

RAYTHEON CO/
Form DEF 14A
April 26, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Raytheon Company

(Name of Registrant as Specified In Its Charter)

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(3) Filing Party:

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Table of Contents

April 26, 2010

Dear Raytheon Stockholder,

I am pleased to invite you to attend Raytheon's 2010 Annual Meeting of Stockholders on Thursday, May 27, 2010. The meeting will be held at 11:00 a.m. Eastern Time at The Ritz-Carlton, Pentagon City, 1250 South Hayes Street, Arlington, Virginia 22202. For your convenience, we are pleased to offer a live webcast (audio only) of the meeting at www.raytheon.com/ir.

This booklet includes a formal notice of the meeting and the proxy statement. It also provides information on, among other things, Raytheon's corporate governance, the Company's executive compensation program and the matters to be voted on at the meeting. The proxy statement reflects Raytheon's commitment to strong governance processes, including independent and active Board oversight, accountability to stockholders, transparent disclosure, and compliance with complex and changing regulatory responsibilities.

Over the last year, the Board continued to demonstrate its strong commitment to sound and contemporary governance. Our Board has voted to submit a proposal to stockholders at the upcoming Annual Meeting to amend the Company's Restated Certificate of Incorporation to give holders of not less than 25% of the Company's common stock the right to call a special meeting of stockholders. This proposal is described in more detail in the proxy statement. Other governance enhancements described in the proxy statement include the Board's clarification of stock ownership and retention guidelines for officers and directors, and the Management Development and Compensation Committee's charter amendments designed to ensure the independence of its outside compensation consultant and to increase focus on career development for elected officers and other key employees. We believe that these measures, combined with the Board's past initiatives, represent a thoughtful and proactive approach to corporate governance.

I encourage you to visit our web site, www.raytheon.com, to learn more about our governance practices, and I look forward to sharing information with you about Raytheon at the Annual Meeting. Whether or not you plan to attend, I encourage you to vote your proxy as soon as possible so that your shares will be represented at the meeting.

Thank you.

Sincerely,

WILLIAM H. SWANSON

Chairman and Chief Executive Officer

Table of Contents

NOTICE OF 2010 ANNUAL MEETING OF STOCKHOLDERS

Time: 11:00 a.m. Eastern Time

Date: Thursday, May 27, 2010

Place: The Ritz-Carlton, Pentagon City

1250 South Hayes Street

Arlington, Virginia 22202

Record Date: Stockholders of record at the close of business on Friday, April 2, 2010 are entitled to notice of and to vote at the meeting.

Purpose: (1) Elect nine directors nominated by the Company's Board to hold office until the next annual stockholders' meeting or until their respective successors have been elected.

(2) Ratify the selection of PricewaterhouseCoopers LLP as Raytheon's independent auditors.

(3) Approve an amendment to the Company's Restated Certificate of Incorporation, as amended, granting to holders of not less than 25% of the Company's shares of common stock the right to call a special meeting of stockholders.

(4) Approve the Raytheon Company 2010 Stock Plan.

(5) Consider and act upon such other business, including stockholder proposals if properly presented, as may properly come before the meeting or any adjournment thereof.

Proxy Voting: You can vote your shares by completing and returning the proxy card or voting instruction form sent to you. Most stockholders can also vote their shares over the Internet or by telephone. Please check your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. You can revoke a proxy at any time prior to its exercise by following the instructions in the proxy statement.

By order of the Board of Directors,

Jay B. Stephens
Secretary

Waltham, Massachusetts

April 26, 2010

Table of Contents

RAYTHEON COMPANY

870 Winter Street, Waltham, Massachusetts 02451

PROXY STATEMENT FOR 2010 ANNUAL MEETING OF STOCKHOLDERS

TABLE OF CONTENTS

	Page
<u>Proxy Statement</u>	1
<u>Proxies and Voting Procedures</u>	1
<u>Stockholders Entitled to Vote</u>	1
<u>Quorum and Required Vote</u>	2
<u>Tabulation of Votes</u>	3
<u>Multiple Copies of Annual Report to Stockholders</u>	3
<u>Householding Information</u>	3
<u>Electronic Delivery of Future Proxy Materials and Annual Reports</u>	3
<u>Cost of Proxy Solicitation</u>	4
<u>Stockholder Account Maintenance</u>	4
<u>Corporate Governance</u>	5
<u>Governance Principles</u>	5
<u>Board Independence</u>	5
<u>Director Nomination Process</u>	6
<u>Majority Voting for Directors</u>	6
<u>Board Leadership Structure</u>	7
<u>The Board's Role in Risk Oversight</u>	7
<u>Risk Assessment of Overall Compensation Program</u>	7
<u>Lead Director</u>	8
<u>Communication with the Board</u>	8
<u>Service on Other Boards</u>	8
<u>Director Education</u>	8
<u>Board and Committee Evaluation Process</u>	9
<u>Policy on Stockholder Rights Plans</u>	9
<u>Political Contributions Disclosure</u>	9
<u>Restatement Clawback Policy</u>	9
<u>Code of Ethics and Conflicts of Interest</u>	9
<u>Transactions with Related Persons</u>	9
<u>The Board of Directors and Board Committees</u>	11
<u>Audit Committee</u>	12
<u>Management Development and Compensation Committee</u>	12
<u>Governance and Nominating Committee</u>	13
<u>Public Affairs Committee</u>	13
<u>Special Activities Committee</u>	13
<u>Executive Committee</u>	14
<u>Compensation Committee Interlocks and Insider Participation</u>	14
<u>Director Compensation</u>	15
<u>Elements of Director Compensation</u>	17
<u>Director Stock Ownership and Retention Guidelines</u>	17
<u>Election of Directors</u>	17
<u>Nominees for Election</u>	19
<u>Stock Ownership</u>	24
<u>Five Percent Stockholders</u>	24
<u>Management and Directors</u>	24

<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	25
<u>Executive Compensation</u>	26
<u>Compensation Discussion and Analysis</u>	26
<u>Management Development and Compensation Committee Report</u>	42
<u>Summary Compensation Table</u>	43

Table of Contents

	Page
<u>2009 Grants of Plan-Based Awards</u>	46
<u>Outstanding Equity Awards at 2009 Fiscal Year-End</u>	49
<u>2009 Option Exercises and Stock Vested</u>	51
<u>Pension Benefits</u>	51
<u>Nonqualified Deferred Compensation</u>	54
<u>Potential Payments Upon Termination or Change-in-Control</u>	55
<u>Equity Compensation Plan Information</u>	59
<u>Audit Committee Report</u>	60
<u>Independent Auditors: Audit and Non-Audit Fees</u>	61
<u>Ratification of Appointment of PricewaterhouseCoopers LLP</u>	61
<u>Approval of Amendment to Restated Certificate of Incorporation Granting to Holders of Not Less than 25% of the Company's Shares the Right to Call a Special Meeting of Stockholders</u>	62
<u>Approval of the Raytheon Company 2010 Stock Plan</u>	63
<u>Stockholder Proposals</u>	66
<u>Other Matters</u>	72
<u>Appendix A Amendment to Article V of Restated Certificate of Incorporation</u>	A-1
<u>Appendix B Raytheon 2010 Stock Plan</u>	B-1

Table of Contents

RAYTHEON COMPANY

870 Winter Street, Waltham, Massachusetts 02451

PROXY STATEMENT FOR 2010 ANNUAL MEETING OF STOCKHOLDERS

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Raytheon Company ("Raytheon" or the Company) of proxies to be voted at our 2010 Annual Meeting of Stockholders and at any meeting following adjournment thereof.

You are cordially invited to attend Raytheon's Annual Meeting on Thursday, May 27, 2010 beginning at 11:00 a.m. Eastern Time. Stockholders will be admitted beginning at 10:30 a.m. The meeting will be held at The Ritz-Carlton, Pentagon City, 1250 South Hayes Street, Arlington, Virginia 22202. Directions may be found on our web site at www.raytheon.com/proxy.

We are first mailing this proxy statement and accompanying forms of proxy and voting instructions on or about April 26, 2010 to holders of shares of our common stock as of Friday, April 2, 2010, the record date for the meeting.

If you are a stockholder of record as of the record date for the meeting, you will find an admission ticket attached to the proxy card sent to you. If you plan to attend the meeting in person, please detach the admission ticket from the proxy card and bring it with you to the meeting. For security purposes, in order to enter the meeting, you will be asked to present a valid picture identification, such as a driver's license or passport, with your admission ticket.

If your shares are held through a broker, bank, trust or other holder of record and you plan to attend the meeting in person, we will admit you only if we are able to verify that you are a Raytheon stockholder as of the record date. You should bring a letter or account statement demonstrating that you are the beneficial owner of our common stock on the record date, along with a valid picture identification in order to be admitted to the meeting. In order to vote your shares at the meeting, please see below.

Proxies and Voting Procedures

Your vote is important. Because many stockholders cannot personally attend the meeting, it is necessary that a large number of stockholders be represented by proxy. Most stockholders have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card or voting instruction form and mailing it in the envelope provided. Please check your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. The Internet and telephone voting facilities for stockholders of record will close at 11:59 p.m. Eastern Time on Wednesday, May 26, 2010. The Internet and telephone voting procedures have been designed to authenticate stockholders, to allow you to vote your shares and to confirm that your instructions have been properly recorded. If your shares are held through a broker, bank, trust or other holder of record and Internet or telephone facilities are made available to you, these facilities may, by necessity, close sooner than is the case for stockholders of record.

You can revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy (including an Internet or telephone vote) or by voting by ballot at the meeting. By providing your voting instructions promptly, you may save the Company the expense of a second mailing and help avoid unnecessary resource consumption.

The method by which you vote will not limit your right to vote at the meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the meeting.

All shares entitled to vote and represented by properly executed proxies received prior to the meeting and not revoked will be voted at the meeting in accordance with your instructions. If you do not indicate how your shares should be voted on a matter, the shares represented by your proxy will be voted as the Board recommends.

Stockholders Entitled to Vote

Stockholders at the close of business on the record date are entitled to notice of and to vote at the meeting. On April 2, 2010, there were 378,818,303 shares of our common stock outstanding.

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If you are a participant in our Dividend Reinvestment Plan, shares acquired under the plan may be voted in the same manner as the shares that generated the dividends for reinvestment. Thus, these shares may be voted by following the same procedures as those described above.

If you are a participant in the Raytheon Savings and Investment Plan, your vote will serve as the voting instruction to the trustee of the plan for all shares you own through the plan. If you own shares through this plan and do not provide voting instructions to the trustee, the trustee will vote those shares at the meeting in the same proportion as shares for which instructions were received under the plan.

Table of Contents

Quorum and Required Vote

Quorum

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote for the election of directors is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner (i.e., in street name) does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. We believe that nominees only have discretionary voting power with respect to the ballot item on ratification of auditors described in this proxy statement.

Required Vote Election of Directors

In uncontested elections of directors (as is the case for this annual meeting), each nominee must receive a majority of votes cast to be elected. That means that the number of votes cast for that nominee must exceed the votes cast against that nominee. An abstention does not count as a vote cast. Moreover, our Governance Principles require any incumbent nominee who fails to receive such a majority to tender his or her resignation to our Governance and Nominating Committee. For more information, see Corporate Governance Majority Voting for Directors on page 6. As a result of rule changes that became effective this year, a nominee holding shares in street name does not have discretionary voting power with respect to the election of directors and may not vote shares unless the nominee receives voting instructions from the beneficial owner. Accordingly, a broker non-vote is not counted for voting purposes with respect to, and has no effect on, election of directors.

Required Vote Ratification of Auditors

The affirmative vote of the holders of a majority of shares of common stock, present in person or represented by proxy and entitled to vote, is required to ratify the selection of our independent auditors. An abstention is treated as present and entitled to vote and therefore has the effect of a vote against ratification of the independent auditors. Because the New York Stock Exchange (NYSE) considers the ratification of the independent auditors to be routine, a nominee holding shares in street name may vote on this proposal in the absence of instructions from the beneficial owner.

Required Vote Amendment to Restated Certificate of Incorporation Granting to Holders of Not Less than 25% of the Company's Shares the Right to Call a Special Meeting of Stockholders

The affirmative vote of the holders of a majority of our outstanding shares of common stock is required to approve an amendment to our Restated Certificate of Incorporation, as amended, granting to holders of not less than 25% of the Company's shares the right to call a special meeting of stockholders. An abstention has the effect of a vote against the proposal. A nominee holding shares in street name does not have discretionary voting power with respect to this proposal and may not vote shares unless the nominee receives voting instructions from the beneficial owner. A broker non-vote also has the effect of a vote against the proposal.

Required Vote Approval of Raytheon Company 2010 Stock Plan

The affirmative vote of the holders of a majority of shares of common stock, present in person or represented by proxy and entitled to vote, is required to approve the Raytheon Company 2010 Stock Plan. An abstention is treated as present and entitled to vote on this proposal and therefore has the effect of a vote against the proposal. A nominee holding shares in street name does not have discretionary voting power with respect to this proposal and may not vote shares unless the nominee receives voting instructions from the beneficial owner. Accordingly, a broker non-vote is not counted for voting purposes with respect to, and has no effect on, this proposal.

Required Vote Stockholder Proposals

The affirmative vote of the holders of a majority of shares of common stock, present in person or represented by proxy and entitled to vote, is required to approve a stockholder proposal. An abstention is treated as present and entitled to vote on the stockholder proposal and therefore has the effect of a vote against the proposal. A nominee holding shares in street name does not have discretionary voting power with respect to the stockholder proposal and may not vote shares unless the nominee receives voting instructions from the beneficial owner. Accordingly, a broker non-vote is not counted for voting purposes with respect to, and has no effect on, the stockholder proposals.

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Other Matters

If any other matters are properly presented for consideration at the meeting, including, among other things, consideration of a motion to adjourn the meeting to another time or place, the persons named in the proxy card

Table of Contents

will have discretion to vote on those matters according to their best judgment to the same extent as the person signing the proxy would be entitled to vote. At the date of this proxy statement, we do not anticipate that any other matters will be raised at the meeting.

In accordance with our Restated Certificate of Incorporation, as amended, each share of our common stock is entitled to one vote.

Tabulation of Votes

All votes, whether by proxy or ballot, will be tabulated by an independent business entity, which will not disclose your vote except as:

required by law;

necessary in connection with a judicial or regulatory action or proceeding;

necessary in connection with a contested proxy solicitation; or

requested or otherwise disclosed by you.

Any comment written on a proxy card will be provided to our Corporate Secretary without disclosing your vote, unless necessary to an understanding of the comment.

Multiple Copies of Annual Report to Stockholders

A copy of our 2009 Annual Report is enclosed. If you received more than one copy of the annual report and wish to reduce the number of reports you receive to save us the cost of producing and mailing the annual report, we will discontinue the mailing of reports on the accounts you select if you follow the instructions regarding electronic access when you vote over the Internet.

At least one account must continue to receive annual reports and proxy statements, unless you elect to view future annual reports and proxy statements over the Internet. Mailing of dividends, dividend reinvestment statements and special notices will not be affected by your election to discontinue duplicate mailings of the annual report and proxy statement.

Householding Information

We have adopted a procedure approved by the Securities and Exchange Commission (SEC) called householding. Under this procedure, we are permitted to deliver a single copy of our proxy statement and annual report to stockholders sharing the same address. Householding allows us to reduce our printing and postage costs and reduces the volume of duplicative information received at your household.

In accordance with a notice previously sent to our record holders and certain street name holders who share a single address, we are sending only one annual report and proxy statement to that address unless we received instructions to the contrary from any stockholder at that address. If you wish to receive an additional copy of our annual report or proxy statement this year, you may obtain one by calling the Raytheon Investor Relations Information Line at 877-786-7070 (Option 1) or by writing to the Corporate Secretary at Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451. You also may request copies of our annual disclosure documents on our web site at www.raytheon.com under the heading Investor Relations/Request Information. If you are a street name holder and wish to revoke your consent to householding and receive additional copies of our proxy statement and annual report in future years, you may call Broadridge Investor Communications Services toll-free at 1-800-542-1061 or write to Broadridge Investor Communications Services, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. If you are a stockholder of record and wish to revoke your consent to householding and receive additional copies of our proxy statement and annual report in future years, you may call Raytheon Stockholder Services toll-free at 1-800-360-4519 or write to Raytheon Stockholder Services, c/o American Stock Transfer & Trust Co., 6201 15th Avenue, Brooklyn, New York 11219.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on Thursday, May 27, 2010.

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This proxy statement and our 2009 Annual Report are also available on our web site at www.raytheon.com/proxy.

Electronic Delivery of Future Proxy Materials and Annual Reports

Most stockholders can elect to view future proxy statements and annual reports, as well as vote their shares of our common stock, over the Internet instead of receiving paper copies in the mail. This will save the Company the cost of producing and mailing these documents and help avoid unnecessary resource consumption.

If you are a stockholder of record, you may choose this option by following the instructions provided when you vote over the Internet. You may also elect to receive annual disclosure documents electronically by following the instructions published on our web site at

Table of Contents

www.raytheon.com/proxy. If you choose to view future proxy statements and annual reports over the Internet, you will receive an e-mail message next year containing the Internet address to access our annual report and proxy statement. Your choice will remain in effect until you cancel your election at www.raytheon.com/proxy. You do not have to elect Internet access each year.

If you hold our common stock through a bank, broker or other holder of record, please refer to the information provided by your bank, broker or other holder of record regarding the availability of electronic delivery. If you hold our common stock through a bank, broker or other holder of record and you have elected electronic access, you will receive information from your bank, broker or other holder of record containing the Internet address for use in accessing our proxy statement and annual report.

Cost of Proxy Solicitation

We will pay the cost of soliciting proxies. Proxies may be solicited on behalf of Raytheon by directors, officers or employees of Raytheon in person or by telephone, facsimile or other electronic means. We have retained D. F. King & Co., Inc. to assist in the distribution and solicitation of proxies. We have agreed to pay D. F. King & Co., Inc. a fee of \$28,000 plus out-of-pocket expenses for these services.

As required by the SEC and the NYSE, we will also reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of our common stock.

Stockholder Account Maintenance

Our transfer agent is American Stock Transfer & Trust Company (AST). All communications concerning accounts of stockholders of record, including address changes, name changes, inquiries as to requirements to transfer Raytheon stock and similar issues, can be handled by calling Raytheon Stockholder Services toll-free at 1-800-360-4519 or by accessing AST 's web site at www.amstock.com.

For other Raytheon information, you can visit our web site at www.raytheon.com. We make our web site content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this proxy statement.

Table of Contents

CORPORATE GOVERNANCE

The Board of Directors is committed to being a leader in corporate governance. The Board believes that good governance enhances stockholder value and goes beyond simply complying with applicable requirements. It means adhering to the highest standards of ethics and integrity. To that end, the Board has adopted a number of policies and processes to ensure effective governance. Our key governance documents are described below and are available on our web site at www.raytheon.com.

Governance Principles

Our Governance Principles, which provide the framework for the oversight of our business and operations, are summarized below. The Governance Principles address, among other things, the following:

A substantial majority of the Board should be independent directors. In addition, the Audit, Management Development and Compensation, and Governance and Nominating Committees must consist entirely of independent directors.

The non-management directors designate a Lead Director with the role and responsibilities set forth in the Governance Principles. More information regarding the Lead Director's role and responsibilities may be found on page 8 under the heading "Lead Director."

The limit on the number of public company boards (including Raytheon) on which a director may serve is five, or three in the case of a director who is a chief executive officer of a public company.

The Board regularly reviews our long-term strategic and business plans.

A director must retire at the expiration of his or her term following attaining age 74. The Board increased the mandatory retirement age in 2009 from 72 to 74 to better attract and retain a qualified and diverse set of directors.

The Board has established a process, led and implemented by the Management Development and Compensation Committee, through which the performance of the CEO is evaluated annually by the independent directors.

The CEO provides an annual report on succession planning and management development to the Management Development and Compensation Committee and the Board.

The Board is subject to the Company's Code of Business Ethics and Conduct and Conflict of Interest Policies, and engages in periodic reviews of the Company's ethics program.

The Board has adopted stock ownership guidelines applicable to officers and directors. The Board revised the stock ownership guidelines in 2009 to clarify that a director or officer may not dispose of Company stock until attaining and maintaining the applicable requisite ownership threshold set forth in the guidelines.

The Governance Principles are available on our web site at www.raytheon.com under the heading "Investor Relations/Corporate Governance/Governance Principles" and are also available in print to any stockholder who requests them by writing to Raytheon Company, Investor Relations, 870 Winter Street, Waltham, MA 02451 or by emailing invest@raytheon.com.

Board Independence

The Governance Principles also include criteria adopted by the Board to assist it in making determinations regarding the independence of its members. The criteria, summarized below, are consistent with the NYSE listing standards regarding director independence. To be considered independent, the Board must determine that a director does not have a material relationship, directly or indirectly, with Raytheon. A director will be not considered independent if he or she is a current partner or employee of an internal or external auditor of Raytheon, or if his or her immediate family member is a current partner of an internal or external auditor of Raytheon, or if he or she, or an immediate family member, has been within the last three years:

an executive officer of Raytheon;

a partner or employee of an internal or external auditor of Raytheon who personally worked on a Raytheon audit;

an executive officer of a public company that has an executive officer of Raytheon on the compensation committee of its board;

a paid advisor or consultant to Raytheon receiving in excess of \$120,000 per year in direct compensation from Raytheon (other than fees for service as a director); or

an employee (or in the case of an immediate family member, an executive officer) of a company that does business with Raytheon and the annual payments to or from Raytheon exceeded the greater of \$1 million or 2% of the other company's annual gross revenues.

Table of Contents

A director will also not be considered independent if he or she, or an immediate family member, has been an executive officer of a tax-exempt entity that receives contributions in any fiscal year from Raytheon exceeding the greater of \$1 million or 2% of the entity's gross revenues.

The Board has considered the independence of its members in light of its independence criteria, and has reviewed Raytheon's relationships with organizations with which our directors are affiliated. In this regard, the Board considered that the Massachusetts Institute of Technology, where Mr. Deutch is a professor, provides services to, and receives services from, the Company. The amounts involved were well below the relevant thresholds referenced above.

In addition, although none of our directors or their spouses is an executive officer of a not-for-profit organization, the Board reviewed charitable contributions to not-for-profit organizations with which our directors or spouses are affiliated. None of the contributions approached the thresholds set forth in our independence criteria.

The Board has determined that Messrs. Clark, Deutch, Hadley, Poses, Ruetters, Skates, Spivey, and Ms. Stuntz do not directly or indirectly have a material relationship with the Company, nor do they directly or indirectly have a material interest in any transaction involving the Company, and each of them satisfies the independence criteria set forth in the Governance Principles.

Director Nomination Process

The Governance and Nominating Committee's frame of reference for considering director candidates is set forth in the Board Selection section of the Governance Principles which identifies diversity of experience, expertise and business judgment as key objectives. The Governance Principles also provide that the Committee, in consultation with the Board, will be guided by a number of other criteria, including that each director candidate should be chosen without regard to gender, race, religion, age, sexual orientation or national origin. The Committee considers the effectiveness of the framework established in the Governance Principles periodically when considering the attributes and experience that might be most valuable in a new Board member. The Committee seeks to have a balanced, engaged and collegial board whose members possess the skills and background necessary to ensure that stockholder value is maximized in a manner consistent with all legal requirements and the highest ethical standards.

The Committee reviews each candidate's qualifications in accordance with the director qualification criteria contained in our Governance Principles and determines whether the candidate should be nominated for election to the Board. There is no difference in the way in which the Committee evaluates nominees for director positions based on the source of the nomination. From time to time, the Committee may engage a third party for a fee to assist it in identifying potential director candidates. In 2009, the Governance and Nominating Committee identified Stephen J. Hadley as a potential candidate for the Board and subsequently nominated Mr. Hadley to the Board.

Stockholders wishing to nominate a director candidate may do so by sending the candidate's name, biographical information and qualifications to the Chair of the Governance and Nominating Committee, in care of the Corporate Secretary, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451. All director nominations should be made in accordance with the provisions set forth in our By-Laws, which are published on our web site at www.raytheon.com under the heading Investor Relations/Corporate Governance. You also may obtain a copy of our By-Laws by writing to the Corporate Secretary at the address set forth above.

Under our By-Laws, nominations for director may be made only by the Board or a Board committee, or by a stockholder entitled to vote who complies with the advance notice provision in our By-Laws. For our 2011 Annual Meeting of Stockholders, we must receive this notice between January 27, 2011 and February 26, 2011. However, in no event are we obligated to include any such nomination in our proxy materials.

Majority Voting for Directors

Our By-Laws contain a majority of votes cast standard for uncontested elections of directors. Under the majority of votes cast standard, a director nominee is elected if the number of votes cast for the nominee exceeds the number of votes cast against the nominee. In contested elections (that is, those in which the number of nominees exceeds the number of directors to be elected), the voting standard will continue to be a plurality of votes cast.

In conjunction with the adoption of the majority of votes cast standard, the Board also amended the director resignation policy contained in the Governance Principles to provide that any incumbent director in an uncontested election who fails to receive the requisite majority of votes cast for his or her election will tender his or her resignation to the Governance and Nominating Committee. The Governance and Nominating Committee will make a recommendation to the Board as to whether to accept or reject the director's resignation. The Board will act on the resignation and publicly disclose its decision and the

Table of Contents

rationale behind it within 90 days from the date of the certification of results. The director whose resignation is under consideration will abstain from participating in both the Governance and Nominating Committee's recommendation and the Board's decision with respect to the resignation. If a resignation is not accepted by the Board, the director will continue to serve.

In addition to the adoption of the majority of votes cast standard, the Board maintains the following policies and processes, which it believes represent best practices with respect to the election of directors:

the annual election of all directors;

a policy that a substantial majority of the Board shall be independent;

a rigorous nomination process conducted by the independent Governance and Nominating Committee; and

disclosure of a process by which stockholders may nominate director candidates.

The Board believes that the foregoing policies and practices help ensure the integrity of the election process by providing stockholders with a meaningful voice in director elections, thereby increasing the Board's accountability to stockholders.

Board Leadership Structure

The Board believes that the most effective leadership structure for the Company at this time is one with a combined Chairman and CEO, coupled with an independent Lead Director. Having the CEO serve as Chairman has a number of benefits. It promotes a cohesive vision and strategy for the Company and strong execution ability. It helps to assure clear and direct communication to the Board of any key enterprise risks. The Company has found that in our industry having a combined Chairman and CEO is particularly advantageous when doing business internationally, especially with foreign government customers who value unified leadership and a single ultimate executive decision maker. Finally, it facilitates the Company's ability to respond nimbly to changing business needs and customer objectives. When taken together with the robust role established for the Lead Director, the Board believes that the structure is currently optimal for the Company.

The Board created the position of Lead Director in 2002 to strengthen independent Board oversight in accord with Raytheon's contemporary governance practices. The Lead Director must qualify as independent under our Governance Principles, which comply with the NYSE listing standards. The Lead Director is empowered with broad leadership authority and responsibilities, including working with the Chairman to develop and approve Board agendas, advising on the quality, quantity and timeliness of information provided by management to the Board, and acting as a liaison between the independent directors and the Chairman. The Lead Director also chairs executive sessions of the independent directors not attended by management in conjunction with each regularly scheduled Board meeting. The Lead Director's role is described in greater detail below.

The Board's Role in Risk Oversight

The Board oversees various risks potentially affecting the Company both directly and indirectly through its committees. The Company has in place an enterprise risk management (ERM) process that, among other things, is designed to identify risks across the Company with input from each business unit and function. Under the ERM process, various business risks are identified, assessed and prioritized. The top risks to the Company, and any mitigation plans associated with those risks, are reported to the Board. The ERM process itself has been reviewed with the Board and is the subject of ongoing periodic review by the Audit Committee of the Board. The Company also manages risk through numerous controls and processes embedded in its operations and such controls and processes are reviewed from time to time with the Board and/or the relevant Board committees as noted below.

Risk considerations are also raised in the context of a range of matters that are reported by management to the Board or one of the Board's committees for review. For example, elements of risk are discussed by the full Board in presentations concerning company-wide and business unit annual operating plans, merger and acquisition opportunities, market environment updates, international business activities and other strategic discussions. Elements of risk related to financial reporting, internal audit, auditor independence and related areas of law and regulation are reviewed by the Audit Committee. Elements of risk related to various aspects of U.S. and international regulatory compliance, social

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responsibility, environmental matters, export/import controls and crisis management are reviewed by the Public Affairs Committee. Elements of risk related to compensation policies and practices and talent management are reviewed by the Management Development and Compensation Committee (MDCC), as further discussed below. Similarly, elements of risk related to governance issues are reviewed by the Governance and Nominating Committee.

Risk Assessment of Overall Compensation Program

The MDCC has reviewed with management the design and operation of our incentive compensation arrangements

Table of Contents

for all employees, including executive officers, for the purpose of determining whether such programs might encourage inappropriate risk-taking that would be reasonably likely to have a material adverse effect on the Company. Management compiled an inventory of all incentive compensation arrangements applicable to the Company's employees at all levels which it then reviewed with the MDCC. The MDCC considered the performance objectives and target levels used in connection with these incentive awards and also the features of the Company's compensation programs that are designed to mitigate compensation-related risk, such as those described on page 33 under the caption "Management of Compensation-Related Risk." The MDCC concluded that the Company's compensation plans, programs and policies, considered as a whole, including applicable risk-mitigation features, are not reasonably likely to have a material adverse effect on the Company.

Lead Director

In December 2002, the Board created the position of independent Lead Director. The Board believes that a Lead Director is an integral part of a Board structure that promotes strong, independent oversight of Raytheon's management and affairs. The Lead Director must be independent as determined by the Board in accordance with the criteria included in our Governance Principles, which are summarized above. The Lead Director's duties include working with the Chairman to develop and approve Board agendas, developing and approving meeting schedules with the Chairman to ensure there is sufficient time for discussion of agenda topics, advising the Chairman as to the quality, quantity and timeliness of the information sent to the Board by management, developing agendas for and chairing executive sessions of the Board (in which the non-management directors meet without management), acting as a liaison between the Chairman and the independent directors and performing such other duties as the Board may determine from time to time. The designation of a Lead Director is not intended to inhibit communication among the directors or between any of them and the Chairman. Annually, the Board reviews the role and function of the Lead Director.

The position of Lead Director is currently held by Michael C. Ruetters, former Chairman and CEO of EMC Corporation. Mr. Ruetters was first elected Lead Director by the Board in 2006.

Communication with the Board

Stockholders may communicate with our Board through our Lead Director. You may contact the Lead Director in writing, care of the Corporate Secretary, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451. Interested parties also may contact the Lead Director electronically by submitting comments on our web site at www.raytheon.com under the heading "Investor Relations/Corporate Governance/Contact the Board." These matters will be referred to the Lead Director and tracked by the Office of the General Counsel.

Anyone who has a concern regarding our accounting, internal accounting controls or auditing matters may communicate that concern to the Audit Committee. You may contact the Audit Committee in writing, care of Raytheon Company, P.O. Box 21, Concord, Massachusetts 01742. Interested parties may also contact the Audit Committee electronically by submitting comments on our web site at www.raytheon.com under the heading "Investor Relations/Corporate Governance/Contact the Board." All such communications will be referred to the Audit Committee and will be tracked and investigated in the ordinary course by our Ethics Office with the assistance of the Office of the General Counsel unless otherwise instructed by the Audit Committee.

Service on Other Boards

In 2008, the Board amended our Governance Principles to establish a formal policy limiting the number of public company boards on which a director may serve. The limit on the number of public company boards (including Raytheon) on which a director may serve is five, or three in the case of a director who currently serves as a CEO of a public company. This latter limitation applies to the Company's Chairman and CEO. The Governance Principles provide that a director who is considering joining the board of another public company must notify the Chairman of the Board and the Chair of the Governance and Nominating Committee regarding the proposed board service, and shall not accept the position until advised by the Chairman of the Board that service on the other board would not conflict with a Raytheon policy or service on the Raytheon Board.

Director Education

Our director education program consists of visits to Raytheon facilities, education regarding our Code of Business Ethics and Conduct and other policies and practices relevant to our business and operations. In addition, we sponsor in-house educational programs for the Board and provide updates on relevant topics of interest to the Board. We also encourage directors to attend accredited director education programs and institutes sponsored by various educational institutions.

Table of Contents

Board and Committee Evaluation Process

The Governance and Nominating Committee leads an annual assessment of the Board's performance and of its contribution as a whole. In addition, each committee of the Board (except the Executive Committee) annually reviews its performance. Many of the changes to the Governance Principles, committee charters and Board governance practices in general have resulted from the annual evaluation process. The Board views the annual self-assessment review as an integral part of its commitment to achieving high levels of Board and committee performance.

Policy on Stockholder Rights Plans

We do not have a stockholder rights plan. The Board will obtain stockholder approval prior to adopting a stockholder rights plan unless the Board, in the exercise of its fiduciary duties, determines that, under the circumstances then existing, it would be in the best interests of Raytheon and our stockholders to adopt a rights plan without prior stockholder approval. If a rights plan is adopted by the Board without prior stockholder approval, the plan must provide that it will expire within one year of adoption unless ratified by stockholders.

Political Contributions Disclosure

We disclose on our web site a description of our oversight process for political contributions and a summary of direct corporate contributions, including those to state and local parties and candidates, and organizations operated in accordance with section 527 of the U.S. Internal Revenue Code. This disclosure is available on our web site at www.raytheon.com under the heading Investor Relations/Corporate Governance/Political Contributions.

Restatement Clawback Policy

In 2008, the Board amended our Governance Principles to add a Restatement Clawback Policy. This policy gives the Board the right to recover Results Based Incentive Plan payments, Long-Term Performance Plan awards and restricted stock awards made on or after January 1, 2009 to any elected officer to the extent that such payments or awards were inflated due to erroneous financial statements substantially caused by the executive's knowing or intentionally fraudulent or illegal conduct. The policy is designed to maximize the likelihood that the Company will be successful if it seeks to recover the portion of an executive's incentive compensation attributable to inflated financial results caused by the executive's malfeasance.

Code of Ethics and Conflicts of Interest

We have adopted a Code of Business Ethics and Conduct and Conflict of Interest Policies which apply to all officers, directors, employees and representatives. The Code of Business Ethics and Conduct and the Conflict of Interest Policies are the foundation of our ethics and compliance program and cover a wide range of areas. Many of our policies are summarized in the Code of Business Ethics and Conduct, including our policies regarding conflict of interest, insider trading, discrimination and harassment, confidentiality and compliance with laws and regulations applicable to the conduct of our business. All officers, directors, employees and representatives are required to comply with the Code of Business Ethics and Conduct and are subject to disciplinary action, including termination, for violations. We provide ethics education for directors, officers and employees. The Code of Business Ethics and Conduct is published on our web site at www.raytheon.com under the heading Investor Relations/Corporate Governance/Code of Conduct and is also available in print to any stockholder who requests it by writing to Raytheon Company, Investor Relations, 870 Winter Street, Waltham, Massachusetts 02451 or by emailing invest@raytheon.com. Any amendments to the Code of Business Ethics and Conduct or the grant of a waiver from a provision of the Code of Business Ethics and Conduct requiring disclosure under applicable SEC rules will be disclosed on our web site.

In addition to complying with the Code of Business Ethics and Conduct and other applicable Company policies, directors, officers and employees are expected to bring to the attention of the Senior Vice President, General Counsel and Secretary or the Vice President Business Ethics and Compliance any actual or potential conflict of interest. Directors, officers and employees may report matters of concern through our anonymous, confidential toll-free EthicsLine at 1-800-423-0210.

Transactions with Related Persons

In 2007, the Board adopted a written Related Party Transactions Policy. Related party transactions include all transactions and relationships involving amounts in excess of \$120,000 between (a) the Company (including subsidiaries) and (b) any director, executive officer or 5%

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stockholder, including immediate family members and certain entities in which they have a significant interest. Under the policy, the General Counsel (or the CEO, in the case of a matter involving the General Counsel) provides information regarding any related party transaction or relationship to the Governance and Nominating Committee based on information solicited by the General Counsel (or the CEO, in the case of a matter involving the General Counsel). The Governance and Nominating Committee

Table of Contents

reviews the material facts of all related party transactions and determines whether to approve, disapprove or ratify the transaction or relationship involved. Certain transactions and relationships have been pre-approved by the Governance and Nominating Committee for purposes of the policy, including (a) executive officer compensation approved by the Board, (b) director compensation, (c) certain relatively small transactions between the Company and other companies, (d) certain charitable contributions made by the Company and (e) matters considered by the Board in its director independence determinations.

In a Schedule 13G filing made with the SEC, BlackRock, Inc. (BlackRock) reported beneficial ownership of 8.04% of our outstanding common stock as of December 31, 2009. This ownership position includes shares owned by Barclays Global Investors, NA, and affiliates (BGI). As was publicly announced at the time, BGI was acquired by BlackRock on December 1, 2009 (the acquisition). Under previously established business relationships, both BGI and BlackRock have provided investment management services for the benefit of certain Raytheon benefit plans. For providing such investment management services, BGI and BlackRock received combined fees of \$1.9 million in 2009, as well as additional amounts from participants in connection with two 401(k) plan investment options. Subsequent to the acquisition, all of these arrangements are under the direct control of BlackRock. In accordance with the Related Party Transactions Policy referenced above, the Governance and Nominating Committee has reviewed these relationships. The Committee ratified these relationships on the basis that BlackRock s ownership of Raytheon stock plays no role in the business relationship between the two companies and that the engagement of BlackRock, and previously BGI, were on terms no more favorable to them than terms that would be available to unaffiliated third parties under the same or similar circumstances.

Table of Contents**THE BOARD OF DIRECTORS AND BOARD COMMITTEES**

Our business, property and affairs are managed under the direction of the Board. Directors are kept informed of our business through discussions with the Lead Director, the Chairman and other officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees. The Board has a separately designated Audit Committee established in accordance with the Securities Exchange Act of 1934, as well as a standing Governance and Nominating Committee, Management Development and Compensation Committee, Public Affairs Committee, and Executive Committee. In March 2010, the Board established a Special Activities Committee to oversee matters relating to the Company's classified business. Each committee's charter (other than the Executive Committee) is published on our web site at www.raytheon.com under the heading "Investor Relations/Corporate Governance/Committees" and is also available in print to any stockholder who requests it by writing to Raytheon Company, Investor Relations, 870 Winter Street, Waltham, Massachusetts 02451 or by emailing invest@raytheon.com.

The table below provides current membership information regarding the Board and Board committees as of the date of this proxy statement. During 2009, the Board met 10 times. The Board and certain committees also engaged in other discussions and actions during 2009 apart from these meetings. During 2009, the average attendance for directors at Board and committee meetings was 98%, and no director attended less than 75% of the total of all Board and committee meetings on which they served. All directors are expected to attend the Annual Meeting of stockholders. In 2009, all of the directors attended the annual meeting.

The non-management directors, all of whom are independent, meet in an executive session chaired by the Lead Director at the conclusion of every regularly scheduled Board meeting. In addition, committee members generally meet in executive session, without management present, at the conclusion of regularly scheduled meetings of the Governance and Nominating Committee, the Management Development and Compensation Committee, the Audit Committee and the Public Affairs Committee.

	Audit Committee	Governance and Nominating Committee	Management Development and Compensation Committee	Public Affairs Committee	Executive Committee
Independent Directors					
Vernon E. Clark	X		X	X	
John M. Deutch		Chair		X	X
Stephen J. Hadley	X			X	
Frederic M. Poses	X		X		
Michael C. Ruettgers					X
Ronald L. Skates	Chair	X			X
William R. Spivey			Chair	X	X
Linda G. Stuntz	X	X		Chair	X
Inside Director					
William H. Swanson					Chair
Number of Meetings in 2009	11	7	8	5	0

Table of Contents

Audit Committee

The Audit Committee:

Oversees the integrity of our financial statements;

Evaluates the independent auditors' qualifications, performance and independence;

Oversees our internal audit function;

Meets with management to consider the adequacy of our internal controls and the objectivity of financial reporting;

Reviews the independent auditors' audit of the effectiveness of the Company's internal controls;

Prepares the audit committee report located on page 60 under the heading "Audit Committee Report";

Meets with the independent auditors, internal auditors and appropriate financial personnel;

Appoints the independent auditors;

Pre-approves all audit fees and terms as well as all non-audit engagements with the independent auditors;

Reviews annual and periodic reports and earnings press releases and recommends to the Board whether the annual audited financial statements should be included in the Company's Form 10-K;

Has established a process for employees and others confidentially and anonymously to report concerns or complaints regarding accounting, internal control or auditing matters. More information regarding this process is available on page 8 under the heading "Corporate Governance - Communication with the Board";

Reviews compliance with our Code of Business Ethics and Conduct with respect to certain financial reporting, controls and allegations of financial misconduct; and

Has the authority to hire independent counsel and other advisors.

The Board has determined that each member of the Audit Committee is independent as defined by the rules of the NYSE and the SEC. The Board has also determined that Ronald L. Skates, the Chair of the Committee, is an audit committee financial expert, as defined by SEC rules, based upon Mr. Skates' experience and training.

Management Development and Compensation Committee

The Management Development and Compensation Committee (MDCC):

Reviews and oversees compensation and benefits, as well as personnel plans, policies and programs;

Reviews and recommends to the Board the compensation of the CEO and the other four most highly compensated executive officers;

Reviews and approves the compensation of other officers and key employees;

Approves director compensation with the concurrence of the Board;

Reviews peer company practices to ensure competitiveness and seeks to align compensation with the performance of the Company;

Periodically reviews succession plans for the CEO, the other named executive officers and elected officers of the Company;

Periodically reviews career development plans for elected officers and other key employees;

Annually assesses the independence of its outside compensation consultants and pre-approves any services proposed to be provided by such consultants to the Company;

Administers and makes awards under our equity compensation plans;

Reviews the Compensation Discussion and Analysis section of this proxy statement beginning on page 26;

Prepares the Management Development and Compensation Committee Report found on page 42;

Consists solely of independent directors; and

Has the authority to hire independent counsel and other advisors.

While the Board bears the ultimate responsibility for approving compensation of our named executive officers, the MDCC assists the Board in discharging these responsibilities. The MDCC also carries out the responsibilities summarized above. The agenda for the meetings of the MDCC is determined by its Chair, with the assistance of our Senior Vice President Human Resources and our Senior Vice President, General Counsel and Secretary, who also regularly attend MDCC meetings. At each meeting, the MDCC meets in executive session. The Chair reports the MDCC's actions and its

Table of Contents

recommendations on named executive officer compensation to the Board. Using its authority to hire independent advisors, in 2009, the MDCC retained Watson Wyatt Worldwide (Watson Wyatt), an independent compensation consulting firm, to obtain information on compensation levels, programs and practices within certain peer groups, provide the MDCC with a report on peer compensation trends, perform a pay-for-performance assessment and perform related services. For more information on the MDCC, see the section entitled Executive Compensation Compensation Discussion and Analysis beginning on page 26.

Governance and Nominating Committee

The Governance and Nominating Committee:

Reviews and reports to the Board on a periodic basis with regard to matters of corporate governance;

Establishes procedures for the nomination of directors and recommends candidates for election to the Board;

Considers director nominees proposed by stockholders;

Reviews and assesses the effectiveness of our Governance Principles and recommends proposed revisions to the Board;

Reviews and approves or ratifies transactions and relationships under our Related Party Transactions Policy;

Reviews proposals by stockholders in connection with the annual meeting of stockholders and makes recommendations to the Board for action on such proposals;

Makes recommendations to the Board regarding the size and composition of the Board;

Oversees the orientation program for new directors and the continuing education program for existing directors;

Consists solely of independent directors; and

Has the authority to hire independent counsel and other advisors.

Public Affairs Committee

The Public Affairs Committee:

Reviews, identifies and brings to the attention of the Board political, social, legal and environmental trends and issues that may have an impact on our business, operations, financial performance or public image;

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Reviews our policies and practices in the areas of political, legal, environmental and social responsibility and recommends to the Board such policies and practices, including those involving:

environmental protection;

health and safety of employees;

ethics;

export control;

regulatory compliance (except financial matters);

charitable contributions and community relations;

government relations, legislative policy and government consultants;

crisis management and emergency preparedness;

pension performance and management; and

government contracting and defense procurement policies.

Reviews, monitors and makes recommendations to the Board on corporate policies and practices that relate to public policy; and

Has the authority to hire independent counsel and other advisors.

Special Activities Committee

The Special Activities Committee was formed in March 2010 to perform the following activities:

Review Company programs, activities, and potential acquisitions involving classified business which involve special performance, financial, reputational or other risks; and

Review policies, processes, practices, procedures, risk management and internal controls applicable to the Company's classified business to the extent that they deviate from those applicable to the Company's non-classified business activities.

It is anticipated that the Board will appoint members of the Committee at an upcoming meeting.

Table of Contents

Executive Committee

The Executive Committee is empowered to act for the full Board during intervals between Board meetings, with the exception of certain matters that by law may not be delegated. The Executive Committee did not meet in 2009.

Compensation Committee Interlocks and Insider Participation

The members of our Management Development and Compensation Committee during fiscal year 2009 were Vernon E. Clark, Frederic M. Poses and William R. Spivey. None of these members is or has ever been an officer or employee of the Company. To our knowledge, there were no relationships involving members of the Management Development and Compensation Committee or our other directors which require disclosure in this proxy statement as a Compensation Committee interlock.

Table of Contents**DIRECTOR COMPENSATION**

Set forth below is information regarding the compensation of our non-employee directors.

Name	Fees Earned or Paid in Cash ⁽¹⁾ (\$)	Stock Awards ⁽²⁾ (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Vernon E. Clark	\$ 112,000	\$ 109,982				\$ 5,000 ⁽³⁾	\$ 226,982
John M. Deutch	\$ 104,000	\$ 109,982					\$ 213,982
Stephen J. Hadley	\$ 46,000 ⁽⁴⁾	\$ 109,998					\$ 155,998
Frederic M. Poses	\$ 104,500	\$ 109,982				\$ 5,000 ⁽³⁾	\$ 219,482
Michael C. Ruettgers	\$ 103,500	\$ 146,002				\$ 5,000 ⁽³⁾	\$ 254,502
Ronald L. Skates	\$ 124,000 ⁽⁵⁾	\$ 109,982				\$ 5,000 ⁽³⁾	\$ 238,982
William R. Spivey	\$ 107,500	\$ 109,982					\$ 217,482
Linda G. Stuntz	\$ 121,000	\$ 109,982				\$ 3,000 ⁽³⁾	\$ 233,982

(1) Consists of the amounts described below:

Director	Role	Basic Annual Retainer (\$)	Supplemental Annual Retainer (\$)	Meeting Fees (\$)
Mr. Clark	Director	\$ 65,000		\$ 47,000
Mr. Deutch	Chair, Governance Committee	\$ 65,000	\$ 10,000	\$ 29,000
Mr. Hadley	Director, Partial Year	\$ 32,500		\$ 13,500
Mr. Poses	Director	\$ 65,000		\$ 39,500
Mr. Ruettgers	Lead Director	\$ 65,000	\$ 24,000	\$ 14,500
Mr. Skates	Chair, Audit Committee	\$ 65,000	\$ 20,000	\$ 39,000
Mr. Spivey	Chair, MDCC	\$ 65,000	\$ 10,000	\$ 32,500
Ms. Stuntz	Chair, Public Affairs Committee	\$ 65,000	\$ 10,000	\$ 46,000

Mr. Skates elected to receive his annual retainer of \$65,000 and his Audit Committee Chair annual retainer of \$20,000 in shares of our common stock. See footnote 5.

(2) These amounts represent the aggregate grant date fair value of awards of restricted stock in accordance with the accounting standard for share-based payments.

The aggregate numbers of shares of restricted stock held by each director as of December 31, 2009 were as follows:

Director	Restricted Stock (#)
Mr. Clark	2,461
Mr. Deutch	2,461
Mr. Hadley	2,362
Mr. Poses	2,461
Mr. Ruettgers	3,267

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Mr. Skates	2,461
Mr. Spivey	2,461
Ms. Stuntz	2,461

Table of Contents

The following table shows the shares of restricted stock awarded to each director during 2009, and the aggregate grant date fair value for each award.

Director	Grant Date	All Stock Awards: Number of Shares of Stock or Units(#)	Full Grant Date Value of Award(\$)
Mr. Clark	5/28/09	2,461	\$ 109,982
Mr. Deutch	5/28/09	2,461	\$ 109,982
Mr. Hadley	7/29/09	2,362	\$ 109,998
Mr. Poses	5/28/09	2,461	\$ 109,982
Mr. Ruettgers	5/28/09	3,267	\$ 146,002
Mr. Skates	5/28/09	2,461	\$ 109,982
Mr. Spivey	5/28/09	2,461	\$ 109,982
Ms. Stuntz	5/28/09	2,461	\$ 109,982

- (3) Represents Raytheon contributions under our matching gift and charitable awards program, which is available to all employees.
- (4) Mr. Hadley joined the Board of Directors in July 2009.
- (5) Mr. Skates elected to receive his annual retainer of \$65,000 and his Audit Committee Chair annual retainer of \$20,000 in shares of our common stock. As a result of such election, Mr. Skates received 1,902 shares of our common stock on May 28, 2009 based on a stock price of \$44.69.

Table of Contents**Elements of Director Compensation**

The principal features of the compensation received by our non-employee directors for 2009 are described below.

Annual Retainers. All of our non-employee directors are paid an annual Board cash retainer as indicated below. A supplemental annual cash retainer is also paid to committee chairs and the Lead Director as indicated below. Directors may elect to receive their annual cash retainers in shares of our common stock in lieu of cash. We pay the cash retainers quarterly and the stock retainers, including stock in lieu of cash retainers, annually.

Annual Retainer	2009
Board of Directors	\$ 65,000
Lead Director	\$ 24,000
Governance and Nominating Committee Chair	\$ 10,000
Audit Committee Chair	\$ 20,000
Management Development and Compensation Committee Chair	\$ 10,000
Public Affairs Committee Chair	\$ 10,000

Meeting Fees. Our non-employee directors receive a \$1,500 meeting fee for each Board or committee meeting attended in person or by teleconference, except with respect to our Lead Director who receives meeting fees only for Board meetings and not fees for Committee meeting attendance.

Equity Awards. Each non-employee director also receives an annual grant of restricted stock. Through 2009, these grants were made under the 1997 Nonemployee Directors Restricted Stock Plan and the non-employee directors are entitled to full dividend and voting rights on such restricted stock. Unless otherwise provided by the Board, the restricted stock vests (becomes non-forfeitable) on the date of the annual meeting of stockholders in the calendar year following the year of grant, or upon the earlier occurrence of the director's termination as a director after a change in control of Raytheon or the director's death. Upon a director's termination of service on the Board for any other reason, his or her unvested restricted stock award will be forfeited to Raytheon. Regardless of the vesting date, the shares will remain subject to transfer restriction for at least six months after the grant date. In 2009, each non-employee director was awarded \$110,000 of restricted stock (\$146,000 in the case of the Lead Director).

Benefits. We reimburse our non-employee directors for actual expenses incurred in the performance of their service as directors, including attendance at director education programs sponsored by educational and other institutions. We also maintain a business travel accident insurance policy which includes coverage for non-employee directors with up to \$1,000,000 per incident in accident insurance when traveling on Raytheon business. In addition, all directors are eligible to participate in our matching gift and charitable awards program available to all employees. We match eligible gifts up to \$5,000 per donor per calendar year.

Pursuant to our Deferred Compensation Plan, directors may defer receipt of their annual retainer and/or meeting fees until retirement from the Board. Directors also may elect to receive their cash retainer in shares of our common stock which also can be deferred.

Director Stock Ownership and Retention Guidelines

As stated in our Governance Principles, the Board believes that directors should be stockholders and have a financial stake in the Company. Accordingly, independent directors are paid a substantial portion of their compensation in equity awards. Further, each director is expected to own shares of stock with a market value of at least two times his or her annual retainer, with five years to achieve the target ownership threshold. The Governance Principles also provide that a director may not dispose of Company stock until attaining the requisite ownership threshold and thereafter must maintain such equity ownership level.

ELECTION OF DIRECTORS

(Item No. 1 on the proxy card)

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The Board is subject to annual election by stockholders. The Board has nominated Vernon E. Clark, John M. Deutch, Stephen J. Hadley, Frederic M. Poses, Michael C. Ruetters, Ronald L. Skates, William R. Spivey, Linda G. Stuntz and William H. Swanson to serve one-year terms that will expire at the 2011 Annual Meeting of Stockholders.

We have included below the principal occupation and employment during the past five years and other information about the nominees, including a discussion of the specific considerations relating to the experience, qualifications, attributes or skills considered by the Governance and Nominating Committee in support of each individual's nomination to serve as a director.

Table of Contents

If elected, the nominees will continue in office until their successors have been duly elected and qualified, or until the earlier of their death, resignation or retirement. We expect each of the nominees to be able to serve if elected. If any of these persons is unable to serve or for good cause will not serve, the proxies may be voted for a substitute nominee designated by the Board.

Table of Contents

Nominees for Election

VERNON E. CLARK

Director of the Company since 2005.

Chief of Naval Operations, the senior uniformed executive of the United States Navy, from 2000 to 2005 (retired in 2005).

37-year career in the United States Navy, serving in various positions of increasing responsibility; commanded a patrol gunboat and concluded as the Chief of Naval Operations.

Current Directorships: Rolls Royce North America (aerospace, marine and energy-related manufacturer) since 2006; and Horizon Lines, Inc. (ocean shipping and integrated logistics company) since 2007.

Affiliations: Trustee of Regent University and Vanguard University; Member of Air University Board of Visitors; Chairman of the Board of SRI International (Stanford Research Institute); Member of USO Board of Governors; and Member of the Defense Policy Board.

Age 65.

Admiral Clark's qualifications to serve on the Board include his extensive knowledge of, and experience with, the products used by and the needs of our customers based on his extensive career as an officer in the United States Navy, coupled with his organizational acumen and leadership ability illustrated by his service as Chief of Naval Operations.

JOHN M. DEUTCH

Director of the Company since 1998.

Institute Professor at the Massachusetts Institute of Technology since 1990.

Director of Central Intelligence from 1995 to 1996.

Deputy Secretary of Defense from 1994 to 1995.

Undersecretary of Defense, Acquisition and Technology from 1993 to 1994.

Provost (from 1985 to 1990), Dean of Science (from 1981 to 1988) and Chairman of the Department of Chemistry (from 1982 to 1985) of the Massachusetts Institute of Technology.

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Current Directorship: Cheniere Energy, Inc. (liquefied natural gas receiving company) since 2006.

Past Directorships: Citigroup Inc. (financial services company) from 1996 to April 2010; Cummins Engine Company, Inc. (provider of engines and related technologies) from 1997 to 2008; and Schlumberger Ltd. (oilfield services company) from 1997 to 2007.

Affiliations: Museum of Fine Arts Boston; Resources for the Future; Center for American Progress; and Urban Institute.

Age 71.

Mr. Deutch's qualifications to serve on the Board include his extensive knowledge and experience relating to technology, intelligence and security matters, as well as public policy, based on his varied high level roles in government and academia.

Table of Contents

STEPHEN J. HADLEY

Director of the Company since July 2009.

Senior Advisor for International Affairs at the U.S. Institute of Peace since 2009.

Principal in The RiceHadley Group, LLC (international strategic consulting firm) since 2009.

Assistant to the President for National Security Affairs from 2005 to 2009.

Assistant to the President and Deputy National Security Advisor from 2001 to 2005.

Partner in the Washington, D.C. law firm of Shea & Gardner and a principal in The Scowcroft Group (international consulting firm) from 1993 to 2001.

Affiliations: Director of the Atlantic Council of the United States; Member of the Council on Foreign Relations; Member of the International Institute for Strategic Studies.

Age 63.

Mr. Hadley's qualifications to serve on the Board include his extensive knowledge and experience relating to national security, international affairs, public policy, legal matters and formulation of strategy, based on his varied high level roles in government, consulting and the practice of law.

FREDERIC M. POSES

Director of the Company since 2000.

Chairman and CEO of Trane, Inc. (formerly American Standard Companies, Inc.) (air conditioning systems, services and solutions provider) from 2000 to 2008.

President and Chief Operating Officer of AlliedSignal, Inc. from 1998 to December 1999.

30-year business career at AlliedSignal, starting as a financial analyst in 1969 and serving in various capacities including President of the Engineered Materials business beginning in April 1988.

Current Directorship: Non-executive Chairman of the Board of Tyco Electronics, Ltd. (manufacturer and provider of an array of products including electronics and telecommunications) since 2007.

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Past Directorships: Centex Corporation (home building company) from 2001 to 2009; and Trane, Inc. from 1999 to 2008.

Affiliations: Chairman of the Board of National Center for Learning Disabilities; Member of the Duke Engineering School Board of Visitors; Trustee of Eagle Hill School, Greenwich, CT; and Member of the Board of Central Synagogue.

Age 67.

Mr. Poses' qualifications to serve on the Board include his extensive business experience, skills and acumen reflected in his positions as chief operating officer of a large public company and as chairman and CEO of a second large public company.

Table of Contents

MICHAEL C. RUETTIGERS

Director of the Company since 2000.

Chairman of EMC Corporation (data storage and management products and services provider) from January 2004 to December 2005.

Executive Chairman (from 2001 to 2004) and CEO (from 1992 to 2001) of EMC Corporation; held a variety of senior executive positions at EMC Corporation from 1988 to 1992.

Current Directorship: Non-executive Chairman of the Board of Wolfson Microelectronics plc (manufacturer of semiconductor chips used in audio, video and imaging applications) since 2008.

Past Directorship: EMC Corporation from 1992 to 2005.

Affiliations: Trustee of Lahey Clinic.

Age 67.

Mr. Ruetters qualifications to serve on the Board include his extensive business experience, skills and acumen reflected in his positions as chairman and CEO of a large public company operating in the technology sector.

RONALD L. SKATES

Director of the Company since 2003.

Private investor since 1999.

President and CEO of Data General Corporation (data storage and enterprise solutions supplier) from 1989 to 1999; held other positions at Data General Corporation from 1986 to 1989.

Partner at Price Waterhouse (now PricewaterhouseCoopers LLP) from 1976 to 1986.

Current Directorships: State Street Corporation (financial services company) since 2002; and Courier Corporation (book manufacturer and specialty publisher) since 2003.

Past Directorship: Cabot Microelectronics Corporation (supplier of chemical mechanical planarization products and services) from 2001 to 2005.

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Affiliations: Trustee Emeritus of Massachusetts General Hospital; and Trustee of the Massachusetts General Hospital Physicians Organization.

Age 68.

Mr. Skates' qualifications to serve on the Board include his extensive business experience, skills and acumen evidenced by his service as president and CEO of a large public technology company, coupled with his accounting expertise derived from being a certified public accountant and partner of a major accounting firm.

Table of Contents

WILLIAM R. SPIVEY

Director of the Company since 1999.

President and CEO of Luminent, Inc. (fiber-optic transmission products provider) from July 2000 to September 2001.

Group President, Network Products Group, Lucent Technologies Inc. from 1997 to 2000.

Vice President, Systems & Components Group, AT&T Corporation from 1994 to 1997.

Group Vice President and President, Tektronix Development Company, Tektronix, Inc. from 1991 to 1994.

Current Directorships: Cascade Microtech, Inc. (advanced wafer probing solutions provider) since 1998; Novellus Systems, Inc. (advanced process equipment provider) since 1998; Laird PLC (electronics and security systems provider) since 2002; and ADC Telecommunications, Inc. (supplier of network infrastructure products and services) since 2004.

Past Directorship: Lyondell Chemical Company (manufacturer of basic chemicals and derivatives) from 2000 to 2007.

Age 63.

Mr. Spivey's qualifications to serve on the Board include his extensive business experience, skills and acumen reflected in his positions as a business unit head at three public technology companies and CEO of another public technology company.

LINDA G. STUNTZ

Director of the Company since 2004.

Partner in the law firm of Stuntz, Davis & Staffier, P.C. since 1995.

Partner in the law firm of Van Ness Feldman from 1993 to 1995.

Deputy Secretary of, and held senior policy positions in, the United States Department of Energy from 1989 to 1993.

Associate Minority Counsel and Minority Counsel to the U.S. House of Representatives Energy and Commerce Committee from 1981 to 1987.

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Past Directorship: Schlumberger Ltd. (oilfield services company) from 1993 to April 2010.

Affiliations: Director of Wittenberg University beginning in 2010.

Age 55.

Ms. Stuntz's qualifications to serve on the Board include her extensive knowledge and experience relating to corporate governance, public policy, legal matters, as well as legislative and regulatory affairs, based on her varied high-level roles in both the executive and legislative branches of government, as well as the practice of law.

Table of Contents

WILLIAM H. SWANSON

Chairman of the Board since 2004.

Director and CEO of the Company since 2003.

President of the Company from July 2002 to May 2004.

Executive Vice President of the Company and President of Electronic Systems from January 2000 to July 2002.

Executive Vice President of the Company and Chairman and CEO of Raytheon Systems Company from January 1998 to January 2000.

In the 38th year of his career at the Company, which has included a wide range of leadership positions.

Current Directorship: FPL Group, Inc. (a clean energy company) since October 2009.

Past Directorship: Sprint Nextel Corporation (wireless and wireline communications services provider) from 2004 to 2008.

Affiliations: Member of the Congressional Medal of Honor Foundation board, the California Polytechnic State University President's Cabinet, the Cal Poly Foundation board of directors, and the John F. Kennedy Library Foundation board of directors, and Vice Chairman of the Business-Higher Education Forum.

Age 61.

Mr. Swanson's qualifications to serve on the Board include his extensive business experience, skills and acumen developed over the past 37 years with the Company during which he has held a wide range of leadership positions, including general manager of Missile Systems, head of Electronic Systems, CEO of Raytheon Systems Company, President of the Company and, since 2003, CEO.

Table of Contents**STOCK OWNERSHIP****Five Percent Stockholders**

The following table lists those persons or groups (based solely on our examination of Schedule 13Gs filed with the SEC or furnished to us) who are beneficial owners of more than 5% of our common stock as of December 31, 2009.

Name and Address of Beneficial Owner	Common Stock	Percent of Class
BlackRock, Inc. 40 East 52 nd Street, New York, NY 10022	30,809,246	8.04%
Barrow, Hanley, Mewhinney & Strauss, LLC 2200 Ross Avenue, 31 st Floor, Dallas, TX 75201-2761	20,150,618	5.26%

Management and Directors

The following table contains information regarding the beneficial ownership of shares of our common stock as of March 1, 2010 for (a) each director and nominee for director, including our CEO, (b) our CFO and our three other most highly compensated executive officers who are not also directors, and (c) the directors, nominees and all executive officers as a group. No individual director or nominee for director or named executive officer beneficially owns 1% or more of the outstanding shares of common stock. The directors and executive officers as a group own less than 1% of the outstanding shares of common stock.

Name of Beneficial Owner	Number of Shares and Nature of Beneficial Ownership
(a)	
William H. Swanson	587,911 ⁽¹⁾
	604,827 ⁽²⁾⁽⁷⁾⁽⁸⁾
	1,192,738 ⁽¹⁾⁽²⁾⁽⁷⁾⁽⁸⁾
Vernon E. Clark	7,842 ⁽⁴⁾
John M. Deutch	16,886 ⁽⁴⁾
Stephen J. Hadley	2,362 ⁽⁴⁾
Frederic M. Poses	23,541 ⁽⁴⁾⁽⁵⁾
Michael C. Ruettgers	31,456 ⁽⁴⁾
Ronald L. Skates	28,810 ⁽⁴⁾⁽⁶⁾
William R. Spivey	28,116 ⁽⁴⁾
Linda G. Stuntz	12,616 ⁽⁴⁾
(b)	
David C. Wajsgras	132,582 ⁽⁷⁾
Jay B. Stephens	177,256 ⁽²⁾⁽³⁾⁽⁷⁾
Daniel L. Smith	143,751 ⁽²⁾⁽³⁾⁽⁷⁾
Colin J.R. Schottlaender	111,505 ⁽²⁾⁽³⁾⁽⁷⁾
(c)	
All directors, nominees for director and executive officers as a group (20 persons)	2,393,452 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾

(1) Shares owned outright by Mr. Swanson.

(2)

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- Includes shares which the beneficial owner has the right to acquire upon the exercise of stock options as follows: Mr. Swanson 265,000; Mr. Stephens 46,820; Mr. Smith 18,485; Mr. Schottlaender 24,422; all executive officers as a group 380,821.
- (3) Includes shares indirectly held by the beneficial owner through the Raytheon Savings and Investment Plan and the Raytheon Excess Savings Plan as follows: Mr. Stephens 87; Mr. Smith 4,955; Mr. Schottlaender 3,467; all executive officers as a group 23,381.
 - (4) Includes shares of restricted stock issued under the 1997 Nonemployee Directors Restricted Stock Plan over which the beneficial owner has voting power as follows: Ms. Stuntz and Messrs. Clark, Deutch, Poses, Skates and Spivey 2,461 shares each; Mr. Hadley 2,362 shares; and Mr. Ruettgers 3,267 shares.
 - (5) Includes 16,272 shares held by a family charitable foundation over which Mr. Poses has voting and investment power.
 - (6) Includes 26,349 shares held in various trusts. Mr. Skates disclaims beneficial ownership of 2,400 shares held in such trusts.
 - (7) Includes shares of restricted stock over which the beneficial owner has voting power as follows: Mr. Swanson 211,577; Mr. Wajsgras 56,935; Mr. Stephens 54,429; Mr. Smith 45,174; Mr. Schottlaender 45,174; and all executive officers and directors as a group 616,078.
 - (8) Includes vested deferred compensation equivalent to 128,250 shares of our common stock attributable to Mr. Swanson.

Table of Contents

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who beneficially own more than 10% of a registered class of our equity securities to file reports of holdings and transactions in our common stock with the SEC and the NYSE. Based on our records and other information, we believe that, in 2009, none of our directors, executive officers or 10% stockholders failed to file a required report on time, with one exception. A Form 4, reporting a grant of shares of common stock in lieu of annual cash retainers for service on the Board of Directors and as Chair of the Audit Committee on behalf of Ronald L. Skates, was filed two days late due to an administrative error.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In the discussion that follows, we first provide an executive summary of this section, and then provide an overview and analysis of our compensation program and policies, the material compensation decisions we have made under those programs and policies, and the factors that we considered in making those decisions. Following this section you will find a series of tables containing specific information about the compensation earned or paid in 2009 to the following individuals, whom we refer to as our named executive officers:

our Chairman and CEO, William H. Swanson;

our Senior Vice President and Chief Financial Officer, David C. Wajsglas;

our Senior Vice President, General Counsel and Corporate Secretary, Jay B. Stephens;

our Vice President, and President of our Integrated Defense Systems business, Daniel L. Smith; and

our Vice President, and President of our Network Centric Systems business, Colin J. R. Schottlaender.

The discussion below is intended to help our stockholders understand the detailed information provided in those tables and put that information into context within our overall compensation program.

Executive Summary

From a compensation perspective, we are committed to (1) retaining and attracting highly-qualified executives, (2) motivating these executives to achieve our overall business objectives, (3) rewarding performance, and (4) aligning the interests of our executives with our stockholders. Consistent with this compensation philosophy, our program seeks to:

provide our executives with total compensation opportunities at levels that are competitive for comparable positions at companies with whom we compete for talent;

tie a significant portion of each executive's compensation to the Company's performance and individual performance against various pre-established financial, operational and other goals, through variable, at-risk short- and long-term incentive awards;

provide awards with both significant upside opportunity for exceptional performance and downside risk for under-performance, which can result in different compensation among executives; and

align closely our executives' interests with those of our stockholders by making stock-based incentives a core element of our executives' compensation and requiring that they retain a significant amount of our common stock throughout their tenure with us.

In accordance with our philosophy, we provide our executives with consistent, competitive compensation opportunities allowing potential upside for exceptional performance. The table below summarizes the 2007-2009 compensation opportunities provided to our named executive officers,

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and reflects the view of our Board and the Management Development and Compensation Committee (MDCC) with respect to their annual compensation decisions for those executives during those years.

Table of Contents**TOTAL COMPENSATION FOR 2007 2009**

Executive	Year ⁽¹⁾	Salary ⁽²⁾	(Non-Equity	(Stock Awards)		All Other	Total
			Incentive Plan	Restricted	LTPP		
			Compensation)	Stock	Award ⁽⁴⁾		
			RBI ⁽³⁾				
William H. Swanson	2009	\$ 1,297,920	\$ 3,050,000	\$ 3,799,991	\$ 6,386,000	\$ 402,445	\$ 14,936,356
	2008	1,328,640	3,050,000	3,799,985	6,385,987	491,539	15,056,151
	2007	1,229,544	3,050,000	3,726,100	6,332,400	585,699	14,923,743
David C. Wajsgras	2009	\$ 790,203	\$ 870,000	\$ 999,983	\$ 1,200,005	\$ 108,112	\$ 3,968,303
	2008	789,944	870,000	1,000,003	1,169,954	119,051	3,948,952
	2007	725,846	870,000	968,786	1,160,940	229,272	3,954,844
Jay B. Stephens	2009	\$ 690,825	\$ 780,000	\$ 950,020	\$ 1,200,005	\$ 111,514	\$ 3,732,364
	2008	689,146	780,000	949,996	1,169,954	113,332	3,702,428
	2007	635,461	780,000	920,879	1,160,940	125,162	3,622,442
Daniel L. Smith	2009	\$ 485,671	\$ 525,000	\$ 799,996	\$ 1,100,012	\$ 104,274	\$ 3,014,953
	2008	473,435	550,000	799,977	1,063,588	131,636	3,018,636
	2007	411,224	550,000	771,835	1,063,600	104,164	2,900,823
Colin J.R. Schottlaender	2009	\$ 485,238	\$ 550,000	\$ 799,996	\$ 1,100,012	\$ 75,706	\$ 3,010,952

- (1) Years in which the executive was a named executive officer.
- (2) 2009 salaries are based on 26 bi-weekly pay periods as compared to 27 pay periods for 2008.
- (3) Annual Results-Based Incentive (RBI) cash award. RBI awards are discussed under Annual Incentives on page 34.
- (4) Long-Term Performance Plan (LTPP) award. LTPP awards are discussed under Long-Term Incentives LTPP on page 37.

The above table differs from the 2009 Summary Compensation Table required by the SEC, which appears on page 43, and is not a substitute for that table. The 2009 Summary Compensation Table includes amounts based on the change in pension accrual and above-market nonqualified deferred compensation earnings. The above table excludes these amounts because the Company and the MDCC consider these programs in the context of their assessment of the overall benefit design and the competitiveness of the Company's retirement benefits, and not as an element of their annual compensation decisions. Another difference is that the amounts set forth under the Restricted Stock and LTPP Award columns in the above table represent the full grant date intrinsic values of such awards granted in the respective years only (e.g., target number of shares times the price of our common stock on the grant date) that is the basis upon which the Company, the MDCC, and the Board consider these awards in proposing, recommending and approving annual compensation. In contrast, the Stock Awards column in the 2009 Summary Compensation Table represents the grant date fair value of such awards for financial statement reporting purposes which differs from the intrinsic value of the LTPP awards. These awards are discussed in more detail under Long-Term Incentives on page 37.

We discuss the elements of our compensation program set forth in the above table in detail beginning on page 31 and describe how we set these opportunities and the total compensation of our named executive officers so that they are market competitive and are based on Company and individual performance.

While we have provided consistent compensation opportunities, the actual compensation earned by our executives has varied based on performance in accordance with our pay-for-performance objective. Overall, the named executive officers' compensation has reflected strong Company and individual performance in 2007-2009. Our CEO, in discussion with the MDCC, requested that his 2009 base salary not be increased over his 2008 base salary and that his 2009 RBI not be increased over his 2008 award, which requests were accepted by the MDCC prior to the grant date of any awards for 2009. Thus, despite his strong individual performance in 2009, our CEO did not receive an increase in salary or RBI for the year. Additionally, based on the fact that there were 26 pay periods in 2009 in comparison to 27 pay periods in 2008, this request resulted in a decrease in actual salary compensation in 2009 in comparison to 2008. Similarly, salary amounts for other named executive officers, which were increased on average by approximately 4% over 2008, do not appear to reflect fully these increases due to the difference in the number of pay periods in 2009 in comparison to 2008. For a discussion of named executive officer base salaries and RBI awards see pages 33 and 34, respectively.

Table of Contents

In 2009, we continued to perform well across all of our businesses, essentially meeting or exceeding our key financial and operating goals and other business objectives. Examples of our strong performance in 2009 include:

Bookings of \$25.1 billion and backlog of \$36.9 billion;
 Net sales growth of 7%, with all of our businesses contributing to this growth;

Operating cash flow of \$2.7 billion; and

Earnings per share from continuing operations growth of 24%.

As a result, we rewarded our executives with competitive compensation, particularly through our performance-based 2009 RBI and the 2007-2009 LTTP. These programs are specifically designed to closely tie the compensation paid to the individual executive with the performance of the Company. A summary of these compensation elements, the applicable performance metrics, the results we achieved, and the location of where you can find a more detailed discussion of this section, are set forth in the table below.

Compensation

Element	Performance Metrics	Results Achieved
2009 RBI	Bookings; net sales; free cash flow (FCF); operating profit from continuing operations; and return on invested capital (ROIC).	We exceeded our pre-established 2009 targets for nearly all of these metrics, which resulted in an overall RBI funding level of 106.6%. See discussion on page 34.
2007 2009 LTTP	ROIC; cumulative FCF; and total stockholder return (TSR).	We exceeded our pre-established three-year targets for ROIC and cumulative FCF and finished 4th in TSR relative to our core peer group over the three-year period, which resulted in a 187.5% of target payout in shares of our common stock. See discussion on page 37.

How We Determine and Assess Executive Compensation

We design our compensation program with a view to retaining and attracting executive leadership of a caliber and level of experience necessary to manage our complex, global businesses effectively. Given the length of our programs, contracts and business cycles, it is especially important for us to retain our executive talent over a number of years to provide continuity of management in a highly competitive industry. Our Board bears the ultimate responsibility for approving the compensation of our named executive officers. The MDCC assists the Board in discharging this responsibility. Information about the MDCC and its composition, responsibilities and operations can be found on page 12 under the heading "The Board of Directors and Board Committees Management Development and Compensation Committee."

Our determinations and assessments of executive compensation are primarily driven by two considerations:

Company and individual performance in five areas financial, operational, customer satisfaction, people and Six Sigma ; and

Market competitiveness of our compensation programs.

Company and Individual Performance

In addition to market competitiveness, we use a number of factors to determine our compensation levels and to customize our compensation program to most accurately recognize Company and individual performance and contribution to the enterprise. We consistently review performance in these five areas:

Financial we focus on financial metrics that are good indicators of whether the Company and our businesses are achieving their annual or longer-term business objectives, such as bookings, sales, operating profit, free cash flow and return on invested capital;

Operational we evaluate product development and program execution through the use of tools designed to measure operational efficiencies, such as Integrated Product Development Systems and the Earned Value Management System;

Customer satisfaction we measure customer satisfaction through the use of customer satisfaction surveys, performance against program cost and schedule indices, annual customer performance assessment reports and through customer award fees;

Table of Contents

People we assess our executives development of people, leadership behavior, ethical conduct, employee opinion survey results and the development of an inclusive workforce; and

Six Sigma we look to see how well the Company, a business or an individual has used Raytheon Six Sigma, a continuous process improvement effort designed to reduce costs and improve efficiency.

Collectively, we consider these five factors to provide a measurable assessment of executive performance that will build value for our stockholders. We look to each of them, to varying degrees, to make most of our executive compensation decisions, from setting base salaries to providing annual and longer-term rewards.

Market Data

We consider the compensation levels, programs and practices of certain other companies to assist us in setting our executive compensation so that it is market competitive. In 2009, we used two peer groups for these purposes:

A core peer group, which consists of companies that are either aerospace and defense companies or that have substantial aerospace or defense businesses. We compete to varying degrees for business and talent with the companies in this core peer group. The companies comprising the core peer group are as follows:

The Boeing Company
 Goodrich Corporation
 L-3 Communications Holdings, Inc.
 Northrop Grumman Corporation
 Textron Inc.

General Dynamics Corporation
 Honeywell International, Inc.
 Lockheed Martin Corporation
 Rockwell Collins, Inc.
 United Technologies Corporation

A broader peer group, comprised of our core peer group and six additional companies from other industries, which we selected on the basis of the comparability of their complexity, operations, revenues, net income and market capitalization to ours. The broader peer group companies are as follows:

3M Company
 Caterpillar Inc.
 General Dynamics Corporation
 Honeywell International, Inc.
 Johnson Controls, Inc.
 Lear Corporation
 Northrop Grumman Corporation
 Textron Inc.

The Boeing Company
 Emerson Electric Co.
 Goodrich Corporation
 ITT Corporation
 L-3 Communications Holdings, Inc.
 Lockheed Martin Corporation
 Rockwell Collins, Inc.
 United Technologies Corporation

We review the peer groups annually to ensure that we have the appropriate marketplace focus. As our strategy changes, we leverage our capabilities into other markets, or significant changes occur to a company or companies within the peer groups, we may change the companies within them. In October 2009, after consultation with the MDCC's independent compensation consultant, we removed Lear Corporation from our broader peer group due to its bankruptcy filing and replaced it with Motorola, Inc.

The MDCC obtains information on the compensation levels, programs and practices of the companies within the core and broader peer groups. Statistical techniques such as regression analysis are typically used to adjust the data for differences in company size. The MDCC also considers market survey data for companies outside of our core and broader peer groups as a general indicator of relevant market conditions and pay practices and as a broader reference point. This market survey data was developed by national compensation consulting firms and provided to the MDCC by its compensation consultant.

The MDCC establishes and evaluates compensation levels for our named executive officers based on the market data, as well as other factors, as discussed below. While aggregate target and actual pay levels are analyzed and measured against market data, individual and Company

performance can result in compensation for any one individual that varies from the market median. In 2009,

Table of Contents

Watson Wyatt, the MDCC's independent compensation consultant, also provided the MDCC a report on peer compensation trends (levels, mix, vehicles and metrics), which is used to help set pay levels and design programs.

2009 Review of Compensation

Watson Wyatt provided the MDCC with a marketplace assessment of our named executive officers' 2009 compensation in comparison to compensation for comparable positions within the market. They looked at the market in terms of:

base salaries;

total cash compensation (which includes base salary and annual incentive award);

total direct compensation (which includes base salary, annual incentive award and long-term incentive opportunity); and

benefits and perquisites.

This assessment showed that:

The 2009 base salaries for our named executive officers approximated the 50th percentile of the market, except that the salary of our Chief Financial Officer was more closely aligned with the 75th percentile;

Total cash compensation for our named executive officers, on average, approximated the 50th percentile;

Total direct compensation for our named executive officers, on average, fell between the 50th and 75th percentiles;

Raytheon is competitive with peers in terms of the number and types of executive benefits and perquisites provided; and

Raytheon continues to exhibit close alignment between relative pay and relative performance on both a short-term and long-term basis and delivered pay commensurate with that performance.

Most recently for 2008, Watson Wyatt also assisted the MDCC with a pay-for-performance analysis, which assessed the correlation between our short-term pay (annual incentive award) and short-term performance and our long-term pay and long-term performance relative to the peer groups. Rather than looking at current compensation opportunities (current salary, target annual incentive award and present value of long-term incentives), this analysis focused on realized or realizable pay in relation to past performance. For 2008 Watson Wyatt concluded that there was close correlation between pay and performance at Raytheon relative to the peer groups. A similar 2009 pay-for-performance assessment will be performed in 2010 once peer group performance data is available.

The MDCC also periodically reviews the formulas that determine benefits under our pension and retirement plans and our severance arrangements so that we can be sure that these plans integrate appropriately into our total compensation strategy. We provide benefits under these plans that are comparable to our peer group companies in order to offer employment packages that attract highly-qualified executives to join us and to keep our compensation competitive in order to retain such executives.