

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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(3) Filing Party:

(4) Date Filed:

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](http://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

product quality;

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

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

Executive Committee

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

Governance of the Company Governance Principles

The Board of Directors has adopted Governance Principles. The Governance Principles are published on Raytheon's Internet site at www.raytheon.com, under the heading About Us/Corporate Governance. Among other matters, the principles include the following:

1. A substantial majority of the Board of Directors should be independent directors. To be considered independent under the New York Stock Exchange independence criteria, the Board must determine that a director does not have a material relationship, directly or indirectly, with the Company. A director will be considered independent if he or she:

has not, within the past five years, been employed by the Company or affiliated with or employed by a present or former auditor of the Company;

has not, within the past five years, been employed by a public company that has on its board an executive officer of the Company;

is not: (a) a paid advisor or consultant to the Company; (b) an executive officer, partner or holder of more than 10% of the stock of another company that (1) does business with the Company and the annual sales to, or purchases from, the Company are equal to 5% or more of either the Company's or the other company's annual revenues; or (2) is indebted to the Company, or to which the Company is indebted, and the total amount of either the Company's or the other company's indebtedness is 5% or more of the Company's or the other company's total assets;

is not an executive officer or director of a tax-exempt entity receiving more than 5% of its annual contributions from the Company (the Company's matching of employee charitable contributions is not included in the amount of the Company's contributions for this purpose);

is not the spouse, parent, child or sibling of an executive officer of the Company; and

does not have immediate family members in the categories described in the first two bullet points in this paragraph 1.

2. The Audit Committee, the Management Development and Compensation Committee and the Governance and Nominating Committee consist entirely of independent directors. Each committee has its own charter. The charters are published on the Company's Internet site at www.raytheon.com, under the heading "About Us/Corporate Governance."
3. The Governance and Nominating Committee determines the appropriate skills and characteristics required of Board members and considers diversity, age, skills, experience and other relevant factors in performing its assessment.
4. During such times when the same person holds the offices of both Chairman and CEO, the non-management directors may designate a lead director. The lead director shall be independent as determined by the Board in accordance with the Governance Principles. The lead director's duties will include:

consulting with the Chairman regarding agenda items for Board meetings;

chairing executive sessions of the Board's non-management directors; and

performing such other duties as the Board deems appropriate.

The Board has designated Warren B. Rudman as lead director. Please refer to the discussion under the heading "Lead Director" on page 9 of this proxy statement for more information.

5. A director should offer his or her resignation upon any change in position, including retirement, from the position he or she held when elected to the Board. When the Chief Executive Officer resigns or retires, he or she is expected to resign from the Board at that time.
6. A director may not stand for election after attaining age 73.
7. The Board and the Board's committees may hire independent legal, financial or other advisors.
8. The Governance and Nominating Committee provides an annual assessment of the Board's performance and of its contribution as a whole. In addition, the Governance and Nominating Committee leads each committee in reviewing its performance.
9. The Board periodically reviews the Company's long-term strategic and business plans.

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10. The non-management directors meet periodically to review the performance of the Chief Executive Officer.
11. The Chief Executive Officer provides an annual report on succession planning and management development to the Management Development and Compensation Committee.
12. Board members have complete access to Raytheon management, and the Board encourages the Chief Executive Officer to bring members of management to Board meetings from time to time to provide management insight into matters being discussed by the Board which involve the manager.
13. The Board believes that directors should be stockholders and have a financial stake in the Company. Each director should develop a meaningful ownership position in the Company over time. In furtherance of this belief, non-management directors are paid

a substantial portion of their annual fees in shares of the Company's common stock.

14. The Governance and Nominating Committee periodically reviews the Governance Principles and recommends changes to the Board.

In addition to the summary of the Governance Principles set forth above, the Board has adopted certain guidelines that establish a cap on direct investment of the Company's pension plan assets in the Company's common stock of 2% of total pension plan assets. Additionally, outside advisors actively managing the Company's pension plan assets are prohibited from directly investing in Raytheon stock other than through index funds.

Board Independence

The Board has adopted criteria to assist it in making determinations of the independence of its members. These criteria are included in the Company's Governance Principles and are summarized above beginning on page 7 of this proxy statement. The Board has considered the independence of its members in light of its independent director criteria and has determined that, except for Daniel P. Burnham, the Company's Chairman and CEO, and John H. Tilelli, Jr., all of its directors satisfy the criteria. Mr. Burnham does not satisfy the criteria because he is the Chief Executive Officer of the Company. Mr. Tilelli does not satisfy the criteria because he is the President and Chief Operating Officer of Cypress International Inc., a firm that provides consulting services to the Company.

Mr. Rudman is and has been affiliated with a law firm that provides legal services to the Company. Please refer to the discussion on page 4 of this proxy statement under the heading "Certain Relationships and Related Transactions." The Board unanimously determined that this affiliation is not material and that Mr. Rudman satisfies the Company's independent director criteria. In making this determination, the Board considered all factors it deemed relevant, including the Company's relationship with the law firm as a provider of outside legal services, the percentage of fees paid to the law firm by the Company as a percentage of the firm's total revenues and as a percentage of the Company's costs for legal services from outside law firms, and Mr. Rudman's individual arrangements with the firm with respect to compensation and firm management. In particular, the Board noted that Mr. Rudman has no vote on any firm matter, including but not limited to compensation matters. The Board also noted that the firm advised the Company that Mr. Rudman does not benefit directly or indirectly in the determination of his compensation from any fees the law firm earns from the Company. Effective January 1, 2003, Mr. Rudman's status with the law firm is of counsel, which means that he no longer has an equity interest in the law firm.

Lead Director

In December 2002, the Board determined to appoint a lead director, because Mr. Burnham holds the positions of Chairman and Chief Executive Officer and in order to adopt a Board structure that strengthens the independence and role of the Board with appropriate checks and balances on the power, actions and performance of the CEO. The lead director shall be independent as determined by the Board in accordance with the criteria included in the Company's Governance Principles and summarized on page 7 of this proxy statement. The lead director's duties include consulting with the Chairman in setting Board agendas, chairing executive sessions of the Board (in which the non-management directors meet without management) and performing such other duties as the Board may determine from time to time. The designation of a lead director is not intended to inhibit communication among the directors or between any of them and the Chairman. Annually, at the Board meeting that coincides with the annual meeting of stockholders, the Board will reconsider the role and designation of the lead director.

In December 2002, the Board designated Mr. Rudman as the lead director due to the valuable counsel and guidance he provides based on his depth of experience having served as a member of the Board of the Company since 1993. Mr. Rudman served two terms as a U.S. senator. He also co-chaired the bipartisan U.S. Commission on National Security. He most recently was a member of the Conference Board's Commission on

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Public Trust and Private Enterprise, which recommended significant reforms related to corporate governance, business ethics, shareholder relations and auditing and accounting issues.

Anyone who has a concern about the Company's conduct may communicate that concern directly to Mr. Rudman as lead director, or to the non-management directors as a group, in writing c/o the Corporate Secretary, Raytheon Company, Executive Offices, 141 Spring Street, Lexington, Massachusetts 02421.

Compensation of Directors

Each non-employee director receives an annual retainer of \$40,000. The chair of each Board committee receives an additional annual retainer of \$5,000. Non-employee directors also receive a fee of \$1,000 for attendance at each meeting of the Board and each committee meeting, other than telephonic meetings and committee meetings of less than two hours' duration held on the day of full Board meetings, for which the fee is \$500. Pursuant to the Company's Deferral Plan for directors, directors may defer receipt of their annual retainer and/or meeting fees until retirement from the Board.

Non-employee directors also receive an annual grant of \$60,000 of shares of Raytheon common stock. Grants are made under the Non-employee Directors Restricted Stock Plan. All grants of restricted stock are held in the custody of the Company until restrictions lapse, generally on the date of the annual meeting three years after the award. The directors receive dividends on these shares and are entitled to vote these shares.

In 1996, the Company terminated its Directors' Pension Plan. Prior to termination, directors of the Company who were not eligible for benefits under any Company-sponsored pension plan were entitled to receive a monthly cash benefit for up to fifteen years after their retirement from the Board. The Board voted to terminate this plan and to convert the then-present value of each director's cash benefit into shares of common stock. These shares, and all accrued dividends, are held in trust for the benefit of the individual director with delivery deferred until retirement from the Board.

The Company also maintains a general insurance policy which provides non-employee directors with travel accident insurance when on Company business.

The following report of the Audit Committee does not constitute soliciting material and shall not be deemed to be incorporated by reference into any other filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, including by any general statement incorporating this proxy statement, except to the extent the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee focuses on four areas:

the integrity of the Company's financial statements;

the independence and qualifications of the Company's independent auditors;

the performance of the Company's internal auditors and independent auditors; and

the Company's compliance with legal and regulatory requirements.

We meet with management periodically to consider the adequacy of the Company's internal controls and the objectivity of its financial reporting. We discuss these matters with the Company's independent auditors and with appropriate Company financial personnel and internal auditors.

As needed, we meet privately with both the independent auditors and the internal auditors, each of whom has unrestricted access to the Committee. We also appoint the independent auditors and review periodically their performance and independence from management.

The directors who serve on the Committee are all independent for purposes of the New York Stock Exchange listing standards. The Board has determined that Ronald L. Skates, a member of the Committee since January 2003, qualifies as an audit committee financial expert, as defined by SEC rules, based on his education, experience and background.

The Board has adopted a written charter setting out the functions the Committee is to perform. You can find a copy of that charter on Raytheon's Internet site at www.raytheon.com under the heading About Us/Corporate Governance. A copy of the charter is also attached to this proxy statement as Annex A.

Management has primary responsibility for the Company's financial statements and the overall reporting process, including the Company's system of internal controls.

The independent auditors audit the annual financial statements prepared by management, express an opinion as to whether those financial statements fairly present the financial position, results of operations and cash flows of the Company in conformity with generally accepted

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accounting principles and discuss with us any issues they believe should be raised with us.

This year, we reviewed the Company's audited financial statements and met with both management and PricewaterhouseCoopers, the Company's independent auditors, to discuss those financial statements. Management has represented to us that the financial statements were prepared in accordance with generally accepted accounting principles.

We have received from and discussed with PricewaterhouseCoopers the written disclosure as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). These items relate to that firm's independence from the Company. We also discussed with PricewaterhouseCoopers any matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). We also discussed with management the significant accounting policies utilized by the Company, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

Based on these reviews and discussions, we recommended to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

Management has advised us that for each of the years ended December 31, 2001 and December 31, 2002, respectively, the Company paid fees to PricewaterhouseCoopers for services in the following categories:

	2002	2001
Audit Fees	\$ 5.6 million	\$ 5.1 million
Audit-Related Fees ¹	\$ 3.9 million	\$ 9.4 million
Tax Fees ²	\$ 5.0 million	\$ 5.2 million
All Other Fees ³	\$ 35.7 million	\$ 64.5 million

- (1) Includes acquisition support, due diligence and audit support related to divestitures and advice related to accounting matters.
- (2) Includes foreign tax consulting services and tax return assistance in foreign jurisdictions, domestic tax consulting advice and preparation of expatriate tax returns.
- (3) Includes financial information systems design and implementation fees and dispute resolution support.

In 1999, the Company conducted a competitive selection process among various large Enterprise Resource Planning (ERP) implementation service providers to select a firm to assist the Company in its implementation of SAP. The Company is replacing its legacy systems and implementing SAP to establish common systems and standardized internal processes. PwC Consulting was selected to provide these services over a four-year period. An important factor in the selection of PwC Consulting was their demonstrated expertise in this area, as evidenced by the fact that PwC Consulting has worked with SAP and SAP software for more than 15 years, working on numerous global implementations of SAP's software during that time. In October 2002, PricewaterhouseCoopers sold PwC Consulting to an unrelated third party. PricewaterhouseCoopers has retained a limited role that is being phased out over the next year.

As of October 2002, the Audit Committee pre-approves all audit engagements and fees as well as all allowable non-audit engagements of the independent auditor. We have considered and determined that the provision of the non-audit services noted in the foregoing table is compatible with maintaining PricewaterhouseCoopers' independence in the conduct of its audit function.

Members of the Audit Committee

Frederic M. Poses, Michael C. Ruettgers Chair, Ronald L. Skates, William R. Spivey

ELECTION OF DIRECTORS

The Board of Directors is divided into three classes whose terms expire at successive annual meetings. We have nominated Ferdinand Colloredo-Mansfeld, Thomas E. Everhart, Warren B. Rudman and Ronald L. Skates, the directors in the class of directors whose terms expire at the annual meeting, for three-year terms that will expire at the annual meeting in the year 2006.

We have included below the principal occupation and other information about the nominees and the directors whose terms of office will continue after the annual meeting.

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The persons named in the proxy card intend to vote for the election of each of the nominees unless you indicate that your vote should be withheld. If elected, the nominees will continue in office until their successors have been duly elected and qualified, or until the earlier of their death, resignation or retirement.

We expect each of the nominees to be able to serve if elected. If, on account of death or unforeseen contingencies, any of these persons is unavailable for election, the proxies will be voted for a substitute nominee designated by the Board of Directors.

Nominees for the Class of Directors Whose Terms Expire in 2006

FERDINAND COLLOREDO-MANSFELD

Director of the Company since 1987.

Retired Chairman and Chief Executive Officer of Cabot Industrial Trust.

Chairman and Chief Executive Officer of Cabot Industrial Trust from January 1998 to December 2001.

Chairman and Chief Executive Officer of Cabot Partners L.P. (predecessor of Cabot Industrial Trust) from October 1990 to January 1998 and Chairman and Chief Executive Officer of Cabot, Cabot and Forbes Co. from 1986 to 1990.

Director: Cabot Properties, Inc.

Age 63.

THOMAS E. EVERHART

Director of the Company since 1997.

President Emeritus, California Institute of Technology since 1997.

President and Professor of Electrical Engineering and Applied Physics, California Institute of Technology from 1987 to 1997.

Director: Saint-Gobain Corporation; Kavli Foundation.

Trustee: California Institute of Technology.

Overseer: Harvard University.

Affiliations: Corporation for National Research Initiatives; Senior Scientific Advisor, W.M. Keck Foundation.

Age 71.

WARREN B. RUDMAN

Director of the Company since 1993.

Of counsel to the law firm of Paul, Weiss, Rifkind, Wharton & Garrison since January 2003.

Partner in the law firm of Paul, Weiss, Rifkind, Wharton & Garrison from January 1992 to December 2002.

United States senator from 1980 to January 1992.

Director: Allied Waste Industries, Inc.; Boston Scientific Corporation; The Chubb Corporation; Collins & Aikman Corporation; several mutual funds managed by Dreyfus Corporation.

Age 72.

RONALD L. SKATES

Director of the Company since January 2003.

Private investor since 1999.

President and Chief Executive Officer of Data General Corporation from 1989 to 1999; other positions at Data General Corporation from 1986 to 1989.

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

Director: Cabot Microelectronics Corporation; State Street Corporation.

Trustee: Massachusetts General Hospital.

Age 61.

Directors Whose Terms of Office Continue

JOHN M. DEUTCH

Director of the Company since 1998. Term expires 2004.

Institute Professor at the Massachusetts Institute of Technology since 1990.

Director of the United States Central Intelligence Agency from 1995 to 1996.

Deputy Secretary of Defense from 1994 to 1995.

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

Provost (from 1985 to 1990) and Chairman of the Department of Chemistry (from 1982 to 1985) of the Massachusetts Institute of Technology.

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Director: Citigroup Inc.; CMS Energy Corporation; Cummins Engine Company, Inc.; Schlumberger Ltd.

Affiliations: French American Foundation; Council on Foreign Relations; Resources for the Future; Urban Institute.

Age 64.

MICHAEL C. RUETTIGERS

Director of the Company since 2000. Term expires in 2004.

Executive Chairman of EMC Corporation since January 2001.

Chief Executive Officer of EMC Corporation from January 1992 to January 2001.

President of EMC Corporation from October 1989 to January 2000.

Chief Operating Officer of EMC Corporation from October 1989 to January 1992.

Executive Vice President, Operations of EMC Corporation from July 1988 to October 1989.

Director: EMC Corporation; PerkinElmer, Inc.

Age 60.

WILLIAM R. SPIVEY

Director of the Company since 1999. Term expires 2004.

Retired President and Chief Executive Officer of Luminent, Inc.

President and Chief Executive Officer of Luminent, Inc. from July 2000 to September 2001.

Group President, Network Products Group, Lucent Technologies Inc. from October 1997 to September 2001.

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

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

Director: Cascade Microtech, Inc.; Lyondell Chemical Co.; Novellus Systems, Inc.; The Laird Group, PLC.

Age 56.

BARBARA M. BARRETT

Director of the Company since 1999. Term expires 2005.

Chief Executive Officer of Triple Creek Guest Ranch since 1993; corporate and international attorney since 1979.

Fellow at the Institute of Politics at Harvard University in 1999; current member of the Senior Advisory Board.

President and Chief Executive Officer of the American Management Association from 1997 to 1998.

Deputy Administrator of the Federal Aviation Administration from 1988 to 1989.

Vice Chairman of the Civil Aeronautics Board from 1982 to 1985.

Chairman, Board of Trustees: Thunderbird, The American Graduate School of International Management; Trustee, Valley Bank of Arizona.

Director: Exponent, Inc.

Age 52.

DANIEL P. BURNHAM

Director of the Company since 1998. Term expires 2005.

Chairman and Chief Executive Officer of the Company since July 31, 1999.

President and Chief Executive Officer of the Company from December 1, 1998 to July 31, 1999.

President and Chief Operating Officer of the Company from July 1, 1998 to December 1, 1998.

Vice Chairman of AlliedSignal, Inc. from October 1997 to June 1998.

President of AlliedSignal Aerospace and Executive Vice President of AlliedSignal, Inc. from 1992 until becoming Vice Chairman in 1997.

Director: FleetBoston Financial Corporation.

Age 56.

FREDERIC M. POSES

Director of the Company since 2000. Term expires 2005.

Chairman and Chief Executive Officer of American Standard Companies, Inc. since January 1, 2000.

President and Chief Operating Officer of AlliedSignal, Inc. from 1998 to December 31, 1999.

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

Director: American Standard Companies, Inc.; Centex Corporation.

Age 60.

JOHN H. TILELLI, JR.

Director of the Company since 2002. Term expires 2005.

President and Chief Operating Officer of Cypress International Inc. since January 2002.

President and Chief Executive Officer of the USO Worldwide Operations from January 2000 to January 2002.

General Tilelli retired from the U.S. Army in January 2000 after a 37-year career which included positions as Commander-in-Chief of the United Nations Command, Republic of Korea/United States Combined Forces/United States Forces Korea, Vice Chief of Staff of the Army and Commander of United States Army Forces Command.

Board of Trustees: Widener University; AEROSPACE Corp.

Age 61.

STOCK OWNERSHIP**Five Percent Stockholders**

The following table lists those persons or groups known to the Company to be the beneficial owner of more than 5% of the Company's common stock as of December 31, 2002:

<u>Name and Address of Beneficial Owner</u>	<u>Common Stock</u>	<u>Percent of Class</u>
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	41,729,160	10.2%

Management and Directors

The following table contains information regarding the beneficial ownership of shares of Raytheon's common stock as of January 1, 2003 for (a) each director and nominee for director, (b) the four most highly compensated officers who are not also directors, (c) Franklyn A. Caine, the Company's former Senior Vice President and Chief Financial Officer, and (d) the directors, nominees and all executive officers as a group. No individual director or nominee for director or named executive officer beneficially owns 1% or more of the outstanding shares of common stock. The directors and executive officers as a group own approximately 1% of the outstanding shares of common stock.

<u>Name</u>	<u>Number of Shares and Nature of Beneficial Ownership</u>
(a)	
Daniel P. Burnham	1,471,543 ⁽¹⁾⁽²⁾⁽⁹⁾
Barbara M. Barrett	7,400 ⁽³⁾
Ferdinand Colloredo-Mansfeld	18,739 ⁽³⁾⁽⁴⁾
John M. Deutch	8,130 ⁽³⁾
Thomas E. Everhart	6,655 ⁽³⁾
Frederic M. Poses	9,825 ⁽³⁾
Warren B. Rudman	11,534 ⁽³⁾⁽⁴⁾⁽⁵⁾
Michael C. Ruettgers	15,321 ⁽³⁾
Ronald L. Skates	2,000
William R. Spivey	14,400 ⁽³⁾
John H. Tilelli, Jr.	1,000 ⁽³⁾
(b)	
William H. Swanson	825,458 ⁽¹⁾⁽²⁾⁽⁹⁾
Francis S. Marchilena	283,704 ⁽¹⁾⁽²⁾⁽⁶⁾⁽⁹⁾
James E. Schuster	136,399 ⁽¹⁾⁽²⁾⁽⁶⁾

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Thomas M. Culligan	44,128 ⁽¹⁾⁽²⁾⁽⁶⁾
(c) Franklyn A. Caine	691,905 ⁽¹⁾⁽²⁾⁽⁹⁾
(d) All directors, nominees for director and executive officers as a group (30 persons)	4,569,128 ⁽¹⁾⁽²⁾⁽⁷⁾⁽⁸⁾⁽⁹⁾

-
- (1) Includes shares which the beneficial owner has the right to acquire upon the exercise of stock options as follows: Mr. Burnham 1,152,833; Mr. Swanson 699,895; Mr. Marchilena 214,866; Mr. Schuster 66,999; Mr. Culligan 34,449; Mr. Caine 598,699; all executive officers as a group 3,599,945.
- (2) Includes shares held in the Raytheon Savings and Investment Plan and the Raytheon Excess Savings Plan as follows: Mr. Burnham 11,810; Mr. Swanson 7,654; Mr. Marchilena 4,554; Mr. Schuster 2,239; Mr. Culligan 759; Mr. Caine 2,821; all executive officers as a group 64,719.

- (3) Includes restricted stock issued under the Company's Non-employee Directors Restricted Stock Plan: Ms. Barrett and Messrs. Colloredo-Mansfeld, Deutch, Everhart, Rudman and Spivey 4,400 shares each; Messrs. Poses and Ruettgers 2,400 shares each; and Mr. Tilelli 1,000 shares.
- (4) Includes 5,644 shares held in trust for the benefit of the individual director. Each director has the power to vote the shares held for his or her account. The shares were issued pursuant to the Company's Deferral Plan for Directors.
- (5) Excludes shares held by any of the mutual funds of Dreyfus Corporation. As a director of several funds managed by Dreyfus Corporation, Mr. Rudman shares voting and investment power in the shares held by such funds with the other s of those funds and with the directors of the Dreyfus Corporation. Mr. Rudman disclaims beneficial ownership of all such shares.
- (6) Includes restricted shares over which the beneficial owner has voting power as follows: Mr. Marchilena 26,946; Mr. Schuster 62,000; Mr. Culligan 6,667; all officers and directors as a group 236,814.
- (7) Share ownership includes, in the case of certain officers, a minor number of shares held by trusts or family members as to which beneficial ownership is disclaimed.
- (8) Includes 11,288 shares held in trust and over which the individual has voting power.
- (9) Includes vested deferred compensation equivalent to the following number of shares of Raytheon common stock which each of the named executive officers has the right to acquire within 60 days of the date hereof upon termination of service with the Company: Mr. Burnham 275,295 shares; Mr. Swanson 61,583 shares; Mr. Marchilena 33,500 shares; and Mr. Caine 72,000 shares. Excludes unvested deferred compensation equivalent to the following number of shares of common stock: Mr. Burnham 349,418 shares; Mr. Swanson 66,667 shares; Mr. Marchilena 50,000 shares; and Mr. Caine 100,000 shares. Pursuant to elections made in January 2001, restricted stock awards made to each of Messrs. Burnham, Swanson, Marchilena and Caine were converted to deferred compensation arrangements and shares of Raytheon common stock were transferred to an irrevocable trust administered by an independent trustee. Effective December 2002, Mr. Caine resigned as Senior Vice President and Chief Financial Officer. In connection therewith, in January 2003 Mr. Caine received a distribution from the trust of 48,744 shares (representing 72,000 shares net of applicable taxes). The remaining portion of Mr. Caine's deferred compensation account representing the value of 100,000 shares has been forfeited.

EXECUTIVE COMPENSATION

Set forth below is information concerning the annual and long-term compensation for the Company's Chief Executive Officer, the four other most highly compensated executive officers and Franklyn A. Caine, the C