

Letter to J Robert Kramer II
March 12, 2003
Page 2

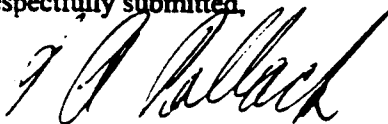
This is not a hypothetical issue. Raytheon and other payload providers bid as prime contractors on programs for other customers and procure the platforms. For example, Raytheon bid as a prime contractor against traditional satellite providers for the MUOS Program. The Government selected Raytheon as one of two contractors to continue to the next phase. Should Raytheon elect to bid as prime in the reconnaissance satellite systems opportunities addressed in the Consent Decree, Northrop could withhold access to its Satellite Business – including access to satellites, space vehicle integration and test, and support and associated services – and effectively hamper such competition. Raytheon submits, therefore, that Section IV.B of the Consent Decree should be modified to apply to the Northrop Satellite Prime Business in the same fashion as they apply to the Northrop Payload Business to the extent a competitor of Northrop intends to submit a proposal as a Prime contractor on a US Government Satellite program, bidding through a competitor payload business. Further, the Consent Decree should be modified to apply in like fashion whether Northrop chooses to bid a program as prime through its Satellite Business or through its Payload Business.

RESEARCH AND DEVELOPMENT:

Raytheon recognizes the need to protect from disclosure to other parties joint investments between payload providers and their Satellite Prime Business partners. Section IV.C. of the Consent Decree should be modified, however, to state more clearly that Northrop may withhold from other parties the results of innovation funded by its Satellite Prime Business and executed by its Payload Business or vice versa, but not those innovations funded by the part of the Business that conducts the research. So, for example, Northrop could not treat as “joint investment” advances achieved by its Payload Business through Payload Business-funded research just because the Payload Business is teamed with its Satellite Business for a particular opportunity. Rather, as would be the case if the Payload Business teamed with an external Satellite prime, Northrop may and should withhold Payload Business research funded by the Satellite prime but make available to other Satellite primes research funded by the Payload Business. Similarly, the Satellite Prime Business cannot withhold from external payload providers research funded by the Satellite Business just because it also is teamed with the Northrop Payload Business.

Suggested language for the Consent Decree is attached as Attachment A. Raytheon will be available to answer questions or elaborate on any of the points raised above should the Government or Court deem such additional information appropriate.

Respectfully submitted,



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General Counsel, Space and Airborne Systems
RAYTHEON COMPANY