

RAYTHEON CO/
Form DEF 14A
March 28, 2003

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)

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

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials

.. Soliciting Material Pursuant to §240.14a-12

RAYTHEON COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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March 28, 2003

Dear Raytheon Stockholder:

I am pleased to invite you to attend Raytheon's 2003 Annual Meeting of Stockholders on Wednesday, April 23, 2003. The meeting will begin promptly at 10:00 a.m. Eastern Time at Raytheon's Executive Offices, 141 Spring Street, Lexington, Massachusetts.

This booklet includes the formal notice of the meeting and the proxy statement. The proxy statement tells you more about the agenda and procedures for the meeting. It also describes how the Board operates and gives information about our director candidates. Included with this booklet are a form of proxy for voting at the meeting, our 2002 Annual Report to Stockholders and our Annual Review.

Corporate governance continued to be an important focus for Raytheon during 2002. We strive for excellence in our governance practices to reaffirm the principles that are the foundation of investor trust—oversight, care, accountability and transparency. We believe our governance practices are strong and thorough. We also believe that we must continuously review and look for opportunities to improve our practices and policies to ensure that they remain among the best. In January 2003, we launched our corporate governance Web site to give stockholders, customers and other stakeholders greater insight into the principles and policies that govern the company. The site contains our governance principles, Board committee charters and information about our Board members and processes. The site also features our standards of business ethics and conduct. You can access our site at www.raytheon.com/about-us/corporate-governance.

I look forward to sharing more information with you about Raytheon at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, I urge you to vote your proxy as soon as possible so that your shares may be represented at the meeting.

Sincerely,
DANIEL P. BURNHAM
*Chairman and Chief
Executive Officer*

RAYTHEON COMPANY

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held April 23, 2003

The Annual Meeting of Stockholders of Raytheon Company will be held at Raytheon's Executive Offices, 141 Spring Street, Lexington, Massachusetts 02421 at 10:00 a.m. Eastern Time on Wednesday, April 23, 2003 for the following purposes:

1. To elect four directors for a term of three years; and
2. To consider and act upon such other business, including stockholder proposals if properly presented, as may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on February 24, 2003 are entitled to notice of and an opportunity to vote at the meeting.

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

By order of the Board of Directors,

John W. Kapples

Secretary

Lexington, Massachusetts

March 28, 2003

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RAYTHEON COMPANY

141 Spring Street, Lexington, Massachusetts 02421

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Raytheon Company of proxies to be voted at the 2003 Annual Meeting of Stockholders of the Company and at any meeting following adjournment thereof.

You are cordially invited to attend Raytheon's Annual Meeting on April 23, 2003 beginning at 10:00 a.m. Eastern Time. Stockholders will be admitted beginning at 9:30 a.m. The meeting will be held at Raytheon's Executive Offices, 141 Spring Street, Lexington, Massachusetts 02421.

We are first mailing this proxy statement and accompanying forms of proxy and voting instructions on or about March 28, 2003 to holders of shares of Raytheon's common stock as of February 24, 2003, the record date for the meeting.

You will need an admission ticket to enter the meeting. If you are a stockholder of record, you will find an admission ticket attached to the proxy card sent to you. If you plan to attend the meeting in person, please detach the admission ticket from the proxy card and bring it with you to the meeting. Directions to the meeting are printed on the admission ticket.

If your shares are held in the name of a bank, broker or other holder of record and you plan to attend the meeting in person, you may obtain an admission ticket in advance by sending a written request, along with proof of ownership, such as a bank or brokerage account statement, to the Company's transfer agent, American Stock Transfer & Trust Company, 6201 1st Avenue, Brooklyn, New York 11219. If you arrive at the meeting without an admission ticket, we will admit you only if we are able to verify that you are a Raytheon stockholder.

Proxies and Voting Procedures

Your vote is important. Because many stockholders cannot personally attend the meeting, it is necessary that a large number be represented by proxy. Most stockholders have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the envelope provided. Please check your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. Please be aware that if you vote over the Internet, you may incur costs such as telecommunication and Internet access charges for which you will be responsible. The Internet and telephone voting facilities for stockholders of record will close at 11:00 p.m. Eastern Time on April 22, 2003. The Internet and telephone voting procedures have been designed to authenticate stockholders by use of a control number and to allow you to vote your shares and to confirm that your instructions have been properly recorded.

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

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

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

If any other matters are properly presented at the meeting for consideration, including, among other things, consideration of a motion to adjourn the meeting to another time or place, the persons named in the enclosed form of proxy will have discretion to vote on those matters according to their best

judgment to the same extent as the person signing the proxy would be entitled to vote. At the date this proxy statement went to press, we did not anticipate that any other matters would be raised at the meeting.

Stockholders Entitled to Vote

Stockholders at the close of business on the record date are entitled to notice of and to vote at the meeting. On February 24, 2003, there were 409,356,974 common shares outstanding.

If you are a participant in Raytheon's Dividend Reinvestment Plan, common shares held in your account are included on, and may be voted using, the proxy card sent to you. The plan's administrator is the stockholder of record of your dividend reinvestment plan shares and will not vote those shares unless you provide instructions, which you can do over the Internet, by telephone or by using the proxy card sent to you.

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

Quorum and Required Vote

Quorum

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote for the election of directors is necessary to constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

Required Vote Election of Directors

A plurality of the votes cast is required for the election of directors. In other words, the nominees receiving the greatest number of votes will be elected. Abstentions and broker non-votes are not counted for purposes of the election of directors.

Required Vote Stockholder Proposals and Other Matters

With respect to the stockholder proposals and all other matters to properly come before the meeting, the affirmative vote of the holders of a majority of shares of common stock, present in person or represented by proxy and entitled to vote, is required. An abstention is counted as a vote against the stockholder proposals and all other matters to properly come before the meeting. A broker non-vote is not counted for purposes

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of the approval of stockholder proposals and all other matters to properly come before the meeting.

In accordance with the Company's Certificate of Incorporation, each share of common stock is entitled to one vote.

Tabulation of Votes

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

required by law;

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

necessary in connection with a contested proxy or consent solicitation; or

requested by you.

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

Multiple Copies of Annual Report to Stockholders

A copy of our 2002 Annual Report and Annual Review is enclosed. If you received more than one copy of the annual report and wish to reduce the number of reports you receive to save the Company the cost of producing and mailing these reports, the Company will discontinue the mailing of reports on the accounts you select if you follow the instructions provided when you vote over the Internet or by telephone.

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

Householding Information

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

In accordance with a notice previously sent to our record holders and certain street name holders who share a single address, we are sending only one annual report and proxy statement to that address unless we received instructions to the contrary from any stockholder at that address. If you are a street name holder or record holder and wish to receive an additional copy of our annual report or proxy statement this year, you may call Raytheon Shareholder Services toll-free at 1-800-360-4519 or write to the Corporate Secretary at Raytheon Company, Executive Offices, 141 Spring Street, Lexington, Massachusetts 02421. If you are a street name holder and wish to revoke your consent and receive additional copies of our proxy statement and annual report in future years, you may call ADP Investor Communications Services toll-free at 1-800-542-1061. If you are a record holder and wish to revoke your consent and receive additional copies of our proxy statement and annual report in future years, you may call Raytheon Shareholder Services toll-free at 1-800-360-4519.

Electronic Access to Proxy Materials and Annual Report

This proxy statement and our 2002 Annual Report are also available on Raytheon's Internet site at www.raytheon.com under the heading *Investor Relations*. Most stockholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail. This will save us the cost of producing and mailing these documents.

If you are a stockholder of record, you may choose this option by following the instructions provided when you vote your proxy over the Internet. You can also register for this option by following the instructions provided on the following Internet site: www.investpower.com/rtn.

By choosing to view future proxy statements and annual reports over the Internet, you will receive a proxy card in the mail next year with instructions containing the Internet address of those materials. Your choice will remain in effect until you call the Raytheon Shareholder Services toll-free number and tell us otherwise. You do not have to elect Internet access each year.

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

Cost of Proxy Solicitation

We will pay the cost of soliciting proxies. Proxies may be solicited on behalf of the Company by directors, officers or employees of the Company in person or by telephone, facsimile or other electronic means. We have retained Morrow & Co. to assist in the distribution and solicitation of proxies. We have agreed to pay Morrow & Co. a fee of \$15,000 plus expenses for these services.

As required by the Securities and Exchange Commission and the New York Stock Exchange, we will also reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of Raytheon stock.

Stockholder Account Maintenance

Our transfer agent is American Stock Transfer & Trust Company (AST). All communications concerning accounts of stockholders of record, including address changes, name changes, inquiries as to requirements to

transfer Raytheon stock and similar issues, can be handled by calling Raytheon Shareholder Services toll-free at 1-800-360-4519 or by accessing AST's Internet site at www.amstock.com.

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who own more than 10% of a registered class of our equity securities to file reports of holdings and transactions in Raytheon stock with the Securities and Exchange Commission and the New York Stock Exchange. Based on our records and other information, we believe that in 2002 our directors and executive officers met all applicable Securities and Exchange Commission requirements except as described below.

In September 2002, Gregory Shelton, Vice President of Engineering and Technology, executed a fund-switching transaction in his 401(k) account which was reported on a late Form 4 in October 2002.

In September 2002 in connection with the reorganization of the Company's defense businesses, Thomas M. Culligan, Senior Vice President Business Development and Chairman and Chief Executive Officer Raytheon International, Inc., assumed new responsibilities and became an executive officer of the Company. A late Form 3 for Mr. Culligan was filed in January 2003.

In October 2002, Jay B. Stephens, Senior Vice President and General Counsel, received on the date of his appointment an award of Company stock options and restricted stock which were reported on a late Form 4 in October 2002.

Relationship with Independent Public Accountants

The Audit Committee of the Board of Directors has reappointed PricewaterhouseCoopers LLP as the independent public accounting firm to audit the Company's financial statements for the fiscal year beginning January 1, 2003.

Representatives of PricewaterhouseCoopers are expected to be present at the meeting. They will be given the opportunity to make a statement if they desire to do so, and they will be available to respond to appropriate questions.

Certain Relationships and Related Transactions

During 2002, the Company retained the law firm of Paul, Weiss, Rifkind, Wharton & Garrison for various legal services. Warren B. Rudman, a director of the Company, was a member of this firm until December 31, 2002. As of January 1, 2003, Mr. Rudman is of counsel to this firm. Please refer to the discussion on page 9 of this proxy statement under the heading Board Independence.

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In August 2001, the Company provided Gregory Shelton, Vice President of Engineering and Technology, an interest-free loan in the original principal amount of \$350,000 to assist him in his relocation from Arizona to Massachusetts. This loan is secured by a second mortgage on Mr. Shelton's home. As of December 31, 2002, the outstanding amount of the loan was \$350,000. In December 1998, the Company provided Jack Kelble, a vice president of the Company and the President of the Company's Space and Airborne Systems segment, an interest-free loan in the original principal amount of \$500,000, to assist him in his relocation from Massachusetts to California. This loan is secured by a second mortgage on Mr. Kelble's home. As of December 31, 2002, the outstanding balance was \$440,000.

Prior to enactment of the Sarbanes-Oxley Act of 2002, the Company made advances to its executives with respect to taxes on imputed income events such as personal use of company cars, financial planning services and vesting of certain equity compensation. These advances were recovered in full from the executive over the next several pay periods following the advance. The largest aggregate amount during

2002 for each of Messrs. Shelton and Kelble was \$6,158.53 and \$8,940.16, respectively. As of December 31, 2002, the outstanding balance for each of these advances was \$3,702.00 and \$6,210.00, respectively. The outstanding balances for Messrs. Shelton and Kelble as of December 31, 2002 were solely attributable to a two-week pay advance made to all employees in connection with the conversion of the Company's payroll systems in January 1999 from a monthly to a bi-weekly pay cycle. Upon termination from the Company, the advance will be recovered from the last paycheck issued to each of Messrs. Shelton and Kelble. More information regarding loans and advances to our executive officers may be found on page 20 of this proxy statement in footnote 5 to the Summary Compensation Table. As of July 30, 2002, the date of enactment of the Sarbanes-Oxley Act of 2002, the Company no longer provides extensions of credit in the form of personal loans to its executive officers or directors.

THE BOARD OF DIRECTORS AND BOARD COMMITTEES

Raytheon's business, property and affairs are managed under the direction of the Board of Directors. Members of the Board are kept informed of the Company's business through discussions with the Chairman and officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees. No director attended less than 82% of the combined Board meetings and meetings of the committees on which he or she served, and the average attendance at Board and committee meetings was 93%.

The table below provides membership and meeting information for the Board and each committee. In 2002, the Board of Directors met 10 times.

	Audit Committee	Governance and Nominating Committee ¹	Management Development and Compensation Committee ²	Public Affairs Committee	Executive Committee
Outside Directors					
<i>Independent</i>					
Barbara M. Barrett		X	X	Chair	X
Ferdinand Colloredo-Mansfeld			X		
John M. Deutch		X		X	
Thomas E. Everhart		Chair			X
Frederic M. Poses	X			X	
Warren B. Rudman		X	Chair		X
Michael C. Ruettgers	Chair		X		X
Ronald L. Skates	X				
William R. Spivey	X			X	
<i>Relationships with Raytheon</i>					
John H. Tilelli, Jr.				X	
Inside Directors					
<i>Management</i>					
Daniel P. Burnham					Chair
Number of Meetings in 2002	11	5	9	3	3

(1) The Nominating Subcommittee of the Governance Committee, comprised of Barbara M. Barrett, John M. Deutch - Chair, and Thomas E. Everhart, met 4 times in 2002, prior to being collapsed into the Governance Committee.

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- (2) The Options Subcommittee of the Management Development and Compensation Committee, comprised of Barbara M. Barrett, Ferdinand Colloredo-Mansfeld and Michael C. Reuttgers Chair, met 9 times in 2002.

Audit Committee

The Audit Committee:

Monitors the integrity of the Company's financial statements;

Monitors the independent auditor's qualifications and independence;

Monitors the performance of the Company's internal audit function and independent auditors;

Monitors the Company's compliance with legal and regulatory requirements;

Meets with management to consider the adequacy of the Company's internal controls and the objectivity of financial reporting;

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

Appoints the independent auditors;

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

Reviews annual and periodic reports and earnings press releases;

Reviews major financial risk exposures and management's responses;

Consists solely of independent directors. Ronald L. Skates, a member of the Audit Committee since January 2003, is an audit committee financial expert (as defined by SEC rules) as determined by the Board of Directors based on his education, experience and background; and

Has the authority to hire and terminate independent counsel and other advisors.

Management Development and Compensation Committee

The Management Development and Compensation Committee:

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Reviews and oversees compensation and personnel plans, policies and programs;

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

Approves the compensation of other officers and key employees;

Approves director compensation;

Prepares the compensation committee report included in this proxy statement on page 23;

Consists solely of independent directors; and

Has the authority to hire and terminate independent counsel and other advisors.

The Board of Directors has also established the Options Subcommittee of the Management Development and Compensation Committee. The Options Subcommittee administers and makes awards under the Company's stock option plans.

Governance and Nominating Committee

The Governance and Nominating Committee:

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

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

Considers nominees proposed by stockholders;

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

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

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

Consists solely of independent directors; and

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Has the authority to hire and terminate independent counsel and other advisors.

Under our By-Laws, nominations for Director may be made only by the Board or a Board committee, or by a stockholder entitled to vote who complies with the advance notice provision in our

By-Laws. This provision requires a stockholder to notify the Corporate Secretary during the period between the close of business on the 90th calendar day and the close of business on the 120th calendar day prior to the first anniversary of the preceding year's annual meeting. For the Company's annual meeting in the year 2004, we must receive this notice between December 26, 2003 and January 24, 2004. You can obtain a copy of our By-Laws by writing to the Corporate Secretary, Raytheon Company, Executive Offices, 141 Spring Street, Lexington, Massachusetts 02421. You may also obtain a copy of our By-Laws on our Internet site at www.raytheon.com under the heading About Us/Corporate Governance.

Public Affairs Committee

The Public Affairs Committee:

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

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

environmental protection;

health and safety of employees;

ethics;

employment practices;

regulatory compliance (except financial matters);

charitable contributions;

government relations;

community and university relations; and