

WILLIAM J. LYNN III

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[Deletion Per FOIA Exemption 6,
5 U.S.C. § 552(b)(6), Personal Privacy]

January 13, 2009

Mr. Daniel J. Dell'Orto
Principal Deputy General Counsel and
Alternate Designated Agency Ethics Official
Office of the General Counsel
Department of Defense
1600 Defense Pentagon
Washington DC 20301

Dear Mr. Dell'Orto:

The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Deputy Secretary of Defense.

As required by 18 U.S.C. § 208(a), I will not participate personally and substantially in any particular matter that has a direct and predictable effect on my financial interests or those of any person whose interests are imputed to me, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2). I understand that the interests of the following persons are imputed to me: any spouse or minor child of mine; any general partner of a partnership in which I am a limited or general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

Upon my appointment, I will resign from my position as Senior Vice President of Government Operations and Strategy at Raytheon Company (Raytheon). I currently hold Raytheon stock, and I will divest this stock within 90 days of my appointment. I do not hold stock options in Raytheon. I hold Raytheon restricted stock units under the following incentive plans: (a) the 2006-2008 Long-Term Performance Plan (LTTP); (b) the 2007-2009 LTTP; and (c) the 2008-2010 LTTP. Upon resignation, I will forfeit all of my restricted stock units that I hold under the 2007-2009 LTTP and the 2008-2010 LTTP. I will retain the 6,000 shares of restricted stock units that I hold under the 2006-2008 LTTP, which will vest in February 2009. I will divest these 6,000 shares within 90 days of the date on which they vest. I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of Raytheon until I have divested it, unless I first obtain a written

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waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2).

I will receive a bonus in March 2009 for work performed during calendar year 2008, in accordance with the previously established bonus target formula. Consistent with the customary practice for departing executives of Raytheon, I will continue to participate in the Raytheon Defined Benefit Plan, which would pay me about \$4,300 monthly beginning on January 1, 2019. I also participate in the Raytheon Savings and Investment Plan, Excess Savings Plan, and the Deferred Compensation Plan. Pursuant to company policy, Raytheon will pay out my interests in these three plans to me in a lump sum, which will be based on the value of the holdings in my accounts under these plans. Until I receive these payments, I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the ability or willingness of Raytheon to make these payments to me, unless I first obtain a written waiver, pursuant to 18 U.S.C. 208(b)(1).

For a period of one year after my resignation from Raytheon, I also will not participate personally and substantially in any particular matter involving specific parties in which Raytheon is a party or represents a party in that matter, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d).

Upon my appointment, I will resign from my position as a board member of the Center for New American Security. For a period of one year after my resignation, I will not participate personally and substantially in any particular matter involving specific parties in which the Center for New American Security is a party or represents a party, unless I am first authorized to participate pursuant to 5 C.F.R. § 2635.502(d).

My spouse is employed as a regulatory attorney for Florida Power and Light Company. She receives a fixed salary and an annual bonus. She receives performance stock awards through the Leveraged Employee Stock Ownership Plan (LESOP) in FPL Group, the parent of Florida Power and Light Company. In addition, she owns shares of FPL Group common stock. In order to comply with the requirements of the Senate Armed Services Committee with regard to Department of Defense contractors, my spouse will divest all of her common stock in FPL Group within 90 days of my appointment. She will retain her unvested performance stock awards. However, she will divest any of these performance stock awards that vest during my appointment as Deputy Secretary within 90 days of the date on which they vest, in order to comply with the requirements of the Senate Armed Services Committee. During my appointment as Deputy Secretary, if my spouse receives any additional performance stock awards, she will divest any such vested awards within 90 days of receipt, and she will divest any such unvested awards within 90 days of vesting. For as long as my spouse continues to hold any equity in FPL Group, I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of FPL Group, unless I first obtain

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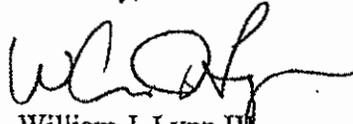
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a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2).

Within 90 days of my appointment, I will divest my stock in IBM. I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of IBM until I have divested it, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2).

I understand that I may request a Certificate of Divestiture for some of these assets and that a Certificate of Divestiture is effective only if obtained prior to divestiture. However, I also understand that my spouse and I must divest the identified assets whether or not I receive a Certificate of Divestiture.

Sincerely,


William J. Lynn III