SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

/X/ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended July 4, 1999

/ / Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from .... to ....

Commission File Number 1-13699

RAYTHEON COMPANY
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	95-1778500
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
141 SPRING STREET, LEXINGTON, MASSACHUSETTS	02421
(Address of Principal Executive Offices)	(Zip Code)

(781) 862-6600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /x/ No / /

Number of shares of common stock outstanding as of July 4, 1999: 337,668,000, consisting of 100,805,000 shares of Class A common stock and 236,863,000 shares of Class B common stock.

RAYTHEON COMPANY

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

BALANCE SHEETS

	(Unaudited) July 4, 1999	Dec. 31, 1998
	(In millions)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 108	$ 421
Accounts receivable, less allowance for doubtful accounts	913	618
Contracts in process	5,461	4,842
Inventories	1,969	1,711
Deferred federal and foreign income taxes	675	809
Prepaid expenses and other current assets	290	236
Total current assets	9,416	8,637
Property, plant, and equipment, net	2,275	2,275
Goodwill, net	14,228	14,431
Other assets, net	2,807	2,596
Total assets	$28,726	$27,939
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable and current portion of long-term debt	$ 2,090	$ 827
Advance payments, less contracts in process	926	865
Accounts payable	1,921	2,091
Accrued salaries and wages	655	703
Other accrued expenses	1,848	2,194
Total current liabilities	7,440	6,680
Accrued retiree benefits and other long-term liabilities	1,697	1,679
Deferred federal and foreign income taxes	600	561
Long-term debt	7,790	8,163
Stockholders' equity	11,199	10,856
Total liabilities and stockholders' equity	$28,726	$27,939

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

RAYTHEON COMPANY

STATEMENTS OF INCOME (Unaudited)

	Three Months Ended July 4, 1999	Three Months Ended June 28, 1998	Six Months Ended July 4, 1999	Six Months Ended June 28, 1998
	(In millions except per share amounts)			
Net sales	$ 5,202	$ 5,078	$10,105	$ 9,652
Cost of sales	4,015	3,939	7,885	7,497
Administrative and selling expenses	402	456	744	802
Research and development expenses	135	154	246	298
Total operating expenses	4,552	4,549	8,875	8,597
Operating income	650	529	1,230	1,055
Interest expense, net	176	182	353	354
Other income, net	(11)	(99)	(5)	(102)
Non-operating expense, net	165	83	348	252
Income before taxes	485	446	882	803
Federal and foreign income taxes	191	176	347	319
Income before accounting change	294	270	535	484
Cumulative effect of change in accounting principle, net of tax	--	--	53	--
Net income	$ 294	$ 270	$ 482	$ 484
Earnings per share before accounting change				
Basic	$ 0.87	$ 0.80	$ 1.59	$ 1.43
Diluted	$ 0.86	$ 0.79	$ 1.57	$ 1.41
Earnings per share				
Basic	$ 0.87	$ 0.80	$ 1.43	$ 1.43
Diluted	$ 0.86	$ 0.79	$ 1.41	$ 1.41
Dividends declared per common share	$ 0.20	$ 0.20	$ 0.40	$ 0.40

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

RAYTHEON COMPANY

STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended July 4, 1999	Six Months Ended June 28, 1998
	(In millions)	
Cash flows from operating activities		
Net income	$ 482	$ 484
Adjustments to reconcile net income to net cash used in operating activities, net of the effect of acquisitions and divestitures		
Depreciation and amortization	345	393
Net gain on sale of operating units	(9)	(94)
(Increase) decrease in accounts receivable	(290)	20
Increase in contracts in process	(629)	(725)
Increase in inventories	(312)	(276)
Decrease in current deferred federal and foreign income taxes	134	266
(Increase) decrease in prepaid expenses and other current assets	(54)	6
Increase in advance payments	62	148
(Decrease) increase in accounts payable	(167)	15
Decrease in accrued salaries and wages	(46)	(31)
Decrease in other accrued expenses	(352)	(334)
Other adjustments, net	24	--
Net cash used in operating activities	(812)	(128)
Cash flows from investing activities		
Sale of financing receivables	610	530
Origination of financing receivables	(675)	(641)
Expenditures for property, plant, and equipment	(181)	(241)
Increase in other assets	(52)	(2)
Payment for purchase of acquired companies	--	(86)
Proceeds from sales of operating units and investments	54	406
Net cash used in investing activities	(244)	(34)
Cash flows from financing activities		
Dividends	(134)	(136)
Increase (decrease) in short-term debt	888	(1,220)
Increase in long-term debt	2	1,588
Purchase of treasury shares	(147)	(94)
Proceeds under common stock plans	134	45
Net cash provided by financing activities	743	183
Net (decrease) increase in cash and cash equivalents	(313)	21
Cash and cash equivalents at beginning of year	421	296
Cash and cash equivalents at end of period	$ 108	$ 317

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

RAYTHEON COMPANY

NOTES TO FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

The accompanying unaudited financial statements of Raytheon Company (the "Company") have been prepared on substantially the same basis as the Company's annual consolidated financial statements except that the Company changed its method of reporting cash flows related to the origination and sale of financing receivables. These interim unaudited financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1998. The information furnished has been prepared from the accounts without audit. In the opinion of management, these financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the financial statements for the interim periods. Certain prior year amounts have been reclassified to conform with the current year presentation.

2. Restructuring

During the first six months of 1999, the Company's activity related to previously announced restructuring initiatives at Raytheon Systems Company (RSC) and Raytheon Engineers & Constructors (RE&C) was as follows:

	RSC	RE&C
	(In millions except employee data)	
Accrued liability at December 31, 1998	$ 563	$ 66
Costs incurred		
Severance and other employee related costs	63	34
Facility closure and related costs	141	6
	204	40
Accrued liability at July 4, 1999	$ 359	$ 26
Cash expenditures	$ 204	$ 40
Number of employee terminations due to restructuring actions during the first six months of 1999	1,500	300

The Company also incurred $72 million of period and capital expenditures during the six months ended July 4, 1999 related to RSC restructuring initiatives.

3. Business Segment Reporting

The Company operates in three major business areas: Electronics, both defense and commercial, Engineering and Construction, and Aircraft. In the first quarter of 1999, the Company completed a reorganization of certain business segments within Total Electronics to better align the operations with customer needs. Prior year segment results have been restated to reflect this change. Segment financial results were as follows:

	Sales Three Months Ended		Operating Income Three Months Ended	
	July 4, 1999	June 28,1998	July 4,1999	June 28, 1998
	(In millions)			
Defense Systems	$ 1,399	$ 1,273	$ 235	$ 196
Sensors and Electronic Systems	637	756	108	125
Command, Control, Communication, and Information Systems	952	902	134	62
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	833	890	78	43
Total Electronics	3,821	3,821	555	426
Engineering and Construction	650	618	20	30
Aircraft	731	639	75	73
Total	$ 5,202	$ 5,078	$ 650	$ 529

	Sales Six Months Ended		Operating Income Six Months Ended	
	July 4, 1999	June 28, 1998	July 4, 1999	June 28, 1998
	(In millions)			
Defense Systems	$ 2,657	$ 2,450	$ 454	$ 372
Sensors and Electronic Systems	1,385	1,397	234	230
Command, Control, Communication, and Information Systems	1,857	1,773	238	147
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	1,633	1,772	147	136
Total Electronics	7,532	7,392	1,073	885
Engineering and Construction	1,342	1,162	50	63
Aircraft	1,231	1,098	107	107
Total	$10,105	$ 9,652	$ 1,230	$ 1,055

	Identifiable Assets	
	July 4, 1999	Dec. 31, 1998
	(In millions)	
Defense Systems	$ 2,549	$ 2,286
Sensors and Electronic Systems	1,926	1,823
Command, Control, Communication, and Information Systems	1,671	1,624
Aircraft Integration Systems, Training and Services, Commercial Electronics, and Other	2,166	1,993
Unallocated Electronics Items	13,166	13,067
Total Electronics	21,478	20,793
Engineering and Construction	1,563	1,478
Aircraft	2,818	2,356
Corporate	2,867	3,312
Total	$28,726	$27,939

Identifiable assets attributed to Unallocated Electronics Items primarily consist of goodwill and prepaid pension. While these assets have not been allocated back to the segments, the associated income statement impact, including goodwill amortization, has been included in the determination of the Electronics businesses operating income.

4. Inventories

Inventories consisted of the following at:

	July 4, 1999	Dec. 31, 1998
	(In millions)	
Inventories		
Finished goods	$ 239	$ 317
Work in process	1,262	1,037
Materials and purchased parts	615	507
Excess of current cost over LIFO values	(147)	(150)
Total inventories	$1,969	$1,711

5. Special Purpose Entities

In connection with the sale of receivables, the following special purpose entities have been established as of July 4, 1999, Raytheon Receivables, Inc., Raytheon Aircraft Receivables Corporation, and Raytheon Engineers & Constructors Receivables Corporation.

6. Stockholders' Equity

Stockholders' equity consisted of the following at:

	July 4, 1999	Dec. 31, 1998
	(In millions)	
Preferred stock, no outstanding shares	$ --	$ --
Class A common stock, outstanding shares	1	1
Class B common stock, outstanding shares	2	2
Additional paid-in capital	6,418	6,272
Accumulated other comprehensive income	(49)	(50)
Treasury stock	(408)	(257)
Retained earnings	5,235	4,888
Total stockholders' equity	$11,199	$10,856
Common stock outstanding	337.7	336.8

During the first half of 1999, outstanding shares were reduced by the repurchase of 2.5 million shares offset by an increase of 3.4 million shares due to stock-based compensation plan activity.

Share information used to calculate earnings per share (EPS) is as follows:

	Three Months Ended		Six Months Ended	
	July 4, 1999	June 28, 1998	July 4, 1999	June 28, 1998
	(In thousands)			
Average common shares outstanding for basic EPS	336,885	338,366	336,620	338,458
Dilutive effect of stock plans	6,795	4,772	5,187	4,657
Average common shares outstanding for diluted EPS	343,680	343,138	341,807	343,115

Options to purchase 0.1 million shares of common stock for the three months ended July 4, 1999 and June 28, 1998 and options to purchase 6.4 million and 6.1 million shares of common stock for the six months ended July 4, 1999 and June 28, 1998, respectively did not affect the computation of diluted EPS. The exercise prices for these options were greater than the average market price of the Company's common stock during the respective periods.

The components of other comprehensive income for the Company generally include foreign currency translation adjustments, minimum pension liability adjustments, and unrealized gains and losses on marketable securities classified as available-for-sale. The computation of comprehensive income is as follows:

	Three Months Ended		Six Months Ended	
	July 4, 1999	June 28, 1998	July 4, 1999	June 28, 1998
	(In millions)			
Net income	$294	$270	$482	$484
Other comprehensive income	(7)	(5)	1	(21)
Total comprehensive income	$287	$265	$483	$463

7. Change in Accounting Principle

Effective January 1, 1999, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-5, Reporting on the Costs of Start-Up Activities (SOP 98-5). This accounting standard requires that certain start-up and pre-contract award costs be expensed as incurred. During the first quarter of 1999, the Company recorded a charge of $53 million or $0.16 per diluted share, reflecting the initial application of SOP 98-5 and the cumulative effect of the change in accounting principle as of January 1, 1999.

8. Subsequent Events

In July 1999, the Company announced it had reached an agreement to sell its Cedarapids, Inc. subsidiary for approximately $170 million in cash.

In July 1999, the Company filed a shelf registration with the Securities and Exchange Commission registering the possible future issuance of up to $3.0 billion in debt and/or equity securities. This filing is not yet effective.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Results of Operations - Second quarter 1999 compared with second quarter 1998

Net sales for the second quarter of 1999 were $5.2 billion versus $5.1 billion for the same period in 1998. Sales to the U.S. Department of Defense were 52 percent of sales for the second quarter of 1999 versus 55 percent of sales for the second quarter of 1998. Total second quarter 1999 and 1998 sales to the U.S. government, including foreign military sales, were 61 percent and 65 percent of sales, respectively. Total international sales, including foreign military sales, were 27 percent of sales for the second quarter of 1999 versus 26 percent of sales for the second quarter of 1998.

Gross margin for the second quarter of 1999 was $1,187 million or 22.8 percent of sales versus $1,139 million or 22.4 percent of sales for the second quarter of 1998. The increase in margin as a percent of sales was primarily attributable to the Electronics businesses due to restructuring related cost reductions and sales mix.

Administrative and selling expenses were $402 million or 7.7 percent of sales for the second quarter of 1999 versus $456 million or 9.0 percent of sales for the second quarter of 1998. Excluding the 1998 special charges of $84 million, administrative and selling expenses were $372 million or 7.3 percent of sales for the second quarter of 1998. The increase in administrative and selling expenses is primarily due to increases in variable stock-based compensation charges and start-up activities associated with the Company's Six Sigma initiatives.

Research and development expenses decreased to $135 million or 2.6 percent of sales for the second quarter of 1999 versus $154 million or 3.0 percent of sales for the second quarter of 1998. The decrease in research and development expenses was due primarily to the elimination of duplicate research and development processes within Raytheon Systems Company (RSC) and the timing of expenditures during the year.

Operating income was $650 million or 12.5 percent of sales for the second quarter of 1999 versus $529 million or 10.4 percent of sales for the second quarter of 1998. Excluding the 1998 special charges, operating income was $613 million or 12.1 percent of sales. The changes in operating income by segment are discussed below.

Interest expense, net for the second quarter of 1999 was $176 million compared to $182 million for the second quarter of 1998.

Other income, net for the second quarter of 1999 was $11 million versus $99 million for the second quarter of 1998, which included a $94 million pretax gain from divestitures.

The effective tax rate was 39.4 percent for the second quarter of 1999 versus 39.5 percent for the second quarter of 1998. The effective tax rate reflects primarily the United States statutory rate of 35 percent reduced by foreign sales corporation tax credits and research and development tax credits applicable to certain government contracts, increased by non-deductible amortization of goodwill.

Net income was $294 million for the second quarter of 1999, or $0.86 per diluted share on 343.7 million average shares outstanding versus net income of $270 million for the second quarter of 1998, or $0.79 per diluted share on 343.1 million average shares outstanding.

Total employment was approximately 108,100 at July 4, 1999, approximately 108,200 at December 31, 1998, and approximately 114,900 at June 28, 1998. The decreases are primarily a result of the continuing restructuring initiatives at RSC and Raytheon Engineers & Constructors (RE&C), offset by the recruitment of employees for critical technical skills in support of new business.

The Electronics businesses reported second quarter 1999 sales of $3.8 billion, unchanged from the same period a year ago and operating income of $555 million or 14.5 percent of sales versus $426 million or 11.1 percent of sales for the same period a year ago. Excluding the 1998 special charges, operating income was $510 million or 13.3 percent of sales. The increase in operating income as a percent of sales was primarily a result of decreases in cost of sales and research and development expenses made in conjunction with the restructuring initiatives at RSC.

During 1998, the Company announced plans to reduce the workforce and close facilities in conjunction with RSC's consolidation and reorganization. The Company expects to face continuing competitive pressures and the need to be active in cost management. In light of these ongoing challenges, the Company is evaluating additional cost reduction actions to protect its competitive position and maintain its historical levels of profitability at RSC.

RE&C reported second quarter 1999 operating income of $20 million on sales of $650 million, compared to second quarter 1998 operating income of $30 million on sales of $618 million. Project delays, cancellations, and cost growth contributed to the erosion in operating margin from 4.9 percent of sales a year ago to 3.1 percent of sales for the quarter. The Company expects that the difficulties encountered in the second quarter will continue into the second half of the year.

During 1998, the Company announced plans to reduce the RE&C workforce and reduce facility space and recorded $108 million of restructuring charges. The Company will essentially complete these actions during 1999. Based on current estimates, the Company expects to incur approximately $10 million less than the plan due to lower facility exit costs. In the second quarter of 1999, the Company implemented additional restructuring plans to further reduce the RE&C workforce by approximately 200 employees at a cost of $10 million. The Company expects to face continuing competitive pressures and the need to be active in cost management. In light of these ongoing challenges, the Company is evaluating additional cost reduction actions at RE&C.

Raytheon Aircraft reported second quarter 1999 sales of $731 million versus $639 million for the same period a year ago and operating income of $75 million or 10.3 percent of sales versus $73 million or 11.4 percent of sales for the same period a year ago. The increase in sales is due to increased demand for mid-size corporate jets. The decline in operating margin as a percent of sales was due to increased research and development expenses for two new aircraft, the Premier I and Hawker Horizon. Also contributing to the decrease in operating margin as a percent of sales was the divestiture of the Raytheon Aircraft Montek subsidiary in the fourth quarter of 1998.

Six months 1999 versus six months 1998

Net sales for the first six months of 1999 were $10.1 billion, an increase of 4.7 percent versus $9.7 billion for the same period in 1998. Sales to the U.S. Department of Defense were 54 percent of sales for the first six months of 1999 versus 55 percent of sales for the first six months of 1998. Total sales to the U.S. government during the first six months of 1999 and 1998, including foreign military sales, were 63 percent and 66 percent of sales, respectively. Total international sales, including foreign military sales, were 27 percent of sales for the first six months of 1999 versus 26 percent of sales for the same period in 1998.

Gross margin for the first six months of 1999 was $2,220 million or 22.0 percent of sales versus $2,155 million or 22.3 percent of sales for the first six months of 1998. The decrease in margin as a percent of sales was attributable to the sales mix at Aircraft and lower margins at RE&C, partially offset by higher margins at the Electronics businesses due to restructuring related cost reductions and sales mix.

Administrative and selling expenses were $744 million or 7.4 percent of sales for the first six months of 1999 versus $802 million or 8.3 percent of sales for the first six months of 1998. Excluding the 1998 special charges of $84 million, administrative and selling expenses were $718 million or 7.4 percent of sales for the first six months of 1998.

Research and development expenses decreased to $246 million or 2.4 percent of sales for the first six months of 1999 from $298 million or 3.1 percent of sales for the first six months of 1998. The decrease in research and development expenses was due primarily to the elimination of duplicate research and development processes within RSC and the timing of expenditures during the year.

Operating income was $1,230 million or 12.2 percent of sales for the first six months of 1999 versus $1,055 million or 10.9 percent of sales for the first six months of 1998. Excluding the 1998 special charges, operating income was $1,139 million or 11.8 percent of sales. The changes in operating income by segment are discussed below.

Interest expense, net for the first six months of 1999 was $353 million compared to $354 million for the first six months of 1998.

Other income, net for the first six months of 1999 was $5 million versus $102 million for the first six months of 1998, which included a $94 million pretax gain from divestitures.

The effective tax rate was 39.3 percent for the first six months of 1999 versus 39.7 percent for the first six months of 1998. The effective tax rate reflects primarily the United States statutory rate of 35 percent reduced by foreign sales corporation tax credits and research and development tax credits applicable to certain government contracts, increased by non-deductible amortization of goodwill.

Effective January 1, 1999, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-5, Reporting on the Costs of Start-Up Activities (SOP 98-5). This accounting standard requires that certain start-up and pre-contract award costs be expensed as incurred. During the first quarter of 1999, the Company recorded a charge of $53 million or $0.16 per diluted share, reflecting the initial application of SOP 98-5 and the cumulative effect of the change in accounting principle as of January 1, 1999.

Income before accounting change was $535 million for the first six months of 1999, or $1.57 per diluted share on 341.8 million average shares outstanding versus net income of $484 million for the first six months of 1998, or $1.41 per diluted share on 343.1 million average shares outstanding. Net income for the first six months of 1999 was $482 million, or $1.41 per diluted share.

The Electronics businesses reported sales for the first six months of 1999 of $7.5 billion versus $7.4 billion for the same period a year ago and operating income of $1,073 million or 14.2 percent of sales compared with $885 million or 12.0 percent of sales for the same period a year ago. Excluding the 1998 special charges, operating income was $969 million or 13.1 percent of sales. The increase in operating income as a percent of sales was primarily a result of decreases in cost of sales and research and development expenses made in conjunction with the restructuring initiatives at RSC.

RE&C reported sales of $1.3 billion during the first six months of 1999 versus $1.2 billion for the same period a year ago and operating income of $50 million or 3.7 percent of sales, compared with $63 million or 5.4 percent of sales for the same period a year ago. Project delays, cancellations, and cost growth contributed to the erosion in operating margins. The Company expects that the difficulties encountered during the first six months of 1999 will continue into the second half of the year.

Raytheon Aircraft reported sales of $1.2 billion for the first six months of 1999 versus $1.1 billion for the same period a year ago and operating margin of $107 million or 8.7 percent of sales, compared to $107 million or 9.7 percent of sales for the same period a year ago. The increase in sales is due to increased demand for mid-size corporate jets. The decline in operating margin as a percent of sales was due to increased research and development expenses for two new aircraft, the Premier I and Hawker Horizon. Also contributing to the decrease in operating margin as a percent of sales was the divestiture of the Raytheon Aircraft Montek subsidiary in the fourth quarter of 1998.

Backlog consisted of the following at:

	July 4, 1999	Dec. 31, 1998	June 28, 1998
	(In millions)		
Electronics	$17,801	$17,648	$15,625
Engineering and Construction	3,498	3,888	2,691
Aircraft	3,194	2,133	2,148
Total backlog	$24,493	$23,669	$20,464
U.S. government backlog included above	$14,159	$14,622	$11,589

During the third quarter of 1998, the Company changed its method of reporting backlog at certain locations in order to provide a consistent method of reporting across and within the Company's businesses. Backlog includes the full value of contract awards when received, excluding awards and options expected in future periods. Prior to the change, contract values which were awarded but incrementally funded were excluded from reported backlog for some parts of the business. The one-time impact of this change was a $1.1 billion increase to Electronics backlog and a $0.9 billion increase to Engineering and Construction backlog, related principally to U.S. government contracts. Prior periods have not been restated for this change.

The Company has an investment in Space Imaging L.P., a limited partnership created to take advantage of opportunities in the geographical information services market. The Company is also a partial guarantor of Space Imaging's commercial bank debt. In April 1999, an attempt to launch a commercial imaging satellite, which was to be operated by Space Imaging, failed. A second satellite launch is scheduled in the third quarter of 1999. Failure of this launch could have a material adverse effect on the Company's financial position and results of operations. At July 4, 1999, the Company's investment in and other assets related to Space Imaging totaled $71 million.

The Company is also a minor shareholder in Iridium LLC, which operates a global satellite phone and paging service. Iridium has recently been experiencing financial difficulty and filed for Chapter 11 protection from creditors on August 13, 1999. At July 4, 1999, the Company's investment in and other assets related to Iridium totaled $22 million.

Financial Condition and Liquidity

Net cash used in operating activities for the first six months of 1999 was $812 million versus $128 million for the first six months of 1998. The increase was due principally to increased working capital requirements in the Electronics businesses, costs associated with restructuring activities, and an increase in inventory at Raytheon Aircraft. During the first half of 1999, the Company incurred $316 million of restructuring-related expenditures at RSC and RE&C combined, compared to $27 million during the same period a year ago.

During the second quarter of 1999, the Company changed its method of reporting cash flows related to the origination and sale of financing receivables which are now classified as cash flows from investing activities. Prior to the change, these amounts were classified as cash flows from operating activities.

Net cash used in investing activities was $244 million for the first six months of 1999 versus $34 million for the first six months of 1998. Capital expenditures were $181 million for the first six months of 1999 versus $241 million for the first six months of 1998. Capital expenditures including facilities consolidation for the full year 1999 are expected to be approximately $500 million. Proceeds from the sale of operating units and investments was $54 million for the first six months of 1999 versus $406 million for the first six months of 1998. During the first six months of 1998, the company made payments of $86 million for transaction-related expenditures incurred in connection with the acquisition of Texas Instruments' defense businessand the merger with the defense business of Hughes Electronics Corporation (Hughes Defense).

The Company merged with Hughes Defense in December 1997. Pursuant to the terms of the merger agreement, which requires an adjustment based on net assets, the final purchase price for Hughes Defense has not been determined. While the Company expects a reduction in purchase price from the original terms of the agreement, the amount, timing, and effect on the Company's financial position are uncertain.

Net cash provided by financing activities was $743 million for the first six months of 1999 versus $183 million for the first six months of 1998. Dividends paid to stockholders in the first half of 1999 were $134 million versus $136 million in the first half of 1998. The quarterly dividend rate was $0.20 per share for the first two quarters of both 1999 and 1998. Outstanding shares were reduced by the repurchase of 2.5 million shares for $147 million during the first six months of 1999 and 1.6 million shares for $94 million during the same period a year ago. In March 1999, the Board of Directors authorized the repurchase of up to six million shares of the Company's Class A and Class B common stock over the next three years.

Total debt was $9.9 billion at July 4, 1999, compared to $9.0 billion at December 31, 1998, and $10.4 billion at June 28, 1998.

In July 1999, the Company filed a shelf registration with the Securities and Exchange Commission registering the possible future issuance of up to $3.0 billion in debt and/or equity securities. This filing is not yet effective.

Lines of credit with certain commercial banks exist as standby facilities to support the issuance of commercial paper by the Company. The lines of credit were $4.1 billion and $4.4 billion at July 4, 1999 and December 31, 1998, respectively. At July 4, 1999 and December 31, 1998, there were no borrowings under these lines of credit.

The Company's need for, cost of, and access to funds are dependent on future operating results, as well as conditions external to the Company. The Company believes that its financial position will be sufficient to maintain access to the capital markets in order to support its current operations.

Quantitative and Qualitative Disclosures About Financial Market Risks

The following discussion covers quantitative and qualitative disclosures about the Company's financial market risks. The Company's primary market exposures are to interest rates and foreign exchange rates.

The Company meets its working capital requirements with a combination of variable rate short-term and fixed rate long-term financing. The Company enters into interest rate swap agreements with commercial banks primarily to reduce the impact of changes in interest rates on short-term financing arrangements. The Company also enters into foreign exchange contracts with commercial banks to minimize fluctuations in the value of payments to international vendors and the value of foreign currency denominated receipts. The market-risk sensitive instruments used by the Company for hedging are entered into with commercial banks and are directly related to a particular asset, liability, or transaction for which a firm commitment is in place.

Financial instruments held by the Company which are subject to interest rate risk include notes payable, commercial paper, long-term debt, long-term receivables, investments, and interest rate swap agreements. The aggregate hypothetical loss in earnings for one month of those financial instruments held by the Company at July 4, 1999 which are subject to interest rate risk resulting from a hypothetical increase in interest rates of 10 percent is not material. The hypothetical loss was determined by calculating the aggregate impact of a one-month increase of 10 percent in the interest rate of each variable rate financial instrument held by the Company at July 4, 1999 which is subject to interest rate risk. Fixed rate financial instruments were not evaluated, as the risk exposure is not material.

Year 2000 Date Conversion

The Year 2000 problem concerns the inability of information systems to recognize properly and process date-sensitive information beyond January 1, 2000.

In January 1998, the Company initiated a formal comprehensive enterprise-wide program to identify and to resolve Year 2000 related issues. The scope of the program includes the investigation of all Company functions and products and all internally used hardware and software systems, including embedded systems in what are not traditionally considered information technology systems. The program has developed standard processes and an internal service center in support of Year 2000 readiness. The Company is following an eight-step risk management process grouped into two major phases, detection (planning and awareness, inventory, triage, and detailed assessment) and correction (resolution, test planning, test execution, and deployment).

The Company has identified the following eight system types that could have risk: application, infrastructure, test equipment, engineering computing, manufacturing, delivered product, facilities, and supply chain. The completion of several large acquisitions in recent years through which the Company inherited a significant number of systems, products, and facilities adds to the complexity of this task.

The detection phase of the program, which covered all eight system types, has been completed and 99 percent of the tasks in the corrective action phase to resolve all identified Year 2000 issues for internally used hardware and software systems has been completed. The Company expects to complete the remaining corrective activities during the third quarter of 1999. The Company has instituted and is executing a formal audit program to assess its state of readiness. Also, the Company is assessing the risk of supplier readiness, and in selected cases is reviewing the preparedness of individual suppliers for Year 2000.

On the basis of expected total cost, the corrective action phase is 76 percent complete. A significant portion of the remaining costs are for the development of contingency plans to augment existing disaster recovery plans and sourcing strategies for identified risks. The Company expects to complete these activities during the fourth quarter of 1999.

Since January 1998, the Company has spent $100 million on the Year 2000 program, $20 million on the detection phase, and $80 million on the corrective action phase. Prior to 1998, expenditures on the program were insignificant. Total cost at completion of the program is currently estimated to be $125 million. Of the total $125 million estimated costs, $20 million relates to the detection phase and $105 million is for correction. All costs, except those incurred for long-lived assets, are expensed as incurred. These costs include employees, inside and outside consultants and services, system replacements, and other equipment requirements. Total estimated costs of the Year 2000 program are predominantly internal; however, the Company has employed consultants in an advisory capacity, primarily in the detection phase. Although a number of minor information technology projects have been deferred as a result of the priority given to the Year 2000 program, no significant projects which would materially affect the Company's financial position or results of operations have been delayed.

The Company currently expects to resolve all identified Year 2000 issues for internally used hardware and software systems by the end of 1999; however, there can be no assurances as to the ultimate success of the program. The Company continues to assess its exposure attributable to external factors, including uncertainties regarding the ability of critical suppliers to avoid Year 2000 related service and delivery interruptions. While the Company has no reason to conclude that any specific supplier represents a significant Year 2000 risk, it is currently unable to conclude that all of its critical suppliers will successfully resolve all Year 2000 issues on a timely basis. The Company is considering various contingency plans for problems that may result from a critical supplier's inability to successfully resolve its Year 2000 issues. A "reasonably likely worst case" scenario of Year 2000 risks for the Company could include isolated interruption of deliveries from critical suppliers, increased manufacturing costs until the problems are resolved, delayed product shipments, lost revenues, lower cash receipts, and certain product liability issues. The Company is unable to quantify the potential effect of these items which could have a material adverse effect on its financial position or results of operations should some combination of these events come to pass.

Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). This accounting standard, which is effective for all fiscal quarters of fiscal years beginning after June 15, 2000, requires that all derivatives be recognized as either assets or liabilities at estimated fair value. The adoption of SFAS No. 133 is not expected to have a material effect on the Company's financial position or results of operations.

Forward-Looking Statements

Statements which are not historical facts contained in this report are forward-looking statements under the provisions of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. These risks include, in addition to the specific uncertainties referenced in this report, the effect of worldwide political and market conditions, the impact of competitive products and pricing, the timing of awards and contracts, particularly international contracts, and risks inherent with large long-term fixed price contracts. Further information regarding the factors that could cause actual results to differ materially from projected results can be found in "Item 1-Business" in Raytheon's Annual Report on Form 10-K for the year ended December 31, 1998.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security-Holders

At the annual meeting of stockholders held on April 28, 1999, the stockholders of the company took the following action:

1. The holders of Class A common stock and Class B common stock, voting together as a single class, elected the following three directors for terms of office expiring at the annual meeting of stockholders in the year 2002:

Name	For	Withhold
Daniel P. Burnham	950,166,851	6,097,436
John R. Galvin	950,080,680	6,183,607
Alfred M. Zeien	949,970,687	6,293,600

The following directors continued in office after the meeting: Ferdinand Colloredo-Mansfeld, John M. Deutch, Thomas E. Everhart, L. Dennis Kozlowski, James N. Land, Jr., Henrique de Campos Meirelles, Thomas L. Phillips, Dennis J. Picard, and Warren B. Rudman.

2. The holders of Class A common stock and Class B common stock, voting as separate classes, rejected a stockholder proposal which recommended that the company adopt the CERES principles. The Class A vote was 5,188,591 for and 62,912,751 against, with 3,407,063 abstentions and 9,454,685 broker non-votes. The Class B vote was 10,198,882 for and 145,854,292 against, with 12,461,386 abstentions and 31,149,639 broker non-votes.

3. The holders of Class A common stock and Class B common stock, voting as separate classes, rejected a stockholder proposal which recommended that the company prepare a comprehensive report on its foreign military sales. The Class A vote was 1,008,521 for and 67,571,915 against, with 2,927,970 abstentions and 9,454,684 broker non-votes. The Class B vote was 5,719,181 for and 148,988,263 against, with 13,807,118 abstentions and 31,149,639 broker non-votes.

4. The holders of Class A common stock and Class B common stock, voting as separate classes, rejected a stockholder proposal which recommended that the entire Board of Directors be elected annually with at least a 70% majority of independent directors. The Class A vote was 27,152,096 for and 43,835,799 against, with 520,479 abstentions and 9,454,717 broker non-votes. The Class B vote was 76,709,831 for and 89,547,684 against, with 2,256,444 abstentions and 31,150,242 broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 10.1	Raytheon Company 1991 Stock Plan
Exhibit 10.2	Raytheon Company 1995 Stock Option Plan
Exhibit 27	Financial Data Schedule (filed only electronically with the Securities and Exchange Commission)

(b) Reports on Form 8-K

None

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 thereunto duly authorized.

RAYTHEON COMPANY (Registrant)

By: /s/ Franklyn A. Caine
Franklyn A. Caine
Senior Vice President and
Chief Financial Officer

By: /s/ Michele C. Heid
Michele C. Heid
Vice President and
Corporate Controller
(Chief Accounting Officer)

August 18, 1999

Exhibit List

Exhibit No.	Description
10.1	Raytheon Company 1991 Stock Plan
10.2	Raytheon Company 1995 Stock Option Plan
27	Financial Data Schedule

EXHIBIT 10.1

Raytheon Company
1991 Stock Plan
as Amended October 26, 1994

Section 1. Establishment and Purpose

The Raytheon Company 1991 Stock Plan (the "1991 Plan"), for eligible employees is established effective March 27, 1991, subject to stockholder approval at the Corporation's 1991 Annual Meeting. The purpose of the Plan is to attract and retain the best available talent and encourage the highest level of performance by employees in order to enhance the profitable growth of the Corporation and otherwise to serve the best interests of the Corporation and its shareholders. By affording eligible employees the opportunity to acquire proprietary interests in the Corporation and by providing them incentives to put forth maximum efforts for the success of the Corporation's business, the 1991 Plan is expected to contribute to the attainment of those objectives. The maximum number of shares of common stock as to which awards may be granted from time to time under the 1991 Plan shall be 2,000,000. If for any reason, any shares as to which an option has been granted cease to be subject to purchase thereunder or any restricted shares or restricted units are forfeited to the Corporation, or to the extent that any awards under the 1991 Plan denominated in shares or units are paid or settled in cash or are surrendered upon the exercise of an option, then (unless the 1991 Plan shall have been terminated) such shares or units and any shares received by the Corporation upon the exercise of an option, shall become available for subsequent awards under the 1991 Plan (to the same employee who received the original award or to a different employee or employees); provided, however, that shares received by the Corporation upon the exercise of an incentive stock option shall not be available for the subsequent award of additional incentive stock options under the 1991 Plan. Any shares issued by the Corporation in respect of the assumption or substitution of outstanding awards from a corporation or other business entity acquired by the Corporation shall not reduce the number of shares available for awards under the 1991 Plan. No incentive stock option shall be granted hereunder more than ten years after March 26, 1991. The Stock which may be issued under the 1991 Plan may be authorized but unissued Stock or stock now or hereafter held by the Corporation as Treasury Stock; such Stock may be acquired, subsequently or in anticipation of the transaction, in the open market to satisfy the requirements of the 1991 Plan.

Section 2. Definitions

The following terms, as used herein, shall have the meaning specified:

"Board of Directors" means the Board of Directors of Raytheon Company as it may be comprised from time to time.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time. Reference in the 1991 Plan to any section of the Code shall be deemed to include any amendments or successor provision to such section and any regulations under such section.

"Committee" shall mean the Compensation Committee of the Board of Directors appointed to administer the Plan in accordance with Section 3.

"Corporation" means Raytheon Company including its affiliates and subsidiaries.

"Eligible Employees" Awards will be limited to officers and other employees who are regular full-time employees of the Corporation. In determining the employees to whom awards shall be granted and the number of shares or units to be covered by each award, the Committee shall take into account the nature of employees' duties, their present and potential contributions to the success of the Corporation and such other factors as it shall deem relevant in connection with accomplishing the purposes of the 1991 Plan. A director of the Corporation or of a subsidiary who is not also a regular full-time employee will not be eligible to receive an award.

"Option" shall mean any option granted under the 1991 Plan for the purchase of common stock.

"Participant" means any eligible employee who is approved by the Committee to participate in the 1991 Plan.

"Restricted Award" shall mean a Restricted Unit Award or a Restricted Stock Award.

"Restricted Period" means the designated period of time during which restrictions are in effect with respect to the Restricted Stock or Restricted Units.

"Restricted Stock" means Stock contingently awarded to a Participant under the 1991 Plan subject to the restrictions set forth in Sections 4 and 5.

"Restricted Stock Award" shall mean an award of common stock granted under the restricted award provisions of the 1991 Plan.

"Restricted Units" are units to acquire shares of common stock (or in the sole discretion of the Committee, cash as provided in Section 5.4) which are restricted as provided in Section 5.

"Stock" means shares of common stock of Raytheon Company.

Section 3. Administration of the Plan

The 1991 Plan shall be administered by the Compensation Committee of the Board of Directors of Raytheon Company. No member of this Committee shall be a Participant in this Plan. If any member of the Committee shall at any time not be a "disinterested person" or shall otherwise not qualify to administer the 1991 Plan as contemplated by Rule 16b-3, as amended, or other applicable rules under Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the 1991 Plan shall be administered by only those members of the Committee who qualify as such disinterested persons or otherwise are so qualified to administer the 1991 Plan in compliance with such rules.

The Committee shall have plenary authority in its discretion, subject to and not inconsistent with the express provisions of the 1991 Plan, to grant options, to determine the purchase price of the common stock covered by each option, the term of each option, the employees to whom, and the time or times at which, options shall be granted and the number of shares to be covered by each option; to designate options as incentive stock options or nonqualified options; to grant restricted shares and restricted units and to determine the term of the restricted period and other conditions applicable to such shares or units, the employees to whom, and the time or times at which, restricted shares or restricted units shall be granted and the number of shares or units to be covered by each grant; to interpret the 1991 Plan; to prescribe, amend and rescind rules and regulations relating to the 1991 Plan; to determine the terms and provisions of the option agreements and the restricted share and restricted unit agreements (which need not be identical) entered into in connection with awards under the 1991 Plan; and to make all other determinations deemed necessary or advisable for the administration of the 1991 Plan. The Committee may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the 1991 Plan.

The Committee may employ attorneys, consultants, accountants or other persons and the Committee, the Corporation and its officers and directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all employees who have received awards, the Corporation and all other interested persons. No member or agent of the Committee shall be personally liable for any action, determination, or interpretation made in good faith with respect to the 1991 Plan or awards made thereunder, and all members and agents of the Committee shall be fully protected by the Corporation in respect of any such action, determination or interpretation.

Section 4. Award and Delivery of Restricted Stock or Restricted Units

4.1 At the time a Restricted Stock Award or Restricted Unit Award is made, the Restricted Period applicable to such Restricted Stock Award or Restricted Unit Award shall be established and shall not be less than one year nor more than ten years. Each Restricted Award may have a different Restricted Period. At the time a Restricted Award is made, conditions may be specified for the incremental lapse of restrictions during the Restricted Period and for the termination of restrictions upon the satisfaction of other conditions in addition to or other than the expiration of the Restricted Period, including but not limited to provisions related to a change of control, with respect to all or any portion of the Restricted Stock or Restricted Units.

4.2 All restrictions shall terminate with respect to all Restricted Stock or Restricted Units upon the Participant's (i) death; or (ii) total disability as evidenced by commencement and continuation for more than one year of benefits under the Corporation's Long Term Disability Plan (or if not a member of the Long Term Disability Plan the Participant would have been eligible for benefits using Long Term Disability Plan standards); or (iii) retirement at age 65 or later unless otherwise specified in the Restricted Award.

4.3 Each Restricted Award shall be evidenced by a written agreement signed by the Participant and the Chief Executive Officer, or, in the case of a Restricted Award to the Chief Executive Officer, by the Participant and by a member of the Committee (the "award letter") which shall state the Restricted Period and such other terms and conditions which may be applicable, including payment by the Participant of the par value of the Restricted Stock upon execution of the award letter (the "Purchase Price") if such payment is required by state law.

Section 5. Restrictions

5.1 A stock certificate representing the number of shares of Restricted Stock granted to a Participant shall be registered in the Participant's name but shall be held in custody by the Corporation for the Participant's account. The Participant shall generally have the rights and privileges of a stockholder as to such Restricted Stock including the right to vote such Restricted Stock, except that the following restrictions shall apply: (i) the Participant shall not be entitled to delivery of the certificate until the expiration or termination of the Restricted Period and the satisfaction of any other conditions specified in the award letter; (ii) none of the Restricted Stock may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period and until the satisfaction of any other conditions specified in the award letter; and (iii) except as set forth in Section 4 or as set forth in the award letter executed pursuant to Section 4, all of the Restricted Stock shall be forfeited and all rights of the Participant to such Restricted Stock including any stock dividends on such Restricted Stock shall terminate without further obligation on the part of the Corporation unless the Participant has remained a regular full-time employee of the Corporation until the expiration or termination of the Restricted Period and the satisfaction of any other conditions specified in the award letter applicable to such Restricted Stock.

The Participant shall have the same rights and privileges, and be subject to the same restrictions, with respect to any Stock received pursuant to Section 8.

5.2 At the discretion of the Corporation, cash dividends with respect to the Restricted Stock may be either currently paid or withheld by the Corporation for the Participant's account, and interest shall be paid on the amount of cash dividends withheld at a rate and subject to such terms as determined by the Corporation. Cash dividends so withheld shall not be subject to forfeiture. Stock dividends with respect to the Restricted Stock (if the distribution of such does not generate federal income tax liability to the Participant) shall be held in the Participant's account and shall be subject to forfeiture. Stock dividends which are taxable to the Participant may, in the discretion of the Committee, be distributed to the Participant. Upon the forfeiture of any Restricted Stock, such forfeited Stock and any stock dividends on such forfeited Stock held for Participant's account shall be transferred to the Corporation without further action by the Participant and any amounts paid by the Participant upon the issuance of the Restricted Stock shall be returned to the Participant with interest.

5.3 Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee or at such earlier time as provided for in Section 4 or in the award letter applicable to such Restricted Stock, the restrictions applicable to the Restricted Stock shall terminate and a stock certificate for the number of shares with respect to which the restrictions have terminated shall be delivered, free of all such restrictions, except any that may be imposed by law, to the Participant or the Participant's beneficiary or estate, as the case may be. The Corporation shall not be required to deliver any fractional share of common stock but will pay, in lieu thereof, the fair market value (determined as of the date the restrictions terminate) of such fractional share to the Participant or the Participant's beneficiary or estate, as the case may be. No payment will be required from the Participant upon the delivery of any Restricted Stock, except any payment of par value which may be required by state law and except that any amount necessary to satisfy applicable federal, state or local tax requirements shall be satisfied by withholding an equivalent amount of Stock (valued at fair market value on the date the restrictions terminate) or paid promptly by the Participant upon notification of the amount due and prior to or concurrently with the delivery of a certificate representing such Stock.

5.4 In the case of an award of Restricted Units, no shares of common stock shall be issued at the time the award is made, and the Corporation shall not be required to set aside a fund for the payment of any such award.

Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee or at such earlier time as provided for in Section 4, the Corporation shall deliver to the employee or the employee's beneficiary or estate, as the case may be, one share of common stock for each Restricted Unit with respect to which the restrictions have lapsed ("vested unit") and cash equal to any dividend equivalents credited with respect to each such vested unit and the interest thereon; provided, however, that the Committee may, in its sole discretion, elect to pay cash or part cash and part common stock in lieu of delivering only common stock for the vested units. If a cash payment is made in lieu of delivering common stock, the amount of such cash payment shall be equal to the mean between the highest and lowest sales prices of the common stock as reported in the New York Stock Exchange Composite Tape for the date on which the Restricted Period lapsed with respect to such vested unit, or if there are no sales on such date, on the next preceding day on which there were sales. Upon the occurrence of change in control (as defined in Section 11 (b), all outstanding vested units (including Restricted Units whose restrictions have lapsed as a result of the occurrence of such change in control) and credited dividend equivalents shall be payable as soon as practicable but in no event later than ninety days after such change in control in cash, in shares of common stock, or part in cash and part in common stock, as the Committee, in its sole discretion, shall determine. To the extent that an employee receives cash in payment for his or her vested units, such employee shall receive an amount equal to the fair market value of the shares of common stock he or she would have received had he or she been delivered common stock.

Section 6. Termination of Employment

Unless otherwise determined by the Compensation Committee, or otherwise provided in the award letter, if a Participant to whom Restricted Stock has been granted ceases to be an employee of the Corporation prior to the end of the Restricted Period and the satisfaction of any other conditions specified in the award letter, for any reason other than the reasons specified in Section 4, the Participant shall immediately forfeit all Restricted Stock and stock dividends thereon. Nothing in the 1991 Plan or in any Restricted Award or option granted pursuant to the 1991 Plan shall confer upon any employee any right to continue in the employ of the Corporation or interfere in any way with the right of the Corporation to terminate such employment at any time.

Section 7. Options

Each employee to whom an Option is granted under the 1991 Plan shall, as consideration therefor, remain in continuous employ of the Corporation for twelve months from the date of the granting of such Option before the employee can exercise any part thereof, and said options shall, subject to the limitations on incentive stock options set forth below, be exercisable in full at the expiration of twelve months from the date of grant. Notwithstanding the foregoing, in the case of Options granted under the 1991 Plan in substitution of outstanding options or awards granted by a corporation or other business entity acquired by the Corporation (a "Substitute Option"), the date of granting of such Substitute Option shall be deemed to be the date of the original grant of the option being substituted (a "Substituted Option") by the corporation or other business entity acquired by the Corporation and an employee's service in the continuous employ of such acquired corporation or business entity since the grant of the Substituted Option shall be included for purposes of determining the length of said employee's service in the continuous employ of the Corporation. When an employee to whom an Option has been granted takes an authorized leave of absence (which does not constitute a cessation of employment pursuant hereto), the period of time elapsed during such leave of absence, shall be included in computing the dates upon which any part of the Option becomes exercisable, except to the extent that the Committee in its discretion otherwise determines. The Committee may, in its sole discretion, cancel in whole or in part, the unexercised portion of any Option at any time that it determines that the optionee is not performing satisfactorily the duties to which he or she was assigned on the effective date of the grant of the Option to him or her, or duties of at least equal responsibility.

Except as otherwise provided below, no option shall be exercised unless at the time of such exercise the holder of the Option is in the employment of the Corporation. Employees who are on authorized leave of absence or who are on salary continuance or vacation subsequent to the last day worked as defined herein are not "in the employment of the Corporation or one of its subsidiaries" for purposes of this Section. Employees who retire while on vacation, leave of absence or salary continuance, shall be deemed to have retired at the close of business on the last day worked.

Each incentive option granted hereunder shall by its terms provide: (a) that such Option shall not be exercised after expiration of ten years from the effective date of granting such Option and (b) that the aggregate fair market value (determined at the time the option is granted) of the stock with respect to which incentive stock options are exercisable for the first time by any individual employee during any calendar year (under all incentive stock option plans of Raytheon Company and its subsidiary corporations) shall not exceed $100,000. No incentive stock option shall be granted if the exercise thereof would cause the optionee to become the holder of ten percent or more of the Corporation's common stock. Incentive options may contain such additional provisions as may be required in order to be "incentive stock options" under the Code.

Nonqualified options shall not be exercisable after expiration of eleven years from the effective date of grant. Subject to the foregoing, an Option granted under the Plan shall be exercisable in whole or at any time at the expiration of one year from the date of grant or in part from time to time thereafter but in no case may an option be exercised for a fraction of a share.

Each option granted under this Plan shall by its terms provide that it is not assignable or transferable otherwise than by will or the laws of descent and distribution and an option may be exercised during the lifetime of the holder thereof only by him or her. The holder of an Option or his or her legal representatives, legatees, or distributees, as the case may be, shall have none of the rights of a stockholder with respect to any shares subject to such Option until such shares have been issued to him or her under the terms of this Plan.

7.1 Procedure for Exercise

(a) An Option may be exercised only by submitting to the Office of the Vice President - Human Resources a completed copy of an exercise form preceded (except as otherwise provided by paragraph (b) of this Section 7.1) by wire transfer of immediately available funds or accompanied (except as otherwise provided by paragraph (b) of this Section 7.1) by a certified or cashier's check payable to the order of the Company or shares of the Corporation's common stock held by the Participant for at least six months with a current fair market value equal to the full amount of the total price of the shares for which the Option is to be exercised. The Option will be deemed to have been exercised only when the completed form with such payment has been received by the Office of the Vice President - Human Resources. A request for exercise which is received by the Office of the Vice President - Human Resources after the expiration of such Option or after the expiration of the time within exercise which is permitted pursuant to the Plan, whichever is earlier, shall not be a valid exercise. Certificates for shares tendered must be endorsed or accompanied by signed stock powers with the signature guaranteed by a U.S. commercial bank or trust company or by a brokerage firm having membership on the New York Stock Exchange. Shares tendered in payment will be valued at the average of the high and low trade prices for the day preceding the date of exercise as published in The Wall Street Journal. Any deficiency in the option exercise price shall be paid by certified or cashier's check.

(b) In lieu of payment by wire transfer, certified or cashier's check or other shares of the Corporation's common stock held by the Participant for at least six months as described in paragraph (a) of this Section 7, an Optionee may, unless prohibited by applicable law, elect to effect payment by including with the written notice referred to in paragraph (a) of this Section 7 irrevocable instructions to deliver for sale to a registered securities broker acceptable to the Corporation a number of the shares subject to the Option being exercised sufficient, after brokerage commissions, to cover the aggregate exercise price of such Option and, if the Optionee further elects, the Optionee's withholding obligations with respect to such exercise referred to in Section 13, together with irrevocable instructions to such broker to sell such shares and to remit directly to the Company such aggregate exercise price and, if the Optionee has so elected, the amount of such withholding obligation. The Corporation shall not be required to deliver to such securities broker any stock certificate for such shares (which delivery may be by book-entry) until it has received from the broker such exercise price and, if the Optionee has so elected, such withholding obligation amount.

7.2 Time of Granting Options

The granting of an Option pursuant to the Plan shall be deemed to take place at the time when the Committee shall take action authorizing the grant of such Option or at such subsequent time as the Committee shall designate, provided, however, that all grants shall be deemed to be conditioned upon the optionee being an employee of the Corporation on the effective date of the grant.

7.3 Termination of Employment

If a holder of an Option shall retire, take leave of absence, or shall cease to be employed by the Corporation for any reason other than death after he or she shall have been continuously so employed for twelve months from and after the date of the granting of an Option, he or she may, but only within the period of time listed below immediately succeeding the last day worked prior to such retirement, leave of absence or cessation, exercise such option:

Reason for Absence from Work	Time Following Last Day Worked Within Which Option May Be Exercised
Retirement	Three Years
Medical Leave of Absence	During Such Leave
Personal Leave of Absence	Three Months
Discharge for cause or other severance of employment determined by Committee to warrant termination of option	None
Layoff	One Year
Quit	Three Months

In no event may an Option be exercised following its expiration or cancellation.

For purposes of the 1991 Plan, "last day worked" means the last day on which the holder was responsible for performing his or her assigned duties for the Corporation. Any period of accrued vacation or salary continuance for which the holder may be eligible as of his or her retirement or cessation of employment shall not extend the period in which options must be exercised. Transfer of employment between corporations in the group comprised of the Corporation and its subsidiaries shall not be deemed a cessation of employment. Whether a leave of absence for other than medical reasons, duly authorized by the Corporation shall constitute a cessation of employment for purposes of the 1991 Plan shall be determined by the Committee, which determination unless overruled by the Board of Directors, shall be final and conclusive. The grant of an Option will not confer upon a holder of an Option any right with respect to continuance of employment by the Corporation, nor will it interfere in any way with his or her right, or his or her employer's right, to terminate his or her employment at any time.

7.4 Death of Holder

In the event of the death of a holder of an Option while in the employ of the Corporation, or during a period following the last day worked within which the Option of such holder was permitted to be exercised, the Option shall be exercisable only within twelve months following such death (but not later than the expiration date of the Option) and then only (a) by his or her estate or by the person or persons who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of the decedent, and (b) if and to the extent that he or she was entitled to exercise the Option at the date of his or her death.

7.5 Option Price

The purchase price under each incentive stock option shall be not less than one hundred percent of the fair market value of such shares at the time such Option is granted. Other options may be granted at such prices above or below the fair market value of the shares as the Committee may determine.

Section 8. Changes in Capitalization

In the event of any change in the outstanding shares of Stock by reason of a stock dividend or split, recapitalization, merger or consolidation, reorganization, combination or exchange of shares or other similar corporate change, the maximum aggregate number of shares available under the 1991 Plan and the number of shares covered by each previously granted Option and Restricted Award, if any, shall be proportionally adjusted by the Board of Directors with such determination being conclusive.

Section 9. Effective Date

The 1991 Plan is effective as of March 27, 1991, subject to the approval of the stockholders at the Corporation's 1991 Annual Meeting. The Committee may, at its discretion, grant Options and Restricted Stock Awards under the 1991 Plan subject to such stockholder approval of the 1991 Plan. Options and Restricted Stock Awards, issuance or delivery of stock upon exercise of options or upon expiration of restrictions on Restricted Stock shall be expressly subject to the conditions that, to the extent required by law at the time of exercise of Options or grant of Restricted Stock Awards, issuance or delivery, (i) the shares of Stock shall be duly listed upon the New York Stock Exchange; and (ii) if the Corporation deems it necessary or desirable, a Registration Statement under the Securities Act of 1933 with respect to such stock shall be effective.

Section 10. Designation of Beneficiary

A Participant may, with the consent of the Committee, designate a person or persons to receive Restricted Stock to which the Participant is entitled in the event of the Participant's death. Such designation shall be made in writing upon forms supplied by and delivered to the Committee, and may be revoked in writing. If a Participant fails effectively to designate a beneficiary, the Participant's Restricted Stock shall be distributed in accordance with his will or, if intestate, the laws of descent and distribution.

Section 11. Lapse at Discretion of the Committee; Lapse Upon Termination Following a Change in Control

(a) The Committee shall have the authority to accelerate the time at which the restrictions on Restricted Stock and Restricted Units will lapse or to remove any of such restrictions whenever it may decide in its absolute discretion that, by reason of changes in applicable tax, securities, or other laws or other changes in circumstances arising after the date of the Award, such action is in the best interest of the Company, and equitable to the Participant, his heirs, or designated beneficiaries.

(b) The restrictions on Restricted Stock and Restricted Units shall lapse and Nonqualified Stock Options issued hereunder become exercisable immediately upon a change in control of the Corporation. For purposes of this paragraph, the term "change in control" shall be deemed to occur upon (1) the approval by the shareholders of the Corporation of (A) any consolidation or merger of the Corporation in which the Corporation is not the continuing or surviving corporation or pursuant to which shares of common stock would be converted into cash, securities or other property, other than a merger in which the holders of common stock immediately prior to the merger will have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (B) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Corporation, or (C) adoption of any plan or proposal for the liquidation or dissolution of the Corporation, or (2) any "person" (as defined in Section 13(d) of the Securities Exchange Act of 1934), other than the Corporation or subsidiary or employee benefit plan or trust maintained by the Corporation or any of its subsidiaries, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of more than twenty-five percent of the common stock outstanding at the time, without the prior approval of the Board of Directors of the Corporation.

The Committee shall have authority to provide with respect to any future grants of nonqualified options under the Corporation's 1976 Stock Option Plan, as amended, rights corresponding to those described in clause (A) and (B), as the case may be, of the immediately preceding paragraph in the event of a "change in control" (as defined therein).

Section 12. Compliance with Securities and Exchange Commission Requirements

No certificate for shares of Stock distributed pursuant to the Plan shall be executed and delivered until the Company shall have taken such action, if any, as is then required to comply with the provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or any other applicable laws, and the requirements of any exchange on which the Stock may, at the time, be listed.

Section 13. Compliance with Tax Laws

To the extent required by applicable federal, state or local laws or regulations, the Corporation may withhold from any cash to be distributed to a Participant pursuant to the Plan or from salary or other compensation payable to the Participant amounts sufficient to comply with the Corporation's obligations under such laws or regulations. The Corporation may require the Participant, as a condition to delivering shares upon exercise of nonqualified stock options (whether for cash or stock) or as a condition to delivery of restricted stock which becomes deliverable pursuant to the Plan, to pay to the Corporation amounts sufficient to meet the Corporation's obligations under such laws or regulations.

Section 14. Termination and Amendment

The Board of Directors of the Corporation may suspend, terminate, modify or amend the 1991 Plan, provided that any amendment that would increase the aggregate number of shares of Stock which may be issued under the 1991 Plan, materially increase the benefits accruing to Participants under the 1991 Plan, or materially modify the requirements as to eligibility for participation in the 1991 Plan, must be approved by the Corporation's stockholders, except that any such increase or modification that may result from adjustments authorized by Section 8 shall not require such approval. If the 1991 Plan is terminated, the terms of the 1991 Plan shall, notwithstanding such termination, continue to apply to Awards granted prior to such termination. In addition, no suspension, termination, modification or amendment of the Plan may, without the consent of the Participant to whom a Stock Option or Restricted Stock Award shall theretofore have been granted, adversely affect the rights of such Participant under such Award Stock Option or Restricted Stock Award.

Section 15. Duration

The 1991 Plan shall remain in effect until all Stock Options have been exercised or expired and until all Restricted Stock shall have been delivered without restrictions or forfeited under the 1991 Plan provided that no Stock Options shall be granted and no Restricted Stock Awards shall be made under the Plan after March 26, 2001.

EXHIBIT 10.2

RAYTHEON COMPANY

1995 STOCK OPTION PLAN

1. Definitions. As used in this Raytheon Company 1995 Stock Option Plan the following terms have the following meanings:

1.1 "Change in Corporate Control" means (a) the time of approval by the shareholders of the Company of (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of Stock would be converted into cash, securities or other property, other than a merger in which the holders of Stock immediately prior to the merger will have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (ii) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, or (iii) adoption of any plan or proposal for the liquidation or dissolution of the Company; or (b) the date on which any "person" (as defined in Section 13(d) of the Securities Exchange Act of 1934), other than the Company or a subsidiary or employee benefit plan or trust maintained by the Company or any of its subsidiaries, shall become (together with its "affiliates" and "associates," as defined in Rule 12b-2 under the Securities Exchange Act of 1934) the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of more than 25% of the Stock outstanding at the time, without the prior approval of the Board of Directors of the Company.

1.2 "Code" means the Internal Revenue Code of 1986, as amended.

1.3 "Committee" means the Compensation Committee of the Company's Board of Directors, consisting exclusively of directors who at the relevant time are "outside directors" within the meaning of ss.162(m) of the Code.

1.4 "Company" means Raytheon Company, a Delaware corporation.

1.5 "Company Officer" means the Chairman of the Board, the President, and any Executive Vice President, Senior Vice President or Vice President of the Corporation.

1.6 "Fair Market Value" means the value of a share of Stock of the Company on any date as determined by the Board.

1.7 "Grant Date" means the date on which an Option is granted, as specified in Section 7.

1.8 "Immediate Family" means any child, stepchild, grandchild, parent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships.

1.9 "Incentive Stock Option" means an Option grant that is intended to meet the requirements of Section 422 of the Code.

1.10 "Non-Statutory Stock Option" means an Option grant that is not intended to be an Incentive Stock Option.

1.11 "Option" means an option to purchase shares of the Stock granted under the Plan.

1.12 "Option Agreement" means an agreement between the Company and an Optionee setting forth the terms and conditions of an Option.

1.13 "Option Period" means the period from the date of the grant of an Option to the date when the Option expires as stated in the terms of the Option Agreement.

1.14 "Option Price" means the price paid by an Optionee for an Option under this Plan.

1.15 "Option Share" means any share of Stock of the Company transferred to an Optionee upon exercise of an Option pursuant to this Plan.

1.16 "Optionee" means a person eligible to receive an Option, as provided in Section 6, to whom an Option shall have been granted under the Plan.

1.17 "Plan" means this 1995 Stock Option Plan of the Company.

1.18 "Related Corporation" means a Parent Corporation or a Subsidiary Corporation, each as defined in Section 424 of the Code.

1.19 "Stock" means common stock, $0.01 par value, of the Company.

2. Purpose. This 1995 Stock Option Plan is intended to encourage ownership of Stock by key employees of the Company and its Related Corporations and to provide additional incentive for them to promote the success of the Company's business. With respect to any Incentive Stock Options that may be granted hereunder, the Plan is intended to be an incentive stock option plan within the meaning of Section 422 of the Code.

3. Term of the Plan. Options under the Plan may be granted not later than March 21, 2005.

4. Stock Subject to the Plan. At no time shall the number of shares of Stock then outstanding which are attributable to the exercise of Options granted under the Plan, plus the number of shares then issuable upon exercise of outstanding options granted under the Plan, exceed 20,000,000 shares, subject, however, to the provisions of Section 15 of the Plan. No Optionee may be granted in any year Options to purchase more than 200,000 shares of Stock, subject to adjustment pursuant to Section 15. Shares to be issued upon the exercise of Options granted under the Plan may be either authorized but unissued shares or shares held by the Company in its treasury. If any Option expires or terminates for any reason without having been exercised in full, the shares not purchased thereunder shall again be available for Options thereafter to be granted.

5. Administration. The Plan shall be administered by the Committee. Subject to the provisions of the Plan (including, without limitation, the provisions of Section 19), the Committee shall have complete authority, in its discretion, to make the following determinations with respect to each Option to be granted by the Company: (a) the key employee to receive the Option; (b) the time of granting the Option; (c) the number of shares subject thereto; (d) the Option Price (subject to Section 8 below); (e) the Option Period; and (f) whether the Option is an Incentive Stock Option or a Non-Statutory Stock Option. Incentive Stock Options granted under this Plan shall be designated specifically as such. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, their present and potential contributions to the success of the Company and its subsidiaries, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Option Agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations on the matters referred to in this Section 5 shall be conclusive.

6. Eligibility. An Option may be granted only to a key employee of one or more of the Company and its subsidiaries. A director of one or more of the Company and its subsidiaries who is not also an employee of one or more of the Company and its subsidiaries shall not be eligible to receive Options.

7. Time of Granting Options. The granting of an Option shall take place at the time specified by the Committee. Only if expressly so provided by the Committee shall the Grant Date be the date on which an Option Agreement shall have been duly executed and delivered by the Company and the Optionee.

8. Option Price. The Option Price under each Option shall be as determined by the Committee but shall not be less than 100% of the Fair Market Value of the Stock on the Grant Date.

9. Option Period. No Incentive Stock Option may be exercised later than the tenth anniversary of the Grant Date. No Non-Statutory Stock Option may be exercised later than one day after the tenth anniversary of the Grant Date. An Option may become exercisable in such installments, cumulative or non-cumulative, or may be immediately exercisable, as the Committee may determine.

10. Maximum Size of Incentive Stock Option as Such. To the extent that the aggregate Fair Market Value of Stock for which an Incentive Stock Option becomes exercisable by an Optionee for the first time in any calendar year exceeds $100,000, the portion of such Incentive Stock Option which exceeds such $100,000 limitation shall be treated as a Non-Statutory Stock Option, and not an incentive option under Section 422 of the Code. For purposes of this Section 10, all Incentive Stock Options granted to an Optionee by the Company, as well as any options that have been granted to the Optionee under any other stock incentive plans of the Company or any related corporation which are intended to comply with the provisions of Section 422 of the Code, shall be considered in the order in which they were granted, and the Fair Market Value shall be determined as of the Grant Dates.

11. Exercise of Option.

11.1 An Option may be exercised only by giving written notice, in the manner provided in Section 21 hereof, specifying the number of shares as to which the Option is being exercised, accompanied (except as otherwise provided in Subsection 11.2 of this Section 11) by full payment for such shares in the form of check or bank draft payable to the order of the Company or other shares of the Stock with a current Fair Market Value equal to the Option Price of the shares to be purchased. Receipt by the Company of such notice and payment shall constitute the exercise of the Option or a part thereof. Within 20 days thereafter, the Company shall deliver or cause to be delivered to the Optionee a certificate or certificates for the number of shares then being purchased. Such shares shall be fully paid and nonassessable. If such shares are not at that time effectively registered under the Securities Act of 1933, as amended, the Optionee shall include with such notice a letter, in form and substance satisfactory to the Company, confirming that such shares are being purchased for the Optionee's own account for investment and not with a view to distribution.

11.2 In lieu of payment by check, bank draft or other shares of Stock accompanying the written notice of exercise as described in Subsection 11.2 of this Section 11, an Optionee may, unless prohibited by applicable law, elect to effect payment by including with the written notice referred to in Subsection 11.2 irrevocable instructions to deliver for sale to a registered securities broker acceptable to the Company a number of the shares subject to the Option being exercised sufficient, after brokerage commissions, to cover the aggregate exercise price of such Option and, if the Optionee further elects, the Optionee's withholding obligations with respect to such exercise referred to in Sections 12 or 20, together with irrevocable instructions to such broker to sell such shares and to remit directly to the Company such aggregate exercise price and, if the Optionee has so elected, the amount of such withholding obligation. The Company shall not be required to deliver to such securities broker any stock certificate for such shares until it has received from the broker such exercise price and, if the Optionee has so elected, such withholding obligation amount.

12. Notice of Disposition of Stock Prior to Expiration of Specified Incentive Stock Option Holding Period. The Company may require that the person exercising an Incentive Stock Option give a written representation to the Company, satisfactory in form and substance to its counsel and upon which the Company may reasonably rely, that he or she will report to the Company any disposition of shares purchased upon exercise prior to the expiration of the holding periods specified by Section 422(a)(1) of the Code. If and to the extent that the disposition imposes upon the Company federal, state, local or other withholding tax requirements, or any such withholding is required to secure for the Company an otherwise available tax deduction, the Company shall have the right to require that the person making the disposition remit to the Company an amount sufficient to satisfy those requirements.

13. Transferability of Options. Incentive options granted hereunder and nonqualified options granted to individuals other than Company Officers shall not be transferable, otherwise than by will or the laws of descent and distribution, and may be exercised during the life of the holder thereof only by him or her. Nonqualified options granted hereunder to a Company Officer may be transferred to a member of such Company Officer's Immediate Family or trusts established solely for the benefit of such Immediate Family members. The holder of an Option or his or her legal representatives, legatees, distributees, or permitted transferees, as the case may be, shall have none of the rights of a stockholder with respect to any shares subject to such Option until such shares have been issued to him or her under this Plan.

14. Termination of Employment or Service. Each Option shall terminate and may no longer be exercised if the Optionee ceases to perform services for the Company or a Related Corporation in accordance with the following:

14.1 If an Optionee ceases to be an active employee of the Company or any Related Corporation other than by reason of death or retirement, absent in any case a determination by the Committee to the contrary, any Options which were exercisable by the Optionee on the date of cessation of active employment may be exercised any time (a) before their expiration date or (b) within the respective periods listed below in this Section 14.1, depending upon the reason for cessation of active employment, whichever is earlier, but only to the extent that the Options were exercisable when active employment ceased. Notwithstanding the foregoing, in the event an Optionee fails to exercise an Incentive Stock Option within three months after the date of termination, such Option will be treated as a Non-Statutory Stock Option pursuant to Section 422 of the Code. The respective periods following cessation of active employment referred to in clause (a) of the first sentence of this Section 14.1 are as follows:

Reason for Cessation	Period Following Last Day of Active Employment of Active Employment Within Which Option May Be Exercised
Medical leave of absence	During such leave
Personal leave of absence	Three months
Discharge for cause or other severance of employment determined by Committee to warrant termination of option	None
Layoff or similar involuntary termination without cause	One Year
Voluntary termination (non-retirement)	Three Months

14.2 If an Optionee's employment terminates because of death, Options may be exercised at any time before the expiration date or within one year after the date of termination, whichever is earlier, but only (a) if and to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death and (b) by the Optionee's estate or by the person(s) who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of the Optionee.

14.3 If an Optionee's employment terminates because of retirement, any Options which were exercisable by the Optionee on the date of termination of employment may be exercised any time before their expiration date or within three years after the date of termination, whichever is earlier, but only to the extent that the Options were exercisable when employment ceased (absent a determination by the Committee to the contrary at the time any such Options were granted or prior to their expiration date), as provided hereunder. Notwithstanding the foregoing, in the event an Optionee fails to exercise an Incentive Stock Option within three months after the date of his or her retirement, such Option will be treated as a Non-Statutory Stock Option.

15. Anti-Dilution Adjustments. Pro rata adjustment shall be made in the maximum number of shares of Stock subject to the Plan or that may be awarded to any individual in any year to give effect to any stock dividends, stock splits, stock combinations, recapitalizations and other similar changes in the capital structure of the Company. Pro rata adjustments shall be made in the number, kind and price of shares of Stock covered by any outstanding Option hereunder to give effect to any stock dividends, stock splits, stock combinations, recapitalizations and similar changes in the capital structure of the Company, or a merger, dissolution or reorganization of the Company, after the date the Option is granted, so that the Optionee is treated in a manner equivalent to that of holders of the underlying Stock.

16. Change in Corporate Control. Upon a Change in Corporate Control, each outstanding Option shall immediately become fully exercisable, and a registration statement under the Securities Act of 1933, as amended, with respect to shares covered by all outstanding Options, whether to be issued by the Company or by any successor corporation, shall be effective at all times during which the Options may be exercised and, to facilitate resale of the shares, during the twelve months after the last exercise of the Options.

17. Reservation of Stock. The Company shall at all times during the term of the Options reserve and keep available such number of shares of the Stock as will be sufficient to satisfy the requirements of this Plan and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

18. Limitation of Rights in the Option Shares. The Optionee shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the Option Shares except to the extent that the Option shall have been exercised with respect thereto and, in addition, a certificate shall have been issued therefor and delivered to the Optionee.

19. Termination and Amendment of the Plan. The Committee may at any time terminate the Plan or make such amendment to the Plan as it shall deem advisable, provided that, except as provided in Section 14, the Committee may not, without the approval by the holders of a majority of the Stock, change the classes of persons eligible to receive Options, increase the maximum number of shares available for option under the Plan or extend the period during which Options may be granted or exercised. No termination or amendment of the Plan may, without the consent of the Optionee to whom any Option shall theretofore have been granted, adversely affect the rights of such Optionee under such Option.

20. Withholding. The Company's obligations to deliver shares of Stock upon exercise of an Option shall be subject to the Optionee's satisfaction of all applicable federal, state and local income and employment tax withholding obligations. The Committee may, at or after grant, permit an Optionee to satisfy such tax withholding requirements by delivery to the Company of shares retained from the Option grant creating the tax obligation having a value equal to the amount to be withheld. The value of shares of Stock to be withheld or delivered shall be based on the Committee's determination of the Fair Market Value of a share of Stock on the date the amount of tax to be withheld is to be determined.

21. Notices. Any communication or notice required or permitted to be given under the Plan shall be in writing, and mailed by registered or certified mail or delivered in hand, if to the Company, to 141 Spring Street, Lexington, Massachusetts 02421, Attention: Vice President - Human Resources and, if to the Optionee, to the address as the Optionee shall last have furnished to the communicating party.

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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