

**PADDS REGULATION REFERENCE TEXT
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**REGULATION
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**REGULATION
REFERENCE:** 52.231-4700

DATE: 11/01/1997

TITLE: ADJUSTMENT OF CONTRACT PRICE FOR COST REDUCTION ACTIVITIES/INITIATIVES (USAAMCOM)

TEXT

1. As of the effective date of this contract, Raytheon Company has announced its intent to acquire the assets of the defense related business activities of Texas Instruments (TI), Inc. and to combine/merge its operations with Hughes Aircraft Company (HAC). Under both of these transactions, Raytheon will implement a number of cost reduction activities/initiatives. Some of these activities/initiatives are considered to be external restructuring projects (as defined by the provisions of DFARS 231.205-70) which are directly related to the TI acquisition and/or the HAC merger. Other initiatives are considered to be internal restructuring and/or streamlining activities that are deemed to be necessary for the conduct of business and for increasing cost competitiveness. The purpose of all these activities/initiatives is to achieve cost savings and increased efficiencies with the least amount of costs.

2. As of the effective date of this contract, the cost impact of these activities/initiatives is not known and/or is not yet quantifiable.

3. When the effect of these activities/initiatives is known, an appropriate downward only adjustment shall be made to this contract within thirty (30) days after the adjustment amount is known. The amount of the downward adjustment attributable to these activities/initiatives will be based on the difference between the direct costs/labor rates, and/or the indirect costs/labor rates submitted prior to when the financial effects of the resulting restructuring projects are known, and the direct and indirect costs/labor rates which include the financial effects of the projects. The total difference attributable to the projects will then be used to adjust the contract costs/labor rates.

4. The adjustment made as a result of this clause will be downward only to reflect cost reductions realized from the above described restructuring projects. This adjustment does not cover any increased or decreased costs which may result from any cost accounting changes related to the aforementioned activities/initiatives.

5. Any disputes concerning the appropriateness or the amount of the adjustment under this clause shall be subject to the Disputes Clause of the contract.

(End of Clause)