RAYTHEON CO/
Form 11-K
June 30, 2008
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK

REPURCHASE SAVINGS AND SIMILAR PLANS

PURSUANT TO SECTION 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007.

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________

Commission File Number 1-13699

RAYTHEON SAVINGS AND INVESTMENT PLAN

(Full title of the plan)

RAYTHEON COMPANY

(Name of issuer of the securities held pursuant to the plan)

870 WINTER STREET, WALTHAM, MASSACHUSETTS 02451

(Address of issuer s principal executive offices)

Table of Contents

TABLE OF CONTENTS

	Page(s)
Report of Independent Registered Public Accounting Firm	2
Financial Statements	
Statements of Net Assets Available for Benefits	3
Statement of Changes in Net Assets Available for Benefits	4
Notes to Financial Statements	5-17
Supplemental Schedule*	
Schedule H, Line 4i Schedule of Assets (Held at End of Year)	18-50
Signatures	51
Exhibit Index	52

* Other supplemental schedules required by Section 2520.103-10 of the Department of Labor s Rules and Regulations and Disclosure under the Employee Retirement Income and Security Act of 1974 have been omitted because they are not applicable.

Table of Contents

Raytheon Savings and

Investment Plan

Financial Statements and Supplemental Schedule

To Accompany 2007 Form 5500

Annual Report of Employee Benefit Plan

Under ERISA of 1974

December 31, 2007 and 2006

Table of Contents

Raytheon Savings and Investment Plan

Table of Contents to Financial Statements and Supplemental Schedule

December 31, 2007

	Page(s)
Report of Independent Registered Public Accounting Firm	2
Financial Statements	
Statements of Net Assets Available for Benefits	3
Statement of Changes in Net Assets Available for Benefits	4
Notes to Financial Statements	5 17
Supplemental Schedule*	
Schedule H, Line 4i - Schedule of Assets (Held at End of Year)	18 50

Other supplemental schedules required by Section 2520.103-10 of the Department of Labor s Rules and Regulations and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of

The Raytheon Savings and Investment Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Raytheon Savings and Investment Plan (the Plan) at December 31, 2007 and December 31, 2006, and the changes in net assets available for benefits for the year ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

June 26, 2008

Table of Contents

Raytheon Savings and Investment Plan

Statements of Net Assets Available for Benefits

December 31, 2007 and 2006

	2007	2006
Assets		
Investments		
At fair value (Notes 2 and 4)		
Investment contracts	$ 1,884,927,550	$ 1,923,023,816
Registered investment companies	5,998,492,694	5,424,491,652
Common collective trusts	811,426,221	821,036,498
Raytheon Company common stock	1,895,116,460	2,001,686,438
Common stock		73,685,978
Other investments	455,510,421	419,746,216
Participant loans	208,034,801	230,513,292
Total investments	11,253,508,147	10,894,183,890
Interest bearing cash and cash equivalents	49,353,704	52,944,590
Receivables		
Receivable for investments sold on a delayed delivery basis (Note 7)	68,968,205	24,067,293
Employer contributions	36,783	464,742
Accrued investment income and other receivables	10,341,397	11,986,831
Total receivables	79,346,385	36,518,866
Total assets	11,382,208,236	10,983,647,346
Liabilities		
Payable for investments purchased on a delayed delivery basis (Note 7)	41,447,846	
Payables for securities purchased	2,629,280	2,644,828
Accrued expenses	117,419	414,350
Other payables	4,126,893	4,069,188
Total liabilities	48,321,438	7,128,366
Net assets available for benefits at fair value	11,333,886,798	10,976,518,980
Adjustment from fair value to contract value for interest in fully benefit-responsive investment contracts	(23,559,372)	7,312,707
Net assets available for benefits	$ 11,310,327,426	$ 10,983,831,687

The accompanying notes are an integral part of these financial statements.

Table of Contents

Raytheon Savings and Investment Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2007

Additions to net assets attributable to	
Net appreciation of investments (Notes 2 and 3)	$ 259,502,756
Interest and dividends (Notes 2 and 4)	669,612,475
	929,115,231
Contributions and deferrals	
Employee deferrals	589,465,706
Employer contributions	220,062,111
	809,527,817
Transfers in from affiliated benefit plan (Note 1)	7,190,910
Total additions	1,745,833,958
Deductions from net assets attributable to	
Distributions to participants	1,418,796,937
Administrative expenses	541,282
Total deductions	1,419,338,219
Increase in net assets	326,495,739
Net assets, beginning of year	10,983,831,687
Net assets, end of year	$ 11,310,327,426

The accompanying notes are an integral part of these financial statements.

Table of Contents

Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2007 and 2006

1. Description of Plan
General

The following description of the Raytheon Savings and Investment Plan (the Plan) provides only general information. Participants should refer to the Plan document for a complete description of the Plan s provisions. The Plan is a defined contribution plan covering the majority of employees of Raytheon Company (the Company or the Plan Sponsor). Most employees are immediately eligible to enroll in the Plan on the first day of service. The purpose of the Plan is to provide participants with a tax-effective means of meeting both short-term and long-term investment objectives. From January 1, 2000 until December 31, 2001, the entire Plan was an employee stock ownership plan (ESOP) that included a qualified cash or deferred arrangement under the Internal Revenue Code (the Code). Effective January 1, 2002, the portion of the Plan that is invested in Raytheon Company stock is an ESOP that includes a cash or deferred arrangement, and the remaining portion of the Plan is a profit-sharing plan that includes a cash or deferred arrangement. The ESOP is intended to be an employee stock ownership arrangement in compliance with all of the related requirements for a qualified stock bonus plan as defined in the Code. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan s investments are principally held in the Raytheon Savings and Investment Plan Trust (the Trust).

In 2006, the Plan Sponsor acquired Virtual Technology Corporation. In May, 2007 the net assets of the Virtual Technology Corporation 401(k) Plan, amounting to $7,190,910, were merged into the Plan.

Contributions and Deferrals

Eligible employees may contribute to the Plan up to 50% of their compensation, as defined in the Plan document. The Code limits the compensation the Plan may take into account to $225,000 for the 2007 plan year. Employee contributions, including rollovers, are invested based on participant elections. For 2007, the annual employee pre-tax elective deferral contributions for a participant cannot exceed $15,500, except for catch-up contributions. Participants also may make after-tax contributions, but total employee (pre-tax and after-tax) contributions and employer contributions may not exceed $45,000 for the 2007 plan year, except for catch-up contributions. A participant who is eligible to make elective pre-tax contributions and is at least age 50 by the end of 2007 may make pre-tax catch-up contributions up to $5,000.

For most employees, the Company matches 100% of the first 4% of compensation that a participant contributes to the Plan each pay period. Matching Company contributions made before January 1, 2005, were invested in the Raytheon Common Stock Fund and were required to be held in that fund until the beginning of the fifth plan year following the plan year for which the contribution was made or January 1 of the year the employee turns age 55, if earlier. For most participants, matching Company contributions made after December 31, 2004, are made in cash and are invested based on the investment allocation for employee contributions.

Effective January 1, 2007, eligible employees hired or rehired on or after January 1, 2007 participate in the Retirement Income Savings Program (RISP) (subject to any applicable collective bargaining agreements), in addition to having the right to participate in the other features of the Plan. Under RISP, the Company contributes a percentage of each RISP-eligible participant s compensation to the participant s RISP account in the Plan. The percentage contribution varies according to a schedule based on the participant s age at the most recent date of hire and years of service since the most recent date of hire.

Before January 1, 2005, the Company also made an ESOP contribution equal to one-half of one percent of the participant s compensation up to the applicable IRS limitation. The Company ceased to make that contribution for most participants effective December 31, 2004. The portion of the Plan consisting of ESOP contributions and earnings provided for investment primarily in the Raytheon Common Stock Fund; however, the Plan permitted limited diversification among other investment options, after a participant attained age 55 and completed 10 years of plan participation (including participation in the prior ESOP plans).

5

Table of Contents

Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2007 and 2006

Effective July 1, 2006, the Plan eliminated the restrictions described above on participants moving investments out of the Raytheon Common Stock Fund.

Participants may invest contributions in increments of 1% in any combination of investment alternatives available, subject to percentage limitations applicable to some funds. The investment objectives range from investments with an emphasis on preservation of capital to equity investments with an emphasis on capital gains. The underlying investments include cash and equivalents, investment contracts, registered investment companies, common collective trusts, common stock, Raytheon Company common stock, bonds and other investments.

Participant Accounts

Each participant s account is credited with the participant s contributions, the Company s contributions and an allocation of Plan earnings. Plan earnings are allocated based on account balances by investment option. Expenses payable by the Plan are charged to participant accounts.

Participants are not permitted to make a direct exchange from the Fixed Income Fund to the Fidelity Institutional Money Market Fund because they are competing funds. All money has to be exchanged to a noncompeting fund for at least 90 days before being exchanged into the Fidelity Institutional Money Market Fund.

Vesting

With the exception of RISP participants and certain union groups, all employee and most employer contributions including ESOP contributions and earnings thereon are immediately 100% vested for each participant who performs an hour of service on or after January 1, 1999. Most RISP participants who did not perform an hour of service before January 1, 2007, become 100% vested in the employer RISP contributions after three years of service. Forfeitures of the nonvested portions of terminated participants accounts are available to reduce Company contributions. At December 31, 2007 and 2006, unallocated plan forfeitures were $1,484,727 and $996,368, respectively. During 2007, the total amount of forfeitures created was $352,412.

Distributions to Participants

A participant may make certain in-service withdrawals, including all or a portion of participant after-tax contributions and related earnings at any time and all or a portion of participant pre-tax contributions, employer contributions and related earnings upon attainment of age 59 $^{1}/_{2}$. For reasons of financial hardship, a participant may withdraw all or a portion of participant pre-tax contributions and related earnings subject to a reduction in the maximum participant pre-tax contribution rate for the next six months. On termination of employment, a participant will receive a lump-sum distribution unless the vested account is valued in excess of $1,000, and the participant elects to defer distribution. Otherwise, a terminated participant may defer the distribution until April 1 of the year following the year in which the participant reaches age 70 $^{1}/_{2}$.

Participants who have investments in the Raytheon Common Stock Fund may elect to reinvest dividends within the Plan or receive dividends in cash. Any dividends received in cash by participants will be subject to taxes in the year of receipt. In 2007, the Company s Board of Directors declared dividends of $1.02 per share. Of the $33,957,321 in dividends paid to the Plan, approximately $1,185,195 was received in cash by participants who elected the cash payment option.

Loans to Participants

A participant may borrow a portion of the balance in the participant s account, other than the RISP account, subject to certain restrictions. The maximum amount of a loan is the lesser of one-half of the participant s account balance or $50,000. The minimum loan is $500. Loans are secured by the balance in the participant s account and bear interest equal to the prime rate published in *The Wall Street Journal* on the first business day of the calendar quarter in which the loan is made. Loans must be repaid over a period of up to five years by means of payroll deductions, except that if the loan is used to acquire a dwelling which is to be used as a

6

Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2007 and 2006

principal residence of the participant, the repayment period may extend to up to 15 years. Loan payments and interest payments are credited to the borrower s account in the investment fund or funds according to the participant s current investment election. Loans are valued at principal outstanding. As of December 31, 2007 and December 31, 2006, the interest rates on the outstanding loans ranged from 4.00% to 10.25% and 4.00% to 10.33%, respectively.

Administrative Expenses

Substantially all expenses of administering the Plan, such as legal and other administration fees, are charged to participant accounts, usually allocated evenly among all accounts based on the number of participants. Administrative expenses not paid by the Plan are paid by the Company.

2. Summary of Significant Accounting Policies

The accompanying financial statements are prepared on the accrual basis of accounting.

Plan investments are stated at fair value including the Plan s benefit-responsive investment contracts.

Investments in registered investment companies and common collective trusts are valued at the closing net asset value reported on the last business day of the year. Investments in securities (common stocks) traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. Investments in fixed income securities (U.S. government, domestic bonds) are valued by a pricing service based upon market transactions at fair value as determined in good faith by the trustee of the trust. Future contracts are valued at the last settlement price at the end of each day on the exchange upon which they are traded. Cash equivalents are short-term money market instruments and are valued at cost, which approximates fair value. Investments denominated in foreign currencies are translated into U.S. dollars using the last reported exchange rate.

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a stable value fund, the Raytheon Fixed Income Fund (the Fund), a fund specifically managed for the Plan. As required by the FSP, the statements of net assets available for benefits presents the fair value of the fully benefit responsive investment contracts in the Fund and the adjustment from fair value to contract value relating to the investment contracts. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Individual assets of the synthetic investment contract are valued at representative quoted market prices. The fair value of the wrap contract for the synthetic GIC is determined using a discounted cash flow model which considers recent rebids as determined by recognized dealers, discount rate and the duration of the underlying portfolio.

Security transactions are recorded on the trade date. Payables for outstanding purchases represent trades which have occurred but have not yet settled and are recorded on the statements of net assets available for benefits.

The Plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments, excluding fully benefit-responsive investment contracts which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

Table of Contents

Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2007 and 2006

Dividend income is recorded on the ex-dividend date. Income from other investments is recorded as earned on an accrual basis.

Distributions are recorded when paid.

The preparation of financial statements in conformity with generally accepted accounting principles, requires the plan administrator to make estimates and assumptions that affect the reported amounts of net assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from the estimates included in the financial statements.

The Plan provides for various investment options in any combination of stocks, mutual funds, common collective trusts, investment contracts and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participants account balances and the amounts reported in the statement of net assets available for benefits and the statements of changes in net assets available for benefits. Other investments consist of the Plan s interest in the Raytheon Company Combined DB/DC Master Trust, which primarily consists of common stock. Please refer to the Raytheon Company Defined Benefit Plan financials for further details.

The Plan invests a portion of its assets in securities with contractual cash flows such as asset backed securities, collateralized mortgage obligations and commercial mortgage backed securities. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies and/or defaults, and may be adversely affected by shifts in the market s perception of the issuer and changes in interest rates.

Certain reclassifications have been made to the presentation of prior year financial statements to conform to the current year presentation.

The Plan adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48), as required, on January 1, 2007. FIN 48 requires the Plan Sponsor to determine whether a tax position of the Plan is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement which could result in the Plan recording a tax liability that would reduce net assets. FIN 48 must be applied to all existing tax positions upon initial adoption and the cumulative effect, if any, is to be reported as an adjustment to net assets as of January 1, 2007.

Based on its analysis, the Plan Sponsor has determined that the adoption of FIN 48 did not have a material impact to the Plan s financial statements upon adoption.

In September 2006, the FASB issued Statements of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 defines fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. FAS 157 applies to fair value measurements already required or permitted by existing standards. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Management is currently evaluating what impact the adoption of FAS 157 will have on the Plan s financial statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 (FAS 161) Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133 (FAS 133), which expands the disclosure requirements in FAS 133 about an entity s derivative instruments and hedging activities. FAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. Management is currently evaluating the impact the adoption of these accounting pronouncements on the Plan s financial statements and related disclosures.

Table of Contents

Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2007 and 2006

3. Investments

The following presents investments that represent five percent or more of the Plan s net assets:

	2007	2006
Raytheon Stock Fund	$ 1,912,531,979	$ 2,017,993,345
Fidelity Equity Income Fund	867,019,875	985,956,134
S&P 500 Index Fund	757,772,014	779,202,459
Fidelity Balanced	621,828,737	599,633,383
Fidelity Institutional Money Market	587,021,227	N/A
State Street Bank and Trust GIC*	N/A	584,503,401

* Presented at contract value

During the year ended December 31, 2007 the Plan s investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $259,502,756 as follows:

Registered investment companies	$ (87,892,458)
Common collective trusts	48,714,787
Raytheon Company common stock	269,277,907
Other investments	29,402,520
	$ 259,502,756

4. Investment Contracts

The Plan invests in benefit-responsive synthetic guaranteed investment contracts (Synthetic GICs) with financial institutions. Income from Synthetic GICs is reported net of administrative expenses. The GIC issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed by the Plan. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value with limited restrictions related to the transfer of funds into a competing fund investment option. The Plan considers such factors as the benefit responsiveness of the investment contracts, the ability of the parties to the contracts to perform in accordance with the terms of the contracts and the likelihood of default by an issuer of an investment security.

Synthetic GICs represent individual assets, usually a portfolio of high quality fixed income securities placed in a trust, with ownership by the Plan. The Plan purchases a third party issued benefit-responsive wrapper contract that guarantees that participant transactions are executed at contract value. Individual assets of the synthetic GICs are valued based on the policy in Note 2.

Wrap contracts accrue interest using a formula called the crediting rate. Wrap contracts use the crediting rate formula to convert market value changes in the covered assets into income distributions in order to minimize the difference between the market and contract value of the covered assets over time. Using the crediting rate formula, an estimated future market value is calculated by compounding the Fund s current market value at the Fund s current yield to maturity for a period equal to the Fund s duration. The crediting rate is the discount rate that equates estimated future market value with the Fund s current contract value. The crediting rate is most impacted by the change in the annual effective yield to maturity of the underlying securities, but is also affected by the differential between the contract value and the market value of the covered investments. The difference is amortized over the duration of the investments. Depending on the change in duration from reset period to reset period, the magnitude of the impact to the crediting rate of the contract contract to market difference is heightened or

Table of Contents

Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2007 and 2006

lessened. Crediting rates are reset quarterly. The wrap contracts provide a guarantee that the crediting rate will not fall below 0%. Events disqualifying an underlying investment from being wrapped include but are not limited to bankruptcy of the security issuer or the default or restricted liquidity of the security issuer.

If the Fund experiences significant redemptions when the market value is below the contract value, the Fund s yield may be reduced significantly, to a level that is not competitive with other investment options. This may result in additional redemptions, which would tend to lower the crediting rate further. If redemptions continued, the Fund s yield could be reduced to zero. If redemptions continued thereafter, the Fund might have insufficient assets to meet redemption requests, at which point the Fund would require payments from the wrap issuer to pay further shareholder redemptions.

The crediting rate, and hence the Fund s return, may be affected by many factors, including purchases and redemptions by participants. The precise impact on the Fund depends on whether the market value of the covered assets is higher or lower than the contract value of those assets. If the market value of the covered assets is higher than their contract value, the crediting rate will ordinarily be higher than the yield of the covered assets. Under these circumstances, cash from new investors will tend to lower the crediting rate and the Fund s return, and redemptions by existing participants will tend to increase the crediting rate and the Fund s return.

The Fund and the wrap contracts purchased by the Fund are designed to pay all participant-initiated transactions at contract value. Participant-initiated transactions are those transactions allowed by the Plan (typically this would include withdrawals for benefits, loans, or transfers to non-competing funds within the Plan). However, the wrap contracts limit the ability of the Fund to transact at contract value upon the occurrence of certain events. At this time, management believes the occurrence of any of these events is not probable. These events include:

1. The Plan s failure to qualify under Section 401(a) or Section 401(k) of the Internal Revenue Code.

2. The establishment of a defined contribution plan that competes with the Plan for employee contributions.

3. Any substantive modification of the Plan or the administration of the Plan that is not consented to by the wrap issuer.

4. Complete or partial termination of the Plan.

5. Any change in law, regulation or administrative ruling applicable to the Plan that could have a material adverse effect on the Fund s cashflow.

6. Merger or consolidation of the Plan with another plan, the transfer of Plan assets to another Plan, or the sale, spin-off or merger of a subsidiary or division of the plan Sponsor.

7. Any communication given to participants by the Plan Sponsor or any other plan fiduciary that is designed to induce or influence participants not to invest in the Fund or to transfer assets out of the Fund.

8. Exclusion of a group of previously eligible employees from eligibility in the Plan.

9. Any early retirement program, group termination, group layoff, facility closing, or similar program.

10. Any transfer of assets from the Fund directly to a competing option.

11. Bankruptcy of the Plan Sponsor or other Plan Sponsor events which cause a significant withdrawal from the Plan.

A wrap issuer may terminate a wrap contract at any time. In the event that the market value of the Fund s covered assets is below their contract value at the time of such termination, Fidelity Management Trust Company (FMTC), the trustee, may elect to keep the wrap contract in place until such time as the market value of the Fund s covered assets is equal to their contract value.

Table of Contents

Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2007 and 2006

A wrap issuer may also terminate a wrap contract if FMTC s investment management authority over the Fund is limited or terminated as well as if all of the terms of the wrap contract fail to be met. In the event that the market value of the Fund s covered assets is below their contract value at the time of such termination, the terminating wrap provider would not be required to make a payment to the Fund.

Synthetic investment contracts generally impose conditions on both the Plan and the issuer. If an event of default occurs and is not cured, the non-defaulting party may terminate the contract. The following may cause the Plan to be in default: a breach of material obligation under the contract; a material misrepresentation; or a material amendment to the Plan agreement. The issuer may be in default if it breaches a material obligation under the investment contract; makes a material misrepresentation; has a decline in its long term credit rating below a threshold set forth in the contract; is acquired or reorganized and the successor issuer does not satisfy the investment or credit guidelines applicable to issuers. If, in the event of default of an issuer, the Plan were unable to obtain a replacement investment contract, withdrawing plans may experience losses if the value of the Plan s assets no longer covered by the contract is below contract value. The Plan may seek to add additional issuers over time to diversify the Plan s exposure to such risk, but there is no assurance Plan may be able to do so. The combination of the default of an issuer and an inability to obtain a replacement agreement could render the Plan unable to achieve its objective of maintaining a stable contract value. The terms of an investment contract generally provide for settlement of payments only upon termination of the contract or total liquidation of the covered investments. Generally, payments will be made pro-rata, based on the percentage of investments covered by each issuer. Contract termination occurs whenever the contract value or market value of the covered investments reaches zero or upon certain events of default. If the contract terminates due to issuer default (other than a default occurring because of a decline in its rating), the issuer will generally be required to pay to the Plan the excess, if any, of contract value over market value on the date of termination. If a synthetic GIC terminates due to a decline in the ratings of the issuer, the issuer may be required to pay to the Plan the cost of acquiring a replacement contract (i.e. replacement cost) within the meaning of the contract. If the contract terminates when the market value equals zero, the issuer will pay the excess of contract value over market value to the Plan to the extent necessary for the Plan to satisfy outstanding contract value withdrawal requests. Contract termination also may occur by either party upon election and notice.

The crediting interest rates are adjusted quarterly to reflect the experienced and anticipated yields to be earned on such investments, based on their book value. The average yield and crediting interest rates were as follows:

	Average Yield	Crediting Interest Rate
December 31, 2007		
JP Morgan Chase (ARAYTHEON-2-07)	4.87%	5.05%
State Street Bank and Trust (107046)	4.87%	5.06%
AIG Financial Products Corp (969481)	4.87%	5.05%
RaboBank (RTN040701)	4.87%	5.05%
December 31, 2006		
Chase Manhattan Bank (429666)	4.91%	5.01%
State Street Bank and Trust (99054)	4.91%	5.02%
AIG Financial Products Corp (541687)	4.91%	5.01%
UBS Warburg (3088)	4.91%	5.00%

5. Future Contracts

A future contract is a contractual agreement to make or take delivery of a standardized quantity of a specified grade or type of commodity or financial instrument at a specified future date in accordance with terms specified by a regulated future exchange.

Table of Contents

Raytheon Savings and Investment Plan

Notes to Financial Statements

December 31, 2007 and 2006

As described in Note 4, the synthetic GICs represent individual assets placed in a trust, with ownership by the Plan. As of December 31, 2007 and 2006, the synthetic GICs contained future contracts. The Plan uses fixed income future contracts to manage exposure to the market. Buying futures tends to increase the Plan s exposure to the underlying instrument. Selling futures tends to decrease the Plan s exposure to the underlying instrument held, or hedge the fair value of other fund investments. The Plan does not employ leverage in its use of futures, thus cash balances are maintained at a level at least equal to the contract value of the futures.

Future contracts are valued at the last settlement price at the end of each day on the exchange upon which they are traded. Upon entering into a future contract, the Plan is required to deposit either in cash or securities an amount equal to a certain percentage of the nominal value of the contract (initial margin). Pursuant to the future contract, the Plan agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in the value of the future contract. Such receipts or payments are known as variation margin which are settled daily and are included in the realized gains (losses) on future contracts. In addition, the Plan pledges collateral, generally U.S. government bonds, for open fixed income future positions.

Future contracts involve, to varying degrees, credit and market risks. The Plan enters into future contracts on exchanges where the exchange acts as the counterparty to the transaction. Thus, credit risk on such transactions is limited to the failure of the exchange. The daily settlement on the future contracts serves to greatly reduce credit risk. Losses in value may arise from changes in the value of the underlying instrument or if there is an illiquid secondary market for the contracts. In addition, there is the risk that there may not be an exact correlation between a future contract and the underlying index or security.

A summary of the open fixed income futures as of December 31, 2007 and 2006 is presented below:

	Long Contracts				Short Contracts			
	2007		2006		2007		2006	
	Number of Contracts	Aggregate Face Value	Number of Contracts	Aggregate Face Value	Number of Contracts	Aggregate Face Value	Number of Contracts	Aggregate Face Value
10 Yr SWAP Note Future Exp Mar 2008					80	$ 8,837,500		
3 Month Euro Euribor Future Exp Mar 2008	20	$ 6,966,446						
3 Month Euro Euribor Future Exp Jun 2009	9	3,152,436						
3 Month Euro Euribor Future Exp Mar 2009	13	4,551,855						
3 Month Euro Euribor Future Exp Sep 2009	13	4,553,518						
30-day Fed Fund Future Exp Jan 2008					186	74,281,942		
30-day Fed Fund Future Exp Feb 2008								