

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported): May 3, 2006

RAYTHEON COMPANY  
(Exact name of registrant as specified in its charter)

Delaware  
(State of Incorporation)

1-13699  
(Commission File Number)

95-1778500  
(IRS Employer  
Identification Number)

870 Winter Street  
Waltham, Massachusetts  
(Address of principal executive offices)

02451  
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## **Item 1.01 Entry into a Material Definitive Agreement**

### *Board of Directors Compensation*

On May 3, 2006, the Board of Directors of Raytheon Company (the "Company"), upon the recommendation of the Management Development and Compensation Committee, approved a restricted stock award under the 1997 Nonemployee Directors Restricted Stock Plan (the "Nonemployee Directors Plan") to each non-management director. Each director was awarded 1,738 shares of restricted stock, representing partial payment of his or her annual retainer for service on the Board of Directors of the Company. The restrictions on each restricted stock award will lapse on the date of the 2007 Annual Stockholders' Meeting. The form of Restricted Stock Award Agreement was filed as Exhibit 10.3 to the Company's Current Report on Form 8-K dated May 3, 2005. A complete description of the compensation program for non-management directors is contained in the Company's Proxy Statement dated March 29, 2006.

### *Lead Director Compensation*

Also on May 3, 2006, the Board of Directors, upon the recommendation of the Management Development and Compensation Committee, approved a restricted stock award under the Nonemployee Directors Plan to Michael C. Ruetters, the lead director of the Board of Directors. Mr. Ruetters was awarded 782 shares of restricted stock, representing partial payment for service as lead director. The restrictions on the restricted stock award will lapse on the date of the 2007 Annual Stockholders' Meeting. A complete description of the lead director's compensation is contained in the Company's Proxy Statement dated March 29, 2006.

### *Long-Term Performance Plan*

Also on May 3, 2006, stockholders of the Company approved the terms of performance awards under the Long-Term Performance Plan. A summary of the Long-Term Performance Plan was filed as Appendix A to the Company's Proxy Statement dated March 29, 2006 and is attached hereto as Exhibit 10.1.

### *Executive Officer Compensation*

The Board of Directors, upon the recommendation of the Management Development and Compensation Committee, granted awards under the 2006 Long-Term Performance Plan to the Chief Executive Officer and the four most highly compensated executive officers (the "Named Executive Officers"), subject to stockholder approval of the terms of the awards as described above. The Management Development and Compensation Committee also granted restricted stock unit awards pursuant to the 2006 Long-Term Performance Plan to a group of senior executives of the Company. The form of Performance Share Award Agreement is attached hereto as Exhibit 10.2.

Each senior executive received a restricted stock unit award entitling the executive to the right to earn shares of common stock or cash at the discretion of the Management Development and Compensation Committee upon the attainment of pre-established performance metrics over the three-year plan period. The performance criteria established for the 2006-2008 Long-Term Performance Plan performance period, which are independent of each other, are based on three metrics and weighted as follows: free cash flow (50%), total shareholder return relative to a peer group (25%) and return on invested capital (25%). The Management Development and Compensation Committee will review the Company's performance in each of the three pre-established metrics and authorize payment in settlement of the awards, if any, in the first quarter of 2009. The Management Development and Compensation Committee established individual awards for each executive based upon an examination of compensation information compiled by an outside consultant from a peer group of public companies of a similar revenue size or that compete in the Company's primary business areas. Each executive received an award with a threshold, target and maximum payout. The Named Executive Officers received the following awards:

Name and Position	Estimated Future Payout under 2006 Long-Term Performance Plan		
	Threshold	Target	Maximum
William H. Swanson Chief Executive Officer	12,500	100,000	200,000
David C. Wajsgas Senior Vice President and Chief Financial Officer	3,125	25,000	50,000
James E Schuster Executive Vice President and CEO, Raytheon Aircraft Company	3,125	25,000	50,000
Jay B. Stephens Senior Vice President and General Counsel	3,125	25,000	50,000
Louise L. Francesconi Vice President and President, Missile Systems	3,125	25,000	50,000

Also on May 3, 2006, the Board of Directors, upon the recommendation of the Management Development and Compensation Committee, approved annual base salaries, targets under the Company's 2006 Results Based Incentive (RBI) Plan, and restricted stock awards under the 2001 Plan for the Named Executive Officers as set forth in the following table. The Named Executive Officers' compensation was unanimously approved by the independent directors.

<b>Name and Position</b>	<b>2006 Annualized Salary(1)</b>	<b>2006 RBI Target(2)</b>	<b>Number of Shares of Restricted Stock(3)</b>
William H. Swanson Chief Executive Officer	\$1,200,014	200%	60,000
David C. Wajsgras (4) Senior Vice President and Chief Financial Officer	\$700,000	100%	20,000
James E. Schuster Executive Vice President and CEO, Raytheon Aircraft Company	\$546,998	100%	18,500
Jay B. Stephens Senior Vice President and General Counsel	\$616,491	100%	20,000
Louise L. Francesconi Vice President and President, Missile Systems	\$476,383	100%	18,500

(1) The 2006 salary increases are effective in May 2006.

(2) The Management Development and Compensation Committee adopted performance metrics with respect to the 2006 RBI program on December 14, 2005. A summary of the 2006 RBI program was filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 14, 2005.

(3) The restricted stock awards, granted pursuant to the Company's annual long-term incentive compensation program, are effective May 8, 2006 and vest one-third per year on each of the second, third and fourth anniversaries of the date of grant.

(4) Mr. Wajsgras' 2006 salary, RBI target and restricted stock award were reported on a Current Report on Form 8-K dated February 21, 2006.

#### **Item 7.01 Regulation FD Disclosure**

Also on May 3, 2006, the Board of Directors elected Michael C. Ruetters to serve as the Lead Director of the Board. The Board also elected each of William R. Spivey, John M. Deutch and Linda G. Stuntz to serve as the Chair of the Management Development and Compensation Committee, the Chair of the Governance and Nominating Committee, and the Chair of the Public Affairs Committee, respectively. Ronald L. Skates will continue to serve as the Chair of the Audit Committee. A copy of the press release issued by the Company is attached as Exhibit 99.1.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

- |              |   |
|--------------|---|
| Exhibit 10.1 | Summary of the Long-Term Performance Plan dated January 24, 2006                                |
| Exhibit 10.2 | Form of Raytheon Company Performance Share Award Agreement under the Long-Term Performance Plan |
| Exhibit 99.1 | Press Release dated May 8, 2006 issued by Raytheon Company                                      |
| Exhibit 99.2 | Statement dated May 3, 2006 issued by the Board of Directors of Raytheon Company                |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 9, 2006

RAYTHEON COMPANY

By: /s/ Jay B. Stephens  
Jay B. Stephens  
Senior Vice President and General Counsel

**SUMMARY OF THE LONG-TERM PERFORMANCE PLAN**

- The Long-Term Performance Plan (the LTPP) is an incentive compensation plan for senior executives, including executive officers, designed to promote leadership teamwork toward achieving common performance goals and to foster an effective link between long-term rewards and performance against internal and external goals.
- Each participating senior executive will receive a restricted stock unit award under the LTPP which will entitle the executive to the right to earn shares of common stock or cash upon the attainment of the pre-established performance goals over a three-year plan period. The Management Development and Compensation Committee (the Committee) or the Board of Directors will establish individual awards for each executive based upon an examination of compensation information compiled by an outside consultant from a peer group of public companies of a similar revenue size or that compete in our primary business areas.
- The Committee approved the following business criteria on which performance goals are based for the LTPP: free cash flow; return on invested capital; bookings; net sales; operating profit; total shareholder return; working capital turnover; and earnings per share. The Committee may choose to measure these criteria relative to an index or comparisons with other peer companies or industry groups, or based solely on our achievement of internal financial metrics.
- The awards may be settled in shares of common stock or cash at the discretion of the Committee. The LTPP operates under, and awards are made pursuant to, our 2001 Stock Plan. All shares to be issued in settlement of awards shall be issued pursuant to the 2001 Stock Plan.
- Each executive will receive an award with a threshold, target and maximum payout. The awards will settle based upon our performance over the cumulative three-year plan period with respect to the stated goals. If our performance with respect to all three metrics fails to meet the threshold, then the awards will not vest and no payout under the awards will be made. If our performance with respect to any or all of the three metrics meets or exceeds the threshold, then a varying amount of shares or cash, up to the maximum, may be earned.
- Dividend equivalents will accrue on the restricted stock units and be paid in shares of common stock upon settlement of the awards based upon the number of shares of common stock actually earned pursuant to the award.
- The Committee will review our performance relative to the applicable metrics and authorize payment in settlement of the awards, if any, after performance results for the three-year performance period are known.
- The performance criteria established for the 2006-2008 LTPP performance period, which are independent of each other, are based on three metrics and weighted as follows: free cash flow (50%), total shareholder return relative to a peer group (25%) and return on invested capital (25%).

January 24, 2006





**Form of Performance Share Award Agreement with respect to the 2006 – 2008 Long-Term Performance Plan**

**THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933**

Subject to shareholder approval of the terms of performance awards under the Long-Term Performance Plan, Raytheon Company (the “Company”) hereby grants to you, the recipient identified below, an award of stock units with respect to its common stock, par value \$0.01 per share (the “Stock”), pursuant to the Raytheon 2001 Stock Plan (as amended from time to time, the “Plan”) on the following terms and conditions:

**1. Details of Award**

<b>Recipient</b>	
<b>Total Target Number of Shares of Stock</b>	
<b>Performance Cycle</b>	Calendar years 2006 through 2008

**2. Conditions to Award**

Pursuant to this Award, you will be entitled to payment as follows: (i) up to fifty percent (50%) of the Total Target Number of Shares of Stock set forth above based on the Company’s cumulative “free cash flow” over the Performance Cycle; (ii) up to twenty-five percent (25%) of the Total Target Number of Shares of Stock set forth above based on the total return to the Company’s shareholders (compounded annually), relative to that of its “peers,” over the Performance Cycle; and (iii) up to twenty-five percent (25%) of the Total Target Number of Shares of Stock set forth above based on the Company’s average “return on invested capital” over the Performance Cycle (each a “metric” and collectively the “metrics”). The precise extent to which the Company will have satisfied the metrics, and any shares of Stock will have been earned, will be determined by the Management Development and Compensation Committee of the Company’s Board of Directors (the “Committee”) as soon as practicable following the close of the Performance Cycle. The total number of shares of Stock that will be issued in the settlement of this Award, based upon the Company’s satisfaction of the metrics, will be determined by multiplying the Total Target Number of Shares of Stock by the applicable Target Share Award Multiplier, from the following tables:

	Cumulative 3-Year Free Cash Flow (in millions)	Target Share Award Multiplier
<b>Maximum</b>		1.000
		0.875
		0.750
		0.625
		0.500
<b>Target</b>		0.375
		0.250
<b>Threshold</b>		No Award
		1.000

Total Shareholder Return			
	Percentile	Rank vs. Peers	Target Share Award Multiplier
<b>Maximum</b>			0.500
			0.500
			0.438
			0.375
			0.313
<b>Target</b>			0.250
			0.188
<b>Threshold</b>			0.125
			No Award

	Average 3-Year Return on Invested Capital*	Target Share Award Multiplier
<b>Maximum</b>		0.500
		0.438
		0.375
		0.313
		0.250
<b>Target</b>		0.188
		0.125
<b>Threshold</b>		No Award
		0.500

\* If ROIC for the third year of the Performance Cycle is not higher than the average ROIC over the three-year Performance Cycle, then the ROIC for the third year of the Performance Cycle will be deemed to be the average over the three-year period for purposes of determining the Company's satisfaction of this metric.

“Cumulative Free Cash Flow” is defined as operating cash flow less capital spending and internal use software spending over a three year period.

“Total Shareholder Return” is defined as the total return of a stock to an investor (capital gain plus dividends).

“Return On Invested Capital” is defined as net income plus after-tax net interest expense plus one-third of lease expense (estimate of interest portion of lease expense), divided by average\* invested capital after capitalizing operating leases (lease expense times a multiplier of 8) and adding financial guarantees. \*Average invested capital is calculated based on the Company’s invested capital using two points during the Performance Cycle. Examples: average on 12/31/05 and 12/31/06; average on 12/31/06 and 12/31/07; average on 12/31/07 and 12/31/08.

“Peers:” Boeing, General Dynamics, Goodrich, Honeywell, L-3 Communications, Lockheed Martin, Northrop Grumman, Rockwell Collins, Textron, and United Technologies. In the event of any mergers or other corporate events affecting the foregoing companies during the Performance Cycle, the Committee may make such adjustments to the peer group of companies, the total return calculations of the affected companies and the metrics set out above as it may determine in its sole discretion would most nearly carry out the original purposes and intent of this Award.

### **3. Effect of Termination of Employment, Etc.**

You must remain an employee until the end of the Performance Cycle in order to be entitled to any payment pursuant to this Award, except as provided in Section 4 and except as follows. If your employment with the Company ends during the Performance Cycle on account of your Retirement, as that term is defined in the Plan, or because you become disabled or die, after the end of the Performance Cycle, you (or in the event of your death, your estate) will be entitled to a pro rata portion of the number of shares of Stock you would have received, if any, had you remained employed until the end of the Performance Cycle. The pro rata portion will be based on the number of full months in the Performance Cycle during which you were employed as compared to the total number of months in the Performance Cycle.

### **4. Effect of Change of Corporate Control**

If a Change of Corporate Control, as defined in the Plan, should occur during the Performance Cycle, the Award will terminate. However, at or immediately following the Change of Corporate Control, you will be entitled to receive a pro rata portion of the Total Target Number of Shares of Stock covered by this Award, without regard to the extent to which the performance conditions of Section 2 have been satisfied. The pro rata portion will be based on the number of full months in the Performance Cycle preceding the Change of Corporate Control as compared to the total number of months in the Performance Cycle.

## 5. Payment

- A. Settlement of Award. The actual number of shares (or amount of cash in lieu of shares) that you receive at the end of the Performance Cycle will be determined based upon the degree to which each metric is attained. You will be entitled to receive 100% of your Total Target Number of Shares of Stock if Target Performance is achieved in all three metrics. If performance falls below the Threshold for a metric, no shares of Stock or cash will be awarded for that metric. When performance for a metric is above Threshold Performance, shares of Stock or cash will be paid out at each increased Performance level, up to a maximum of two times the Target Performance level. When performance for a metric falls between two performance levels, payout will be based upon the lower Target Share Award Multiplier. Accordingly, depending upon the level of attainment of each metric, the maximum number of shares of Stock that may be issued in settlement of your Award is two times your Total Target Number of Shares of Stock.
- B. Timing. Promptly following determination of the number of shares of Stock you have earned under this Award, such number, if any, will be paid to you together with a dividend equivalent amount of shares calculated in accordance with the following paragraph. However, you will not be entitled to any payment with respect to shares of Stock covered by this Award until you have made satisfactory arrangements with the Company to satisfy any tax or other withholding obligations which might arise in connection with payment, and all payments will be net of any such withholding.
- C. Dividend Equivalents. The dividend equivalent amount will be a number of shares calculated assuming that the dividends, if any, paid by the Company on the shares of Stock which you ultimately become entitled to under this Award (and on any prior dividend equivalent amount attributable to such shares) had been reinvested in additional shares of Stock as of the respective payment dates of each dividend. You will not be entitled to any dividend equivalent amount on shares of Stock covered by this Award which are not ultimately earned.
- D. Form of Payment. The Committee in its discretion may settle Awards, including any dividend equivalent amounts, in shares of Stock or cash, or a combination thereof. Cash payments, if any, shall be calculated based upon the fair market value of a share of Stock on the date on which the Committee determines the extent to which the Company has satisfied the metrics and the number of shares of Stock to be issued in settlement of the Award.

## 6. Other Provisions

- A. Other Conditions of Plan Apply. This Award is subject to all of the remaining terms and conditions of the Plan, including but not limited to the provisions relieving the Company of any obligation to issue shares of Stock until all applicable securities laws have been complied with and providing that the grant of awards under the Plan, including this Award, will not interfere with or limit in any way the Company's right to terminate your employment at any time. The Plan is administered and interpreted by the Committee, whose determinations are final and binding on all persons concerned.

- B. No Guaranty of Future Awards.** This Award in no way guarantees you the right to or expectation that you may receive similar awards with respect to any other similar performance cycle or period which the Committee may, in its discretion, establish and as to which the Committee may elect to grant awards under the Plan.
- C. No Rights as Shareholder.** You will not be considered a shareholder of the Company with respect to the shares of Stock covered by this Award or any dividend equivalent amount of shares unless and until shares of Stock are issued to you in settlement of this Award.
- D. Governing Law.** This Award shall be governed by, construed and administered in accordance with applicable federal law; provided, however, that to the extent not in conflict with federal law, this Award shall be governed by, construed and administered in accordance with the laws of the State of Delaware, other than its laws respecting choice of law.
- E. Counterparts.** This Award may be executed in one or more counterparts all of which together shall constitute but one instrument.
- F. Shareholder Approval.** This Award is subject to and contingent upon receipt by the Company of shareholder approval at the 2006 Annual Meeting of Shareholders of the terms under which performance awards may be granted pursuant to the Long-Term Performance Plan. If such approval is not obtained, then this Award shall be forfeited in its entirety, and you will not earn any shares of Stock or cash pursuant to the terms of this Award.
- G. Compliance with Section 409A of the Internal Revenue Code.** Notwithstanding anything in this Agreement to the contrary, to the extent that this Agreement constitutes a nonqualified deferred compensation plan to which Internal Revenue Code Section 409A applies, the administration of this Award (including time and manner of payments under it) shall comply with Section 409A.

RAYTHEON COMPANY

By: \_\_\_\_\_  
William H. Swanson  
Chairman and CEO

\_\_\_\_\_  
Recipient



## News release

Contact  
Steve Brecken  
781.522.5127

### **Raytheon Board Elects Michael C. Ruettgers Lead Director**

WALTHAM, Mass., (May, 8, 2006) Raytheon Company announced at its Annual Meeting of Stockholders on May 3, 2006 the election of Michael C. Ruettgers as lead director of the Raytheon Company Board of Directors, and the appointment of four directors to serve as committee chairs. William R. Spivey will serve as the Chair of the Management Development and Compensation Committee; John M. Deutch will serve as the Chair of the Governance and Nominating Committee; and Linda G. Stuntz will serve as the Chair of the Public Affairs Committee. Ronald L. Skates will continue to serve as the Chair of the Audit Committee. The new committee chairs are the result of the retirement of Warren B. Rudman and Thomas E. Everhart from Raytheon's Board of Directors. Rudman previously served as Lead Director and Chair of the Management Development and Compensation and Everhart served as Chair of the Governance and Nominating Committee.

Michael C. Ruettgers, who is Special Advisor and Retired Chairman of EMC Corporation, joined the board in 2000. Prior to serving as Chairman and CEO of EMC, Ruettgers held a variety of senior executive positions at EMC Corporation.

William R. Spivey, a director of the Company since 1999, is the retired President and Chief Executive Officer of Luminent, Inc. John M. Deutch is an Institute Professor at the Massachusetts Institute of Technology and has been a director of the Company since 1998. Linda G. Stuntz, a director of the Company since 2004, is a partner in the law firm of Stuntz, Davis & Staffer, P.C. Ronald L. Skates is a private investor and the former President and Chief Executive officer of Data General Corporation; he has been a director of the Company since 2003.

Raytheon Company (NYSE: RTN), with 2005 sales of \$21.9 billion, is an industry leader in defense and government electronics, space, information technology, technical services, and business and special mission aircraft. With headquarters in Waltham, Mass., Raytheon employs 80,000 people worldwide.

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FOR IMMEDIATE RELEASE

May 3, 2006

Statement of Board of Directors of Raytheon Company

ARLINGTON, Virginia -- *Following the annual shareholders meeting, Michael C. Ruetters, incoming lead director, and Sen. Warren B. Rudman, outgoing lead director, issued the following statement on behalf of the Board of Directors of Raytheon Company:*

“During its meeting today, the Board of Directors expressed to Mr. Swanson its deep concern over the disclosures involving The Unwritten Rules. The Board noted that Mr. Swanson, appropriately, has taken full responsibility for the issues associated with the source materials, sincerely apologized to all involved and discontinued any further distribution of the booklet.

“In response to this matter, the Board has decided not to raise Mr. Swanson’s salary above its 2005 level, and will reduce the amount of restricted stock for which he is eligible in the coming year by 20 percent.

“While the Board obviously takes this matter very seriously, it feels strongly it should not overshadow Mr. Swanson’s extraordinary vision and performance in leading this company during the past three years. We continue to have full confidence in Mr. Swanson’s leadership, which we reaffirmed to him today.”

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