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change.

"CP Rate" means, for any Rate Period for any Portion of Investment, the per annum rate equivalent to the weighted average cost (as determined by the Administrator and which shall include commissions of placement agents and dealers, incremental carrying costs incurred with

respect to Commercial Paper maturing on dates other than those on which corresponding funds are received by the Conduit Purchaser (or the related commercial paper issuer), other borrowings by the Conduit Purchaser (other than under any Program Support Agreement) and any other costs associated with the issuance of Commercial Paper) of or related to the issuance of Commercial Paper that are allocated, in whole or in part, by the Conduit Purchaser or the Administrator to fund or maintain such Portion of Investment (and which may be also allocated in part to the funding of other assets of the Conduit Purchaser); provided, however, that if any component of such rate is a discount rate, in calculating the "CP Rate" for such Portion of Investment for such Rate Period, the Conduit Purchaser shall for such component use the rate resulting from converting such discount rate to an interest bearing equivalent rate per annum.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of one percent (1%)) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent on such day on such transactions as determined by it.

"Fluctuation Factor" means 1.5.

"Offshore Rate" means for any Rate Period, a rate per annum determined by the Administrative Agent pursuant to the following formula:

$$\text{Offshore Rate} = \frac{\text{Offshore Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

"Offshore Base Rate" means, for such Rate Period:

(a) the rate per annum (carried out to the fifth decimal place) equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate Screen that displays an average British Bankers Association Interest Settlement Rate (such page currently being page number 3750) for deposits in Dollars (for delivery on the first day of such Rate Period) with a term equivalent to such Rate Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Rate Period, or

(b) in the event the rate referenced in the preceding Section 2.4(a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum (carried to the fifth decimal place) equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in

Dollars (for delivery on the first day of such Rate Period) with a term equivalent to such Rate Period, determined as of approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Rate Period, or

(c) in the event the rates referenced in the preceding Sections 2.4(a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which Dollar deposits (for delivery on the first day of such Rate Period) in same day funds in the approximate amount of the applicable Portion of Investment to be funded by reference to the Offshore Rate and with a term equivalent to such Rate Period would be offered by its London Branch to major banks in the offshore dollar market at their request at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Rate Period; and

"Eurodollar Reserve Percentage" means, for any day during any Rate Period, the reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of one percent (1%)) in effect on such day, whether or not applicable to any Purchaser, under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "eurocurrency liabilities"). The Offshore Rate shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

"Rate Period" means, unless otherwise mutually agreed by the Administrative Agent and the Servicer (on behalf of the Seller), (a) with respect to any Portion of Investment funded by the issuance of Commercial Paper, (i) initially the period commencing on (and including) the date of the initial purchase or funding of such Portion of Investment and ending on (and including) the last day of the current Fiscal Month, and (ii) thereafter, each period commencing on (and including) the first day after the last day of the immediately preceding Rate Period for such Portion of Investment and ending on (and including) the last day of the current Fiscal Month; and (b) with respect to any Portion of Investment not funded by the issuance of Commercial Paper, (i) initially the period commencing on (and including) the date of the initial purchase or funding of such Portion of Investment and ending on (but excluding) the next following Settlement Date, and (ii) thereafter, each period commencing on (and including) a Settlement Date and ending on (but excluding) the next following Settlement Date; provided, that

(A) any Rate Period with respect to any Portion of Investment (other than any Portion of Investment accruing Yield at the CP Rate) which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day; provided, however, if Yield in respect of such Rate Period is computed by reference to the Offshore Rate, and such Rate Period would otherwise end on a day which is not a Business Day, and there is no subsequent Business Day in the same Fiscal Month as such day, such Rate Period shall end on the next preceding Business Day;

(B) in the case of any Rate Period for any Portion of Investment which commences before the Termination Date and would otherwise end on a date occurring after the Termination Date, such Rate Period shall end on such Termination Date and the duration of each Rate Period which commences on or after the Termination Date shall be of such duration as shall be selected by the Administrative Agent; and

(C) any Rate Period in respect of which Yield is computed by reference to the CP Rate may be terminated at the election of, and upon notice thereof to the Seller by, the Administrative Agent any time, in which case the Portion of Investment allocated to such terminated Rate Period shall be allocated to a new Rate Period commencing on (and including) the date of such termination and ending on (but excluding) the next following Settlement Date, and shall accrue Yield at the Alternate Rate.

"Rate Type" means the Offshore Rate, the Base Rate or the CP Rate.

"Yield" means:

(i) for any Portion of Investment during any Rate Period to the extent a Conduit Purchaser funds such Portion of Investment through the issuance of Commercial Paper (directly or indirectly through a related commercial paper issuer),

$$(CPR + PF + DF) \times I \times \frac{D}{360}$$

(ii) for any Portion of Investment funded by the Alternate Purchasers and for any Portion of Investment to the extent the Conduit Purchaser will not be funding such Portion of Investment through the issuance of Commercial Paper (directly or indirectly through a related commercial paper issuer),

$$AR \times I \times \frac{D}{360}$$

where:

AR	=	the Alternate Rate for such Portion of Investment for such Rate Period,
CPR	=	the CP Rate for such Portion of Investment for such Rate Period (as determined by the Administrator on or prior to the fifth (5th) Business Day of the Fiscal Month next following such Rate Period),
D	=	the actual number of days during such Rate Period,
DF	=	5.0 basis points per annum,
I	=	the weighted average of such Portion of Investment during such Rate Period, and
PF	=	the Program Fee Rate

; provided that (i) no provision of this Agreement shall require the payment or permit the collection of Yield in excess of the maximum permitted by applicable law and (ii) that at all times after the declaration of the Termination Date pursuant to Section 8.2, Yield for all Portion of Investment shall be determined as provided in clause (ii) of this definition; provided, however, that in the event that at any time the Yield shall exceed a per annum rate equal to the Offshore Rate plus seventy-five basis points (0.75%) per annum, such excess shall only be payable pursuant to clause (xi) of Section 2.12 and shall not be guaranteed by the Insurance Policy.

(d) Offshore Rate Protection; Illegality. (i) If the Administrative Agent is unable to obtain on a timely basis the information necessary to determine the Offshore Rate for any proposed Rate Period, then

(A) the Administrative Agent shall forthwith notify the Conduit Purchaser or Alternate Purchasers, as applicable, and the Servicer and the Seller that the Offshore Rate cannot be determined for such Rate Period, and

(B) while such circumstances exist, none of the Conduit Purchaser, the Alternate Purchasers or the Administrative Agent shall allocate any Portion of Investment with respect to Investments made during such period or reallocate any Portion of Investment allocated to any then existing Rate Period ending during such period, to a Rate Period with respect to which Yield is calculated by reference to the Offshore Rate.

(ii) If, with respect to any outstanding Rate Period, the Conduit Purchaser or any of the Alternate Purchasers on behalf of which the Administrative Agent holds any Portion of Investment notifies the Administrative Agent that it is unable to obtain matching deposits in the London interbank market to fund its purchase or maintenance of such Portion of Investment or that the Offshore Rate applicable to such Portion of Investment will not adequately reflect the cost to the Person of funding or maintaining such Portion of Investment for such Rate Period, then (A) the Administrative Agent shall forthwith so notify the Seller, the Servicer and the Purchasers and (B) upon such notice and thereafter while such circumstances exist none of the Administrative Agent, the Conduit Purchaser or the Alternate Purchasers, as applicable, shall allocate any other Portion of Investment with respect to Investments made during such period or reallocate any Portion of Investment allocated to any Rate Period ending during such period, to a Rate Period with respect to which Yield is calculated by reference to the Offshore Rate.

(iii) Notwithstanding any other provision of this Agreement, if the Conduit Purchaser or any of the Alternate Purchasers, as applicable, shall notify the Administrative Agent that such Person has determined (or has been notified by any Program Support Provider) that the introduction of or any change in or in the interpretation of any Law makes it unlawful (either for the Conduit Purchaser, such Alternate Purchaser, or such Program Support Provider, as applicable), or any central bank or other Official Body asserts that it is unlawful, for the Conduit Purchaser, such Alternate Purchaser or such Program Support Provider, as applicable, to fund the

purchases or maintenance of any Portion of Investment accruing Yield calculated by reference to the Offshore Rate, then (A) as of the effective date of such notice from such Person to the Administrative Agent, the obligation or ability of the Conduit Purchaser or such Alternate Purchaser or Program Support Provider, as applicable, to fund the making or maintenance of any Portion of Investment accruing Yield calculated by reference to the Offshore Rate shall be suspended until such Person notifies the Administrative Agent that the circumstances causing such suspension no longer exist and (B) each Portion of Investment made or maintained by such Person shall either (1) if such Person may lawfully continue to maintain such Portion of Investment accruing Yield calculated by reference to the Offshore Rate until the last day of the applicable Rate Period, be reallocated on the last day of such Rate Period to another Rate Period and shall accrue Yield calculated by reference to the Base Rate; or (2) if such Person shall determine that it may not lawfully continue to maintain such Portion of Investment accruing Yield calculated by reference to the Offshore Rate until the end of the applicable Rate Period, such Person's share of such Portion of Investment allocated to such Rate Period shall be deemed to accrue Yield at the Base Rate from the effective date of such notice until the end of such Rate Period.

SCHEDULE II

Obligors, Subleases and Cash Deposits, Brazilian Operating Leases, Repossession Insurance, Subleases, Letters of Credit, Exempt Receivables and Extended Receivables

[To be agreed upon by the Administrative Agent, MBIA and the Performance Guarantor, and provided by the Servicer]

SCHEDULE III

Performance Guarantor Financial Covenants

I. ADDITIONAL SERVICER DEFAULTS. So long as the Servicer is RACC or an Affiliate thereof, except as such provisions may be otherwise deemed amended or waived as set forth in Part III of this Schedule III, it shall be a Servicer Default if either of the following events occurs:

(a) *Debt to Capitalization*. The Performance Guarantor shall permit Total Debt to exceed (i) 55% of Total Capitalization at any time from and after the Closing Date to, but excluding, June 28, 2004 and (ii) 50% of Total Capitalization at any time from June 28, 2004 and thereafter; or

(b) *Consolidated Interest Coverage Ratio*. The Performance Guarantor shall permit the Consolidated Interest Coverage Ratio for any period of four consecutive fiscal quarters of the Performance Guarantor 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.

II. DEFINED TERMS.

Capitalized terms in this Schedule III which are not otherwise defined in this Agreement shall have the following definitions:

"*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 Performance Guarantor 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 Performance Guarantor, 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*" shall mean for any period, the consolidated net income (or deficit) of the Performance Guarantor and its consolidated Subsidiaries for such period, determined in accordance with GAAP; provided that (i) for the fiscal quarter of the Performance Guarantor 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 Performance Guarantor 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, (iii) for the fiscal quarter of the Performance Guarantor 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, (iv) for the fiscal quarter of the Performance Guarantor and its consolidated Subsidiaries ending June 30, 2002, such Consolidated Net Income shall be increased by an aggregate amount not to exceed $450,000,000 for such quarter, representing one-time charges to the extent recorded in connection with the discontinued operations of Raytheon Engineers and Constructors with respect to such fiscal quarter and (v) for the fiscal quarter of the Performance Guarantor and its consolidated Subsidiaries ending June 29, 2003, such Consolidated Net Income shall be increased by an amount not to exceed $100,000,000 for such fiscal quarter, representing one-time charges to the extent recorded in connection with the discontinued operations or Raytheon Engineers and Constructors with respect to such fiscal quarter.

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

"*Mandatorily Redeemable Equity Securities*" shall mean the 17,500,000 equity security units, including any remarketed securities, issued by the Performance Guarantor in May 2001. Each equity security unit consists of a contract to purchase shares of the Performance Guarantor'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 Performance Guarantor.

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

"*Total Capitalization*" shall mean, as at any date of determination, the sum of Total Debt at such date, the dollar amount of Mandatorily Redeemable Equity Securities outstanding on such date as determined in accordance with GAAP, and Stockholders' Equity at such date.

"*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 Performance Guarantor and its consolidated Subsidiaries, determined in accordance with GAAP.

III. AMENDMENTS AND WAIVERS

It is understood and agreed that the above-described financial covenants of the Performance Guarantor as of the date hereof are equivalent to the financial covenants and agreements of the Performance Guarantor set forth in Section 7.05 of the Raytheon Revolver. In the event that the Performance Guarantor requests from the banks party to the Raytheon Revolver an amendment or waiver of any such financial covenant or agreement set forth in such Section 7.05, then (i) the Servicer shall provide a written request for such amendment or waiver to each of the Administrative Agent and the Insurer at the same time that the request for such amendment or waiver under the Raytheon Revolver is requested, (ii) each of the Administrative

Agent and the Insurer will have the same amount of time (but, in no event, less than a period of five (5) Business Days) to consider and give its approval or disapproval of such amendment or waiver as is given to the parties under the Raytheon Revolver to grant the approval or disapproval and (iii) if the Administrative Agent or the Insurer does not respond in the time period specified in clause (ii), then the Administrative Agent or the Insurer, as applicable, shall be deemed to have given the same response as the required parties under the Raytheon Revolver. If both the Administrative Agent and the Insurer agree in writing (or are deemed to have so agreed pursuant to the immediately preceding clause (iii)), with the response of the required parties under the Raytheon Revolver, the provisions of this Schedule III shall be deemed automatically amended to conform to the revised covenants set forth in Section 7.05 of the Raytheon Revolver, and the Servicer will promptly distribute a revised version of this Schedule III (reflecting such revised covenants) to each of the Administrative Agent and the Insurer.

SCHEDULE IV

Schedule of Receivables

[To be agreed upon by the Administrative Agent, MBIA and the Performance Guarantor, and provided by the Servicer]

SCHEDULE V

List of Sub-Servicers

None

SCHEDULE 4.1(g)

List of Actions and Suits

Those matters described in the Performance Guarantor's Quarterly Report on Form 10-Q for the quarter ended June 29, 2003.

SCHEDULE 4.1(i)

Location of Certain Offices and Records of the Transferor, the Seller and the Servicer

Principal Place of Business:

The Transferor:	*101 South Webb Road, Suite 300A, Wichita, Kansas 67207*
The Seller:	*101 South Webb Road, Suite 300B, P.O. Box 2985, Wichita, Kansas 67207*
The Servicer:	*101 South Webb Road, Suite 300, Wichita, Kansas 67207*

Chief Executive Office:

The Transferor:	*101 South Webb Road, Suite 300A, Wichita, Kansas 67207*
The Seller:	*101 South Webb Road, Suite 300B, P.O. Box 2985, Wichita, Kansas 67207*
The Servicer:	*101 South Webb Road, Suite 300, Wichita, Kansas 67207*

Location of Records:

The Transferor:	*101 South Webb Road, Suite 300A, Wichita, Kansas 67207*
The Seller:	*101 South Webb Road, Suite 300B, P.O. Box 2985, Wichita, Kansas 67207*
The Servicer:	*101 South Webb Road, Suite 300, Wichita, Kansas 67207*

SCHEDULE 4.1(j)

List of Subsidiaries, Divisions and Tradenames of the Transferor, the Seller and the Servicer; FEINs

Subsidiaries:	*RARC:*	*GARC*
	GARC:	*None*
Divisions:	*RARC:*	*None*
	GARC:	*None*
	RACC:	*None*
Tradenames:	*RARC:*	*None*
	GARC:	*None*
	RACC:	*None*
Federal Employer Identification Number:	*RARC:*	*74-2819665*
	GARC:	*20-0181291*
	RACC:	*48-0619846*

SCHEDULE 4.1(r)

List of Blocked Account Banks and Blocked Accounts

Name of Blocked Account Bank	Blocked Account
JPMorgan Chase (Collection Account Bank) 2 Chase Manhattan Plaza, 22nd Floor New York, New York 10005 Attention: Frances Ruke Telephone: (212) 552-7040	323368867 (Collection Account)

SCHEDULE 11.3

Address and Payment Information

If to the Conduit Purchaser:

Receivables Capital Corporation
c/o AMACAR Group, L.L.C.
6525 Morrison Boulevard, Suite 318
Charlotte, North Carolina 28211
Attention: Doris Hearn
Telephone: 704/365-0569
Facsimile: 704/365-1362

Payment Information:

Deutsche Bank, New York, NY
ABA No.: 021 001 033
BNF: BTCO as Depository for Bank of America
Account No.: 00 384 710
Ref: Raytheon Aircraft - RCC
Attention: Jessica Richmond

(with a copy to the Administrator)

If to the Seller:

GENERAL AVIATION RECEIVABLES CORPORATION
101 South Webb Road, Suite 300B
P.O. Box 2985
Wichita, Kansas 67207
Attention: General Counsel
Telephone: 316/676-0438
Facsimile: 316/676-4636

Payment Information:

JPMorgan Chase Bank
ABA No.: 021 000 021
SWIFT Code: CHAS8S33
Account No.: 910-40032-763
Ref: Raytheon Company

(with a copy to the Administrator)

If to the Transferor (to be provided in a separate notice):

RAYTHEON AIRCRAFT RECEIVABLES CORPORATION
101 South Webb Road, Suite 300A
Wichita, Kansas 67207
Attention: General Counsel
Telephone: 316/676-6524
Facsimile: 316/676-4636

If to the Servicer:

RAYTHEON AIRCRAFT CREDIT CORPORATION
101 South Webb Road, Suite 300
Wichita, Kansas 67207
Attention: General Counsel
Telephone: 316/676-7673
Facsimile: 316/676-4636

If to the Administrative Agent:

Bank of America, N.A.,
as Administrative Agent
231 South LaSalle Street, 16th Floor
Chicago, Illinois 60697
Attention: Banc of America Securities LLC
Global Structured Finance
Conduit Investment Management
Telephone: 312/828-3119
Facsimile: 312/453-3410

If to the Administrator:

Bank of America, N.A.,
as Administrator
Hearst Tower
19th Floor
Charlotte, North Carolina 28255
Attention: Banc of America Securities LLC
Global Structured Finance
Conduit Investment Management
Telephone: 704/386-8361
Facsimile: 704/387-2828
Attention: Camille Zerbinos

Payment Information:

If to the Administrative Agent for the Cash Reserve Account:

Bank of America, N.A.
Charlotte, North Carolina
ABA: 053 000 196
BNF: Bank of America as Agent for Receivables Capital Corporation
Raytheon Air Cash Reserve Account
Account No.: 0006 8765 2978
Ref: Raytheon Air Cash Reserve Funds
Attention: Shawn Glanzer
Telephone: 704/388-2650
Facsimile: 704/387-2828

If otherwise to the Administrative Agent:

Deutsche Bank
ABA 021-001-033
BTCO as depository for Bank of America, as Administrator
Account No: 00-384-710
Ref: Bank of America, as Administrator
Attention: Jessica Richmond

If to the Insurer:

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: IPM/STF-Corporate
(with reference to Policy # 42457)
Telephone: 914/273-4545
Facsimile: 914/765-3810

Payment Information:

JPMorgan Chase Bank
New York, New York
ABA #021000021
for credit to MBIA Insurance Corporation
Premium Account #910-2-721-728
Re: Raytheon Securitization Policy No. 42457

Form of Assignment and Assumption Agreement

Reference is made to the Fifth Amended and Restated Purchase and Sale Agreement dated as of September 1, 2003 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Agreement") by and among GENERAL AVIATION RECEIVABLES CORPORATION, a Delaware corporation, as seller (in such capacity, the "Seller"), RAYTHEON AIRCRAFT RECEIVABLES CORPORATION, a Kansas corporation ("RARC"), as Transferor (in such capacity, the "Transferor"), RAYTHEON AIRCRAFT CREDIT CORPORATION, a Kansas corporation ("RACC"), as servicer (in such capacity, the "Servicer"), RECEIVABLES CAPITAL CORPORATION, a Delaware corporation (together with the other Purchasers from time to time party thereto, the "Purchasers"), and BANK OF AMERICA, N.A., a national banking association, as Administrative Agent (the "Administrative Agent"). Terms defined in the Agreement are used herein with the same meaning.

[_____] (the "Assignor") and [_____] (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, without recourse and without representation or warranty, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to all of the Assignor's rights and obligations under the Agreement and the other Transaction Documents. Such interest expressed as a percentage of all rights and obligations of the Alternate Purchasers, shall be equal to the percentage equivalent of a fraction, the numerator of which is $[_____] and the denominator of which is the Facility Limit. After giving effect to such sale and assignment, the Assignee's Commitment will be as set forth on the signature page hereto.

2. [In consideration of the payment of $[_____], being [_____]% of the existing Net Investment, and of $[_____], being [_____]% of the aggregate unpaid accrued Yield, receipt of which payment is hereby acknowledged, the Assignor hereby assigns to the Administrative Agent for the account of the Assignee, and the Assignee hereby purchases from the Assignor, a [_____]% interest in and to all of the Assignor's right, title and interest in and to the Net Investment.]

3. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any Adverse Claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Agreement, any other Transaction Document or any other instrument or document furnished pursuant thereto or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Agreement or the Receivables, any other Transaction Document or any other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Raytheon Entity or the performance or observance by any Raytheon Entity of any of its obligations under the Agreement, any other Transaction Document, or any instrument or document furnished pursuant thereto.

4. The Assignee (i) confirms that it has received a copy of the Agreement and the First Tier Agreement together with copies of the financial statements referred to in Section 6.1(a) of the Agreement, to the extent delivered through the date of this Assignment and Assumption Agreement (this "Assignment"), and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment; (ii) agrees that it will, independently and without reliance upon the Administrative Agent, any of its Affiliates, the Assignor or any other Alternate Purchaser 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 the Agreement and any other Transaction Document; (iii) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Agreement and the other Transaction Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with the terms of the Agreement all of the obligations required to be performed by it as an Alternate Purchaser thereunder; and (v) specifies as its address for notices and its account for payments the office and account set forth beneath its name on the signature pages hereof[; and (vi) attaches the forms prescribed by the Internal Revenue Service of the United States of America certifying as to the Assignee's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Agreement or such other documents as are necessary to indicate that all such payments are subject to such rates at a rate reduced by an applicable tax treaty].

5. The effective date for this Assignment shall be the later of (i) the date on which the Administrative Agent receives this Assignment executed by the parties hereto and receives the consent of the Administrator, on behalf of the Conduit Purchaser, and (ii) the date of this Assignment (the "Effective Date"). Following the execution of this Assignment and the consent of the Administrator, on behalf of the Conduit Purchaser, this Assignment will be delivered to the Administrative Agent for acceptance and recording.

6. Upon such acceptance and recording, as of the Effective Date, (i) the Assignee shall be a party to the Agreement and, to the extent provided in this Assignment, have the rights and obligations of an Alternate Purchaser thereunder, and (ii) the Assignor shall, to the extent provided in this Assignment, relinquish its rights and be released from its obligations under the Agreement.

7. Upon such acceptance and recording, from and after the Effective Date, to the extent that the Agreement expressly requires the Administrative Agent to make payments to an Alternate Purchaser the Administrative Agent shall make all payments under the Agreement in respect of the interest assigned hereby (including, without limitation, all payments in respect of such interest in Net Investment, Yield and fees) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Agreement for periods prior to the Effective Date directly between themselves.

8. The Assignee shall not be required to fund hereunder an aggregate amount at any time outstanding in excess of $[_____], minus the aggregate outstanding amount of any interest funded by the Assignee in its capacity as a participant under a Program Support Agreement.

9. The Assignor agrees to pay the Assignee its pro rata share of fees in an amount equal to the product of (a) [_____] per annum and (b) the Commitment during the period after the Effective Date for which such fees are owing and paid by the Seller pursuant to the Agreement. [Amounts paid under this section shall be credited against amounts payable to the Assignee under Section 19 of the Participation Agreement dated as of [date] by and between Bank of America, National Association and [Alternate Purchaser] (and vice versa).]

10. THIS ASSIGNMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REFERENCE TO THE CONFLICTS OF LAW PRINCIPLES THEREOF OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

11. This Assignment contains the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire Assignment among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings with respect to such subject matter.

12. If any one or more of the covenants, agreements, provisions or terms of this Assignment shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions, or terms shall be deemed severable from the remaining covenants, agreements, provisions, or terms of this Assignment and shall in no way affect the validity or enforceability of the other provisions of this Assignment.

13. This Assignment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery by facsimile of an executed signature page of this Assignment shall be effective as delivery of an executed counterpart hereof.

14. This Assignment shall be binding on the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Assumption Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written

[ASSIGNOR]

By: _____

Name: _____

Title: _____

[ASSIGNEE]

By: _____

Name: _____

Title: _____

Address for notices and Account for payments:

For Credit Matters:

Bank of America, N.A.,
as Administrative Agent
231 South LaSalle Street, 16th Floor
Chicago, Illinois 60697

Attention: Willem Van Beek

Telephone: 312/828-3119
Telefax: 312/453-3410

For Administrative Matters:

Bank of America, N.A.
Hearst Tower
19th Floor
Charlotte, North Carolina 28255

Attention: Camille Zerbinos

Telephone: (704) 386-8361
Telefax: (704) 388-0027

Account for Payments:

Deutsche Bank

ABA Number: 021-001-033
Account Number: 00-384-710
Attention: Jessica Richmond

Re: [_____]

Consented to this [_____] day of [_____], 20__

Bank of America, N.A., as Administrator

By: _____

Name:
Title:

Accepted this[_____] day of [_____], 20__

Bank of America, N.A., as Administrative Agent

By: _____

Name:
Title:

Credit and Collection Policies

The Servicer's Credit and Collection Policy, relating to Contracts and Receivables, existing on the Closing Date hereof are as set forth in manuals that were delivered by the Servicer to the Administrative Agent and the Insurer prior to the Closing Date.

Form of Monthly Servicer Report

[To be agreed upon by the Administrative Agent, MBIA and the Performance Guarantor and to be provided by the Servicer]

[To include the monthly certifications listed under "Reports and Information" on the Term Sheet.]

Form of Assignments of Rents

[To be inserted]

Microsoft Excel Report

[To be inserted]

Exhibit F

Form of Certificate of Perfection

[date]

Pursuant to and in accordance with Section 2.9(c) of that certain Fifth Amended and Restated Purchase and Sale Agreement, dated as of September 1, 2003, by and among Raytheon Aircraft Credit Corporation, as originator and servicer, General Aviation Receivables Corporation, as seller, Raytheon Aircraft Receivables Corporation, as transferor, the Purchasers as defined therein, and Bank of America, N.A., as Administrative Agent, as Administrator and as Alternate Purchaser and the other Alternate Purchasers from time to time party thereto (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Purchase and Sale Agreement"; capitalized terms used and not defined herein shall have the respective meanings ascribed thereto in the Purchase and Sale Agreement), the Servicer hereby certifies to each of the Administrative Agent and each of the Secured Parties that:

(1) All items related to the Receivables identified on Schedule 1 attached hereto (the "Subject Receivables") which as of the date of the Investment did not satisfy the requirements of perfection referred to in the definition of "Investment Condition" now have been executed, recorded and delivered as contemplated by Section 6.1(q) of the Purchase and Sale Agreement; and

(2) The amount requested to be disbursed from the Cash Reserve Account in respect of the Subject Receivables is $_____ which is the lesser of (a) the current balance in the Cash Reserve Account minus the amount of any net loss incurred on any Eligible Investments made from funds on deposit in the Cash Reserve Account to the extent not previously deducted from any prior payment to the Seller pursuant to Section 2.9(c) of the Purchase and Sale Agreement and (b) $_____ [100% of the aggregate Unpaid Balance of the Subject Receivables].

The Servicer hereby requests that the Control Party instruct the Administrative Agent to disburse the funds to which the Seller is entitled pursuant to paragraph 2 above in accordance with the following instructions: _____.

RAYTHEON AIRCRAFT CREDIT CORPORATION,
as Servicer

By: _____

Name: _____

Title: _____

Form of Notice of Release

[date]

Pursuant to and in accordance with Section 2.9(c) of that certain Fifth Amended and Restated Purchase and Sale Agreement, dated as of September 1, 2003, by and among Raytheon Aircraft Credit Corporation, as originator and servicer, General Aviation Receivables Corporation, as seller, Raytheon Aircraft Receivables Corporation, as transferor, the Purchasers as defined therein, and Bank of America, N.A., as Administrative Agent, as Administrator and as Alternate Purchaser and the other Alternate Purchasers from time to time party thereto (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Purchase and Sale Agreement"; capitalized terms used and not defined herein shall have the respective meanings ascribed thereto in the Purchase and Sale Agreement), the Control Party hereby instructs the Administrative Agent that:

(1) In reliance upon the Certificate of Perfection dated as of _____ with respect to the Receivables identified on Schedule I hereto (the "Subject Certificate of Perfection", a copy of which is attached hereto), the amount authorized to be released to the Seller is $_____.

The Control Party hereby directs and authorizes the Administrative Agent to disburse the amount referred to in paragraph (1) above to the Seller in accordance with the instructions provided in the attached Subject Certificate of Perfection.

[CONTROL PARTY]

By: _____

Name: _____

Title: _____

Minimum Capital Payments and Related Settlement Dates

Amount of Investment due	Related Settlement Date
$70,107,868.51	The Settlement Date occurring in October 2005
$56,086,294.81	The Settlement Date occurring in April 2007
$56,086,294.81	The Settlement Date occurring in October 2008
$42,064,721.11	The Settlement Date occurring in April 2010
$28,043,147.40	The Settlement Date occurring in October 2011
$14,021,573.70	The Settlement Date occurring in April 2013
$14,021,573.70	The Settlement Date occurring in October 2014

Duties of the Servicer

Standard of Care

In performing the Services, the Servicer shall comply with the Standard of Care.

Receivable Management

The Servicer shall take or cause to be taken all such actions as may be necessary or advisable to administer, service and collect each Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, in accordance with the Standard of Care and solely in accordance with the Credit and Collection Policy. The Servicer shall enforce the rights and interests of the Administrative Agent, the Purchasers and the Insurer in and under the Receivables and the Contracts and with respect to the Aircraft.

General services in connection with each Receivable

The Servicer shall:

- Monitor the performance of the Obligor under the relevant Receivable;
- Bring to the attention of each Obligor any concerns regarding the performance of the Obligor of its obligations under the relevant Contract; and
- Remind the Obligor, where appropriate, of its obligations under the relevant Contract to provide periodic information.

Collections and Disbursements

The Servicer shall:

- Prepare and issue invoices, notices and advices to each Obligor for all payments due including rents, deposits, reserves, fees, principal, interest, interest on past due amounts, late payment charges, any payments due in respect of taxes and any other payments that may be due under the relevant Receivable;
- Use reasonable administrative efforts to enforce payment of each Receivable in the event of non-payment by the relevant due date;
- Direct all Obligors to remit payments relating to the Receivables solely to a post office box, lockbox or deposit account, in each case covered by a Blocked Account Agreement;
- Remit (or cause to be remitted) daily to the Collection Account, all Collections within five (5) Business Days (i) after deposit thereof into either of the Raytheon Aircraft and Affiliated Companies Account or the RACC Intrust Bank Account and (ii) in the case of Collections otherwise received by any Raytheon Entity or any Affiliate of a Raytheon Entity, after identification by such the Servicer of such funds as Collections.
- Maintain appropriate records regarding payments made and payments due under each Receivable;

- Review from time to time the level of rents, payments of principal and interest, deposits, letters of credit and other amounts that may be adjusted under any Receivable that shall include but not be limited to adjustments resulting from changes in the underlying interest rate;
- Make all necessary adjustments as a result of such a review and amend its records appropriately; and
- Provide for the timely drawing on any letters of credit, deposits, guarantees or other credit support held in relation to the relevant Receivable in each case using commercially reasonable efforts to maximize the Collections with respect to such Receivable (except as otherwise expressly set forth in this Agreement).

Administrative Services

The Servicer shall:

- Monitor receipts in and withdrawals from the Collection Account;
- Calculate the amounts due to each party as directed by Section 2.12 of this Agreement and provide notice to the Administrative Agent of all payments due on each Settlement Date;
- With respect to any Receivable backed by a letter of credit, prepare any drawing request required under such letter of credit and, if the payment due under such Contract is not made by the drawing deadline under such letter of credit, coordinate with the Administrative Agent or bailee possessing such letter of credit so as to make a drawing thereunder. The Servicer may maintain letters of credit and cash collateral as expressly provided in this Agreement. Further, if the expiration date of any letter of credit related to any Receivable is not extended when a principal balance of such Receivable remains outstanding, the Servicer shall, or shall cause the appropriate Raytheon Entity to, coordinate with the Administrative Agent or bailee possessing such letter of credit so as to draw the aggregate available amount under such letter of credit prior to the expiration thereof;
- Use commercially reasonable efforts to monitor payment of taxes and other governmental charges with respect to the Receivables;
- Use commercially reasonable efforts to monitor licensing, permits and other documentation required with respect to the Receivables;
- File financing statements and continuation statements and other applicable documents to ensure the Administrative Agent maintains, subject to the Investment Condition, a first priority, perfected security interest in the Receivables, Affected Assets and the Related Security;
- Use commercially reasonable efforts to monitor and identify laws, rules and regulations applicable to the Receivables; and
- Maintain an information management system with respect to the Receivables and the Collateral with substantially the same capability as the system maintained by the Servicer on the Closing Date.

Amendments to Documents

Except as otherwise provided in this Agreement or provided below, the Servicer may not extend, amend or otherwise modify the terms of any Receivable, or amend, modify or waive any term or condition of any Contract related thereto, or extend, amend or otherwise modify the rights of the Seller other than:

- Where the entire Receivable is being transferred to another entity affiliated with the current Obligor reflecting credit characteristics at least as favorable as those in effect prior to such transfer;
- The Obligor under an existing Aircraft Fractional Share substitutes the current collateral for another Aircraft Fractional Share of the same model type with prevailing market value equal to or greater than the current collateral. The Servicer shall be entitled to amend the existing Contracts or enter into new Contracts provided that the principal financial terms of the Receivable, including, without limitation, the principal amount thereof, remain unchanged and all other provisions of such Contract are at least as favorable as those prior to such amendment or entry into such new Contract and the Servicer takes all actions perfect or to maintain perfection as are required by this Agreement;
- To waive in accordance with the Standard of Care any late payment penalty or default interest that may accrue as a result of any late payment or other default;
- The Servicer shall use commercially reasonable practices in managing past due amounts owing in respect of Receivables. In that connection, the Servicer shall be permitted to structure plans to bring not more than three months of past due amounts under a Receivable current over a repayment period not to exceed 180 days. For reporting purposes, such a Receivable will still be shown as past due until such past due amounts, as rescheduled, have been repaid in full;
- In the case of a prepayment of a Receivable in respect of an Aircraft Fractional Share in connection with the transfer of a portion of such Aircraft Fractional Share back to Flight Options, to permit a release in the amount of the lien on the portion of such Aircraft Fractional Share so transferred pro rata with the amount of the Receivable prepayment; and
- To extend the term of any Brazilian operating lease as set forth in the “Brazilian Operating Lease” section in Schedule II to a date no later than the Settlement Date occurring in September 2014; provided that the Servicer simultaneously receives extended powers of attorney in favor of the Administrative Agent effective through a date no earlier than three (3) months after the new scheduled expiration date of such lease.

Insurance Provisions

The Servicer shall:

- Monitor the performance of the obligations of Obligors relating to insurance (including hull values, war risks and liabilities) required by the relevant Contract;
- Bring to the attention of each Obligor any concerns regarding the nature of the prevailing insurances;
- Obtain copies of associated documentation ensuring that they reflect the requirements of the relevant Contract;

- Obtain and maintain acceptable levels of contingent insurance coverage that become applicable if at any time there ceases to be acceptable insurance coverage for the relevant Contract; and
- In the event that any Aircraft is declared a total loss, the Servicer shall take all steps necessary to ensure that all funds due and payable to the loss payee under the insurances are received and applied in the appropriate manner.

Enforcement

The Servicer shall take all commercially reasonable steps in accordance with the Standard of Care following any default by an Obligor under any applicable Contract to preserve and enforce the rights of the Administrative Agent, the Purchasers and the Insurer under the relevant Contract. Where the Servicer has declared an event of default thereunder, this shall include repossessing or taking possession of the relevant Aircraft and pursuing legal action with respect thereto. In the case of an Aircraft Fractional Share, upon the request of the Administrative Agent (with the prior written consent of the Control Party), or the Control Party (with prior written notice to the Administrative Agent), the Servicer shall exercise its right to have Flight Options repurchase such interest for a price based on fair market value at such time and apply such proceeds to the repayment of the related Receivable.

Repossession

At any time the Servicer deems it proper and lawful to repossess an Aircraft, the Servicer shall use its affiliates, dealers and sales representatives to take specific action to recover such Aircraft and transport such Aircraft to a facility within the continental United States designated by the Servicer over which the Servicer has control, or any other facility or location that the Servicer considers appropriate. After repossession of an Aircraft, the Servicer shall maintain the Aircraft free and clear of all Adverse Claims (other than any Permitted Lien). All previously unreimbursed costs and expenses associated with such repossession, to the extent comprising Permissible Servicer Expenses, shall be payable to the Servicer pursuant to clause (viii) of Section 2.12 of this Agreement or, to the extent relating to a specific Receivable and outstanding at the time of the receipt of any related Recovery Proceeds, from such Recovery Proceeds.

As part of this process, the Servicer shall:

- Obtain information regarding the location of the Aircraft;
- Prepare the information and documentation respecting the basis for the repossession;
- Make arrangements to ensure that the Aircraft can be repossessed;
- Make enquiries to ensure that the repossession can be effectuated without violating any laws, regulations or other pronouncements of any governmental authority and without violating any rights of entities (including, without limitation, the related Obligors) that hold an interest in the Aircraft;
- In no event shall the Servicer be required to undertake a repossession if it reasonably believes that to do so would be improper, unlawful, imprudent or otherwise inappropriate;
- Liaise with and instruct as appropriate legal counsel to effect the repossession of the Aircraft;

- Ensure that the Aircraft is airworthy and make arrangements to take possession of the Aircraft and transport it to an appropriate facility;
- Deregister the Aircraft and reregister it in another jurisdiction if necessary;
- Pay any necessary amounts due to permit the Aircraft to be transported to an appropriate facility; and
- The Servicer shall be reimbursed for previously unreimbursed Permissible Servicer Expenses that it incurs in relation to the repossession of an Aircraft, including third party legal fees and expenses, payment of outstanding liens, airport fees, pilot fees and expenses, required permits and licenses, air navigation fees, fuel and essential maintenance, through clause (viii) of Section 2.12, or to the extent relating to a specific Receivable and outstanding at the time of the receipt of any related Recovery Proceeds, from such Recovery Proceeds.

Refurbishment

- As soon as practicable following the date that the Aircraft is in the possession of the Servicer it shall, through its affiliates, dealers or representatives, analyze the technical condition of the Aircraft. Where necessary a detailed technical inspection of the Aircraft shall be carried out;
- The Servicer shall undertake all refurbishment work required for airworthiness by the FAA and the local aviation administration if the Aircraft is located at a facility outside the United States;
- The Servicer shall use its commercially reasonable judgment to undertake any refurbishment work that is deemed necessary to facilitate the sale of the Aircraft or where the price to be paid by a prospective purchaser would be increased by an amount equal to not less than the cost of such refurbishment;
- The Servicer shall perform any refurbishment tasks diligently and undertake in good faith to do so within commercially reasonable costs and timeframes; and
- The Servicer shall be reimbursed for any previously unreimbursed Permissible Servicer Expenses, including costs relating to all reconditioning, repair, test flights, ferrying, air navigation fees, pilot fees and expenses, required permits and licenses, repainting, recertification costs and other related services necessary or appropriate in order for the Aircraft to be remarketed effectively together with all inspection costs and fees, through clause (viii) of Section 2.12 of this Agreement, and, to the extent relating to a specific Receivable and outstanding at the time of the receipt of any related Recovery Proceeds, from such Recovery Proceeds.

Remarketing

For any Aircraft repossessed by the Servicer, the Servicer shall remarket such Aircraft. In that connection, the Servicer shall:

- Use commercially reasonable efforts to conduct a marketing effort to sell and/or lease the Aircraft comparable to the efforts the Servicer would use should the Aircraft form part of its used aircraft inventory (such effort shall include advertisements in publications, direct mail, posting details on the internet and any other means that would be expected of a firm recognized in the business of selling similar aircraft);

- In remarketing the Aircraft, the Servicer shall not favor aircraft owned or managed by it ahead of the Aircraft;
- Provide details and specifications to any prospective purchaser;
- Consider and evaluate all bona fide offers;
- Accept any offer that results in the full repayment of the associated Receivable and accept the highest offer that it views as representative of the prevailing market for similar aircraft;
- Arrange for storing, hangaring, maintaining, repairing, demonstrating, insuring, fuelling, testing and ferrying the Aircraft as well as obtaining and paying for related Permissible Servicer Expenses including permits, licenses, air navigation fees, pilot fees and expenses and other commercially reasonable costs as part of its remarketing effort including any sales commissions payable; and
- Be reimbursed for all previously unreimbursed Permissible Servicer Expenses incurred with remarketing through clause (viii) of Section 2.12 of this Agreement or, to the extent relating to a specific Receivable and outstanding at the time of the receipt of any related Recovery Proceeds, from such Recovery Proceeds.

Servicer Reports

Within ten (10) Business Days of the end of each Fiscal Month, the Servicer shall provide a Monthly Servicer Report containing details of:

- All Receivables;
- The aging of Receivables;
- Any Contracts expiring during the previous Fiscal Month;
- All prepayments; and
- Number and dollar amount of:
  delinquencies,
  losses,
  defaults and
  repossessed inventory

Exhibit 12

RAYTHEON COMPANY
STATEMENT REGARDING COMPUTATION OF
RATIO OF EARNINGS TO COMBINED FIXED CHARGES
(dollar amounts in millions except for ratio)
(excludes RE&C and AIS for all periods
except for interest, which includes RE&C and AIS)

	At December 31,				
	1999	2000	2001	2002	2003
Income from continuing operations before taxes per statements of income	953	832	100	1,076	762
Add:					
Fixed charges	859	876	807	726	684
Amortization of capitalized interest	2	2	2	2	2
Less:					
Capitalized interest	2	2	1	0	0
Income as adjusted	1,812	1,708	908	1,804	1,448
Fixed charges:					
Portion of rents representative of interest factor	117	95	92	150	147
Interest costs	740	779	714	576	537
Capitalized interest	2	2	1	0	0
Fixed charges	859	876	807	726	684
Equity security distributions	—	—	347(1)	15	15
Combined fixed charges	859	876	1,154	741	699
Ratio of earnings to combined fixed charges	2.1	1.9	*	2.4	2.1

(1) Earnings of $347 million were required to cover $7 million of equity security distributions because the Company's effective tax rate for the year ended December 31, 2001 was 98.0 percent.

* The ratio of earnings to combined fixed charges has not been presented for 2001 as the ratio is less than 1.0. In order to achieve a ratio of 1.0 the Company's income from continuing operations before taxes per statements of income would have had to have been $246 million higher.

Exhibit 21

Raytheon Company Organizational Chart

Raytheon Company			
	Amber Engineering, Inc.	100.000000%	California
(P)	HRL Laboratories, LLC	33.333333%	Delaware
	HRL Research Analytics, Inc.	100.000000%	Delaware
	Constellation Communications, Inc.	31.900000%	Delaware
	Data Logic, Inc.	100.000000%	Delaware
	Electronica Nayarit, S.A.	100.000000%	Mexico
(P)	ERAPSCO	50.000000%	Delaware
	ESY Export Company, Inc.	100.000000%	Delaware
	E-Systems Technologies Holding, Inc.	100.000000%	Delaware
	E-Systems Technologies International, Inc.	100.000000%	Virgin Islands
	EverythingAircraft LLC	100.000000%	Delaware
(I,P)	H & R Company	100.00000%	Delaware
(P)	HE Microwave LLC	50.000000%	Delaware
	Holwood Realty Company	100.000000%	Delaware
(I)	Hughes Airport Development Corporation Sdn Bhd	100.000000%	Malaysia
(I)	Hughes Asia Pacific Hong Kong Limited	0.100000%	Hong Kong
(I)	Hughes Europe N.V.	99.900000%	Belgium
(I)	Hughes Training Italia Srl	100.000000%	Italy
(JV)	Indra ATM S.L.	49.000000%	Spain
	International Electronics Systems, Inc.	100.000000%	California
	JPS Communications, Inc.	100.000000%	Delaware
(JV)	HKV	50.000000%	Delaware
	Marshall Insurance Group, Ltd.	100.000000%	Bermuda
	Netfires, LLC	50.000000%	Delaware
	Patriot Overseas Support Company	100.000000%	Delaware
(JV)	RAYCOM, INC.	51.000000%	Korea
	Raytag Limited	100.000000%	Delaware
	TAG Halbleiter GmbH	100.000000%	Germany
	Raytheon Advanced Systems Company	100.000000%	Delaware
	Raytheon Air Control Company	100.000000%	Delaware
	Raytheon Aircraft Holdings, Inc.	100.000000%	Delaware
	Raytheon Aircraft Charter & Management, Inc.	100.000000%	Kansas
	Raytheon Aircraft Company	100.000000%	Kansas
	Arkansas Aerospace, Inc.	100.000000%	Arkansas
	Raytheon Aircraft (Bermuda) Ltd.	100.000000%	Bermuda
	RAPID, LLC	100.000000%	Kansas
	Raytheon Aircraft Quality Support Company	100.000000%	Kansas
	Raytheon Aircraft Credit Corporation	100.000000%	Kansas
	Beech Aircraft Leasing, Inc.	100.000000%	Kansas
	Beech Airliner Lease Corporation	100.000000%	Kansas
	Beechcraft BB-209 Leasing, Inc.	100.000000%	Kansas
	Beechcraft Lease Corporation	100.000000%	Kansas
	Beechcraft Lease Special Purpose Company	100.000000%	Kansas
	Beechcraft UC-131 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UC-134 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UC-163 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UC-58 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UC-74 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UE-106 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UE-305 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UE-307 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UE-308 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UE-311 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UE-322 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UE-331 Leasing, Inc.	100.000000%	Kansas

Raytheon Company Organizational Chart

	Beechcraft UE-348 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UE-349 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UE-50 Leasing, Inc.	100.000000%	Kansas
	Beechcraft UE-54 Leasing, Inc.	100.000000%	Kansas
	Franco-American Lease Corporation	100.000000%	Kansas
	Franco-Kansas Lease Corporation	100.000000%	Kansas
	Great Lakes Aviation, Ltd.	38.000000%	Iowa
	International Lease Corporation	100.000000%	Kansas
	Kansas Beechcraft Leasing, Inc.	100.000000%	Kansas
	Raytheon Aircraft Credit Lease Corporation	100.000000%	Kansas
	Raytheon Aircraft Credit Special Purpose Company	100.000000%	Kansas
	Raytheon Aircraft Lease Corporation	100.000000%	Kansas
	Raytheon Aircraft Lease Special Purpose Company	100.000000%	Kansas
	Raytheon Aircraft Leasing, Inc.	100.000000%	Kansas
	Raytheon Aircraft Receivables Corporation	100.000000%	Kansas
	General Aviation Receivables Corporation	100.000000%	Delaware
	Raytheon Aircraft Special Purpose Company	100.000000%	Kansas
	Raytheon Airline Aviation Services LLC	100.000000%	Kansas
	Raytheon Airliner Lease Corporation	100.000000%	Kansas
	Raytheon-Kansas Lease Corporation	100.000000%	Kansas
	UE-311 Leasing Corporation	100.000000%	Kansas
	Raytheon Aircraft Regional Offices, Inc.	100.000000%	Kansas
	Raytheon Aircraft Services, Inc.	100.000000%	Kansas
	Raytheon Philippines, Inc.	99.980000%	Republic of the Philippines
	Raytheon Travel Air Company	100.000000%	Kansas
	Flight Options, LLC	66.330000%	Delaware
	Travel Air Insurance Company Ltd.	100.000000%	Kansas
	Travel Air Insurance Company (Kansas)	100.000000%	Kansas
	Raytheon Aircraft Systems International	100.000000%	California
(I)	Hughes Europe N.V.	0.100000%	Belgium
	Raytheon Systems Holding Company LLC	35.000000%	Delaware
(JV)	Thales-Raytheon Systems Company Limited	50.000000%	Ireland
	Thales-Raytheon Systems Company LLC	99.000000%	Delaware
	ACCSCO S.A.	27.000000%	Belgium
	Advanced Electronics Systems International L.P.	99.000000%	Delaware
(JV)	Air Command Systems International S.A.S.	50.000000%	France
	Command and Control Systems Company LLC	100.000000%	Delaware
	Advanced Electronics Systems International L.P.	1.000000%	Delaware
	Command and Control Systems International L.P.	1.000000%	Delaware
	Raytheon Aircraft Systems International L.P.	1.000000%	Delaware
	Thales Raytheon Systems Arabia L.P.	1.000000%	Delaware
	Command and Control Systems International L.P.	99.000000%	Delaware
	Raytheon Aircraft Systems International L.P.	99.000000%	Delaware
	Raytheon Mideast Systems Company LLC	100.000000%	Delaware
	First Communications Company	49.000000%	Saudi Arabia
	Thales Raytheon Systems Arabia L.P.	99.000000%	Delaware
	Thales-Raytheon Systems Company SAS	99.000000%	France
(JV)	Air Command Systems International S.A.S.	50.000000%	France
	Thales-Raytheon Systems Company LLC	1.000000%	Delaware
	ACCSCO S.A.	27.000000%	Belgium
	Advanced Electronics Systems International L.P.	99.000000%	Delaware
	Air Command Systems International S.A.S.	50.000000%	France
	Command and Control Systems Company LLC	100.000000%	Delaware
	Advanced Electronics Systems International L.P.	1.000000%	Delaware
	Command and Control Systems International L.P.	1.000000%	Delaware

Raytheon Company Organizational Chart

	Raytheon Aircraft Systems International L.P.	1.000000%	Delaware
	Thales Raytheon Systems Arabia L.P.	1.000000%	Delaware
	Command and Control Systems International L.P.	99.000000%	Delaware
	Raytheon Aircraft Systems International L.P.	99.000000%	Delaware
	Raytheon Mideast Systems Company LLC	100.000000%	Delaware
	First Communications Company	49.000000%	Saudi Arabia
	Thales Raytheon Systems Arabia L.P.	99.000000%	Delaware
	Raytheon Appliances Asia, Inc.	100.000000%	Delaware
	Raytheon Australia International PTY Limited	0.001667%	Australia
	Raytheon Australia Pty Ltd.	100.000000%	Australia
	Aerospace Group Pty Ltd.	100.000000%	Australia
	Aerospace Technical Services Pty Ltd.	100.000000%	Australia
	Raytheon Brasil Sistemas De Integracao Ltda	99.999081%	Brazil
	Raytheon Canada Ltd.	100.000000%	Canada
	Advanced Toll Management Corp.	100.000000%	Canada
	Raytheon Company Chile Limitada	99.000000%	Chile
	Raytheon Charitable Foundation	100.000000%	Massachusetts
	Raytheon Commercial Ventures, Inc.	100.000000%	Delaware
	Raytheon Company Chile Limitada	1.000000%	Chile
	Raytheon Corporate Operations, Washington Inc.	100.000000%	Delaware
	Raytheon Credit Company	100.000000%	Delaware
	Raytheon Deutschland GmbH	100.000000%	Germany
	Raytheon Marine G.m.b.H.	100.000000%	Germany
	Anschutz Japan Co. Ltd.	80.000000%	Japan
	Raytheon ESSM Co.	100.000000%	California
	Raytheon Engineering and Maintenance Company	100.000000%	Delaware
(I, P)	Raytheon Saudi Arabia Limited	35.000000%	Saudi Arabia
	Raytheon Engineers & Constructors International, Inc.	100.000000%	Delaware
	RE&C Receivables Corporation	100.000000%	Delaware
	Raytheon Espana Limited	100.000000%	Delaware
	Raytheon Espana, S.A.	99.999836%	Spain
	Raytheon Europe International Company	100.000000%	Delaware
	Raytheon Europe Management Services Ltd.	100.000000%	Delaware
	Raytheon European Management Co., Inc.	100.000000%	Delaware
	Raytheon European Management and Systems Company	100.000000%	Delaware
	Raytheon Exchange Holdings II, Inc.	100.000000%	Delaware
(P)	Exostar LLC	5.503000%	Delaware
	Raytheon Exchange Holdings III, Inc.	100.000000%	Delaware
(P)	Exostar LLC	5.503000%	Delaware
	Raytheon Exchange Holdings IV, Inc.	100.000000%	Delaware
(P)	Exostar LLC	5.503000%	Delaware
	Raytheon Exchange Holdings V, Inc.	100.000000%	Delaware
(P)	Exostar LLC	5.503000%	Delaware
	Raytheon Exchange Holdings, Inc.	100.000000%	Delaware
(P)	Exostar Corporation	25.000000%	Delaware
(P)	Exostar LLC	11.800000%	Delaware
	Raytheon Gulf Systems Company	100.000000%	Delaware
	Raytheon Hanford, Inc.	100.000000%	Delaware
	Raytheon Holding LLC	100.000000%	Delaware
	Raytheon International Liaison Company	100.000000%	Delaware
	Raytheon Limited	0.000010%	England
	Raytheon Flight Training Limited	100.000000%	England
	Groom Aviation Limited	100.000000%	England
	Raytheon Microelectronics Europa Limited	100.000000%	United Kingdom
	Raytheon Microelectronics Limited	100.000000%	United Kingdom
(I)	Hughes Asia Pacific Hong Kong Limited	99.900000%	Hong Kong

Raytheon Company Organizational Chart

	MARCOS Vermogensverwaltung GmbH	100.000000%	Germany
	Raytheon Training International GmbH	100.000000%	Germany
	Raytheon Australia International PTY Limited	99.998333%	Australia
(I, JV)	The Gulf Industrial Technology Company (KSC)	49.000000%	Kuwait
	Raytheon International Support Company	100.000000%	Delaware
	Raytheon International Trade Ltd.	100.000000%	Virgin Islands
	Raytheon International, Inc.	100.000000%	Delaware
	Raytheon Do Brasil Ltda.	99.980000%	Sao Paolo
	Raytheon International Korea, Inc.	100.000000%	Korea
	Raytheon International, Mid-East Limited	100.000000%	Delaware
(JV)	Hughes Arabia Limited	49.000000%	Saudi Arabia
	Raytheon Investment Company	100.000000%	Delaware
	Raytheon Italy Liaison Company	100.000000%	Delaware
	Raytheon Jordan Company	100.000000%	Delaware
	Raytheon Korean Support Company	100.000000%	Delaware
(JV)	Raytheon Kuwait Enterprises General Trading & Contracting Co. W.L.L.	49.000000%	Kuwait
	Raytheon Logistics Support & Training Company	100.000000%	Delaware
	Raytheon Logistics Support Company	100.000000%	Delaware
	Raytheon Marine Sales and Service Company	100.000000%	Delaware
	Raytheon Mediterranean Systems Company	100.000000%	Delaware
	Raytheon Middle East Systems Company	100.000000%	Delaware
	Raytheon Nadge Corporation	100.000000%	Delaware
	Raytheon Overseas Limited	100.000000%	Delaware
	Raytheon Pacific Company	100.000000%	Delaware
	Raytheon Patriot Support Company	100.000000%	Delaware
	Raytheon Peninsula Systems Company	100.000000%	Delaware
	Raytheon Procurement Company, Inc.	100.000000%	Delaware
(JV)	Comlog GmbH	50.000000%	Germany
(JV)	Systems For Defense Company	50.000000%	Delaware
	Raytheon Professional Services LLC	100.000000%	Delaware
	Shanghai Raytheon Professional Services Consulting Company Ltd.	100.000000%	People’s Republic of China
	Raytheon Radar Ltd.	100.000000%	Delaware
	Raytheon Receivables, Inc.	100.000000%	Delaware
	Raytheon STI Company	100.000000%	Delaware
	Raytheon Seismic Company	100.000000%	Delaware
	Raytheon Simulation International, Inc.	100.000000%	California
	Raytheon Southeast Asia Systems Company	100.000000%	Delaware
	Raytheon Spanish Support Company	100.000000%	Delaware
	Raytheon Systems Company LLC	100.000000%	Delaware
	Raytheon Systems Development Company	100.000000%	Delaware
	Raytheon Systems France S.A.R.L.	99.500000%	France
	Raytheon Systems Holding Company LLC	65.000000%	Delaware
(JV)	Thales-Raytheon Systems Company Limited	50.000000%	Ireland
	Thales-Raytheon Systems Company LLC	99.000000%	Delaware
(A)	ACCSCO S.A.	27.000000%	Belgium
	Advanced Electronics Systems International L.P.	99.000000%	Delaware
	Air Command Systems International S.A.S.	50.000000%	France
	Command and Control Systems Company LLC	100.000000%	Delaware
	Advanced Electronics Systems International L.P.	1.000000%	Delaware
	Command and Control Systems International L.P.	1.000000%	Delaware
	Raytheon Aircraft Systems International L.P.	1.000000%	Delaware
	Thales Raytheon Systems Arabia L.P.	1.000000%	Delaware
	Command and Control Systems International L.P.	99.000000%	Delaware
	Raytheon Aircraft Systems International L.P.	99.000000%	Delaware
	Raytheon Mideast Systems Company LLC	100.000000%	Delaware

Raytheon Company Organizational Chart

	First Communications Company	49.000000%	Saudi Arabia
	Thales Raytheon Systems Arabia L.P.	99.000000%	Delaware
	Thales-Raytheon Systems Company SAS	99.000000%	France
(JV)	Air Command Systems International S.A.S.	50.000000%	France
	Thales-Raytheon Systems Company LLC	1.000000%	Delaware
(A)	ACCSCO S.A.	27.000000%	Belgium
	Advanced Electronics Systems International L.P.	99.000000%	Delaware
	Air Command Systems International S.A.S.	50.000000%	France
	Command and Control Systems Company LLC	100.000000%	Delaware
	Advanced Electronics Systems International L.P.	1.000000%	Delaware
	Command and Control Systems International L.P.	1.000000%	Delaware
	Raytheon Aircraft Systems International L.P.	1.000000%	Delaware
	Thales Raytheon Systems Arabia L.P.	1.000000%	Delaware
	Command and Control Systems International L.P.	99.000000%	Delaware
	Raytheon Aircraft Systems International L.P.	99.000000%	Delaware
	Raytheon Mideast Systems Company LLC	100.000000%	Delaware
	First Communications Company	49.000000%	Saudi Arabia
	Thales Raytheon Systems Arabia L.P.	99.000000%	Delaware
	Raytheon Systems International Company	100.000000%	Delaware
	Raytheon Brasil Sistemas De Integracao Ltda	0.000027%	Brazil
	Raytheon Systems Israel Company	100.000000%	Delaware
	Raytheon Systems Management International	100.000000%	California
	Raytheon Systems Overseas Company	100.000000%	Delaware
	Raytheon Systems Support Company	100.000000%	Delaware
	Raytheon Technical Services Company LLC	100.000000%	Delaware
(JV)	EUREST Raytheon Support Services	50.000000%	Kazakhstan
	Range Systems Engineering Company	100.000000%	Delaware
	Range Systems Engineering Support Company	100.000000%	Delaware
	Raytheon Services Company Puerto Rico	100.000000%	Delaware
	Raytheon Technical Services Guam, Inc.	99.700000%	Guam
	Raytheon Technical Services International Company	100.000000%	Delaware
	Raytheon Technical Services Ukraine	1.000000%	Ukraine
	Raytheon Technical Services Ukraine	99.000000%	Ukraine
(JV)	RL3 JV	33.333333%	Russia
	Raytheon Technical and Administration Services Ltd.	100.000000%	Delaware
	Raytheon Technologies Incorporated	100.000000%	California
	Raytheon United Kingdom Limited	100.000000%	England
	Computer Systems & Programming Limited	100.000000%	England
	Data Logic Altergo, Ltd.	100.000000%	England
	Data Logic Limited	100.000000%	England
	Data Logic Properties Limited	100.000000%	England
	Hallams (Electrical Contractors) Limited	100.000000%	England
	Penmar & Company Ltd.	100.000000%	England
	Raycab (North) Limited	100.000000%	England
	Raycab (South) Limited	100.000000%	England
	Raytheon Marine Europe Limited	100.000000%	England
	Raytheon Systems Ltd.	100.000000%	England
	Raytheon Limited	99.000000%	England
	Raytheon Flight Training Limited	100.000000%	England
	Groom Aviation Limited	100.000000%	England
	Raytheon Microelectronics Europa Limited	100.000000%	United Kingdom
	Raytheon Microelectronics Limited	100.000000%	United Kingdom
	Raytheon Aircraft Services Ltd.	100.000000%	England
	Raytheon Computer Products Europe Limited	99.000000%	England
	Raytheon E-Systems Limited	100.000000%	England
	Raytheon Microelectronics Espana, S.A.	99.999496%	Spain

Raytheon Company Organizational Chart

	Raytheon TI Systems, Ltd.	100.000000%	England
	Raytheon-Tag Components Limited	100.000000%	England
	Square One Computer Services Limited	100.000000%	England
	Seismograph Service Corporation	100.000000%	Delaware
(I)	Seismograph Service France	100.000000%	France
	Solipsys Corporation	100.000000%	Maryland
	Space Imaging, Inc.	30.600000%	Delaware
	Subsidiary X Company	100.000000%	Delaware
	Switchcraft de Mexico S.A. de C.V.	100.000000%	Mexico
(I)	Translant, Inc.	50.000000%	Texas
	Tube Holding Company, Inc.	100.000000%	Connecticut
(JV)	Valeo Raytheon Systems, Inc.	56.521300%	Delaware
	Xyplex Foreign Sales Corporation, Inc.	100.000000%	Virgin Islands

A = Affiliate
I = Inactive, status unknown
JV = Joint Venture
P = Partnership
X = Pending formation

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File Nos. 333-85648; 333-71974; 333-58474; and 333-82529), Form S-4 (File Nos. 333-40646 and 333-78219) and Form S-8 (File Nos. 333-56177; 333-52536; 333-64168 and 333-45629) of Raytheon Company of our report dated January 26, 2004, except as to the second paragraph of Note B as to which the date is February 23, 2004, the last paragraph of Note J as to which the date is February 11, 2004 and the last paragraph of Note K as to which the date is March 1, 2004 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
March 15, 2004

Exhibit 24

POWER OF ATTORNEY

RAYTHEON COMPANY

The undersigned hereby constitutes Jay B. Stephens and Edward S. Pliner, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, in connection with the preparation, execution and filing with the Securities and Exchange Commission (the "Commission"), under the Securities Exchange Act of 1934 of an Annual Report on Form 10-K of Raytheon Company (the "Company") and any amendments thereto for the Company's fiscal year ended December 31, 2003 with exhibits thereto, including, but not limited to, the Company's Audited Consolidated Financial Statements as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003 and Management's Discussion and Analysis of Financial Condition and Results of Operations for the Company's fiscal year ended December 31, 2003, and other documents in connection therewith (collectively, the "Form 10-K"), and all matters required by the Commission in connection with the Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney's-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 15, 2004

/s/ Barbara M. Barrett

Barbara M. Barrett
Director

POWER OF ATTORNEY

RAYTHEON COMPANY

The undersigned hereby constitutes Jay B. Stephens and Edward S. Pliner, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, in connection with the preparation, execution and filing with the Securities and Exchange Commission (the "Commission"), under the Securities Exchange Act of 1934 of an Annual Report on Form 10-K of Raytheon Company (the "Company") and any amendments thereto for the Company's fiscal year ended December 31, 2003 with exhibits thereto, including, but not limited to, the Company's Audited Consolidated Financial Statements as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003 and Management's Discussion and Analysis of Financial Condition and Results of Operations for the Company's fiscal year ended December 31, 2003, and other documents in connection therewith (collectively, the "Form 10-K"), and all matters required by the Commission in connection with the Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney's-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 15, 2004

/s/ Ferdinand Colloredo-Mansfeld

Ferdinand Colloredo-Mansfeld
Director

POWER OF ATTORNEY

RAYTHEON COMPANY

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Dated: March 15, 2004

/s/ John M. Deutch

John M. Deutch
Director

POWER OF ATTORNEY

RAYTHEON COMPANY

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Dated: March 15, 2004

/s/ Thomas E. Everhart

Thomas E. Everhart
Director

POWER OF ATTORNEY

RAYTHEON COMPANY

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Dated: March 15, 2004

/s/ Frederic M. Poses

Frederic M. Poses
Director

POWER OF ATTORNEY

RAYTHEON COMPANY

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Dated: March 15, 2004

/s/ Warren B. Rudman

Warren B. Rudman
Director

POWER OF ATTORNEY

RAYTHEON COMPANY

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Dated: March 15, 2004

/s/ Michael C. Ruettgers

Michael C. Ruettgers
Director

POWER OF ATTORNEY

RAYTHEON COMPANY

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Dated: March 15, 2004

/s/ Ronald L. Skates

Ronald L. Skates
Director

POWER OF ATTORNEY

RAYTHEON COMPANY

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Dated: March 15, 2004

/s/ William R. Spivey

William R. Spivey
Director

POWER OF ATTORNEY

RAYTHEON COMPANY

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Dated: March 15, 2004

/s/ Linda G. Stuntz

Linda G. Stuntz
Director

POWER OF ATTORNEY

RAYTHEON COMPANY

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Dated: March 15, 2004

/s/ John H. Tilelli, Jr.

John H. Tilelli, Jr.
Director

POWER OF ATTORNEY

RAYTHEON COMPANY

The undersigned hereby constitutes Jay B. Stephens and Edward S. Pliner, and each of them, jointly and severally, his or her lawful attorney-in-fact and agent, with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities, including, but not limited to, that listed below, in connection with the preparation, execution and filing with the Securities and Exchange Commission (the "Commission"), under the Securities Exchange Act of 1934 of an Annual Report on Form 10-K of Raytheon Company (the "Company") and any amendments thereto for the Company's fiscal year ended December 31, 2003 with exhibits thereto, including, but not limited to, the Company's Audited Consolidated Financial Statements as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003 and Management's Discussion and Analysis of Financial Condition and Results of Operations for the Company's fiscal year ended December 31, 2003, and other documents in connection therewith (collectively, the "Form 10-K"), and all matters required by the Commission in connection with the Form 10-K, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney's-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Dated: March 15, 2004

/s/ William H. Swanson

William H. Swanson
Chairman and Chief Executive Officer

Exhibit 31.1

CERTIFICATION

I, William H. Swanson, Chief Executive Officer and President, certify that:

1. I have reviewed this annual report on Form 10-K of Raytheon Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

/s/ William H. Swanson

William H. Swanson
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Edward S. Pliner, Senior Vice President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Raytheon Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

/s/ Edward S. Pliner

Edward S. Pliner
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Raytheon Company (the "Company") on Form 10-K for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William H. Swanson, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William H. Swanson

William H. Swanson
Chairman and Chief Executive Officer
March 15, 2004

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Raytheon Company (the "Company") on Form 10-K for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward S. Pliner, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Edward S. Pliner

Edward S. Pliner
Senior Vice President and
Chief Financial Officer
March 15, 2004

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.