

RAYTHEON CO/  
Form DEF 14A  
April 27, 2015  
Table of Contents

**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)

## Edgar Filing: RAYTHEON CO/ - Form DEF 14A

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Edgar Filing: RAYTHEON CO/ - Form DEF 14A

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

April 24, 2015

Dear Raytheon Shareholder,

I am pleased to invite you to attend Raytheon's 2015 Annual Meeting of Shareholders on Thursday, May 28, 2015. The meeting will be held at 11:00 a.m. Eastern Time at The Ritz-Carlton, Pentagon City, 1250 South Hayes Street, Arlington, Virginia 22202. For your convenience, we are pleased to offer a live webcast (audio only) of the meeting at [www.raytheon.com/ir](http://www.raytheon.com/ir).

This booklet includes a formal notice of the meeting and the proxy statement. It also provides information on, among other things, Raytheon's corporate governance, the Company's executive compensation program, and the matters to be voted on at the meeting. As reflected in the proxy statement, Raytheon's approach to corporate governance is guided by fundamental principles of integrity, accountability, transparency and engagement, and driven by a culture of continuous improvement.

Raytheon is committed to maintaining sound governance practices. Our Board, comprised entirely of independent directors other than the Chairman and CEO, actively reviews and considers governance issues facilitated by our Governance and Nominating Committee. For a number of years, we have had annual elections with majority voting for directors, a clearly defined and empowered Lead Director role, regularly scheduled executive sessions of our outside directors, no poison pill, a clawback policy, limits on the number of public company boards on which a director may serve, and robust stock ownership requirements applicable to directors and executives. The Board's Management Development and Compensation Committee (MDCC) has established a rigorous, transparent, performance-based compensation program aimed at promoting a strong alignment between the interests of our executives and shareholders. In pursuing its pay-for-performance approach, the MDCC implemented a formal compensation consultant independence policy in 2009, years in advance of the New York Stock Exchange's adviser independence rules.

We have actively engaged with shareholders on governance and executive compensation matters for a number of years. Shareholder input garnered from these efforts has been considered periodically by the Governance and Nominating Committee, the MDCC and the full Board, and been instrumental in their ongoing consideration of the Company's governance profile and executive compensation program. In recent years, we have implemented a special meeting measure, added new website disclosure on political contributions and lobbying activities, adopted a statement on human rights and adjusted the metrics used for our incentive compensation program to improve pay-for-performance alignment. In 2014, based on shareholder input, the Board proposed, and shareholders approved, an amendment to the Company's charter to provide shareholders with the right to act by written consent subject to certain procedural safeguards.

During 2014, we continued to engage in a dialogue with many of our shareholders to solicit their input on a range of topics related to governance and executive compensation, with outcomes reported to our directors. Our outreach efforts in 2014 resulted in discussions outside of proxy season with representatives of institutional shareholders that in the aggregate owned more than 40% of the Company's outstanding shares.

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

Thank you.

Sincerely,

THOMAS A. KENNEDY

*Chairman and Chief Executive Officer*

**Table of Contents**

**NOTICE OF 2015 ANNUAL MEETING OF SHAREHOLDERS**

**Time:** 11:00 a.m. Eastern Time

**Date:** Thursday, May 28, 2015

**Place:** The Ritz-Carlton, Pentagon City

1250 South Hayes Street

Arlington, Virginia 22202

**Record Date:** Shareholders of record at the close of business on Tuesday, April 7, 2015 are entitled to notice of and to vote at the meeting.

**Purpose:** (1) Elect ten directors nominated by the Company's Board to hold office until the next annual shareholders' meeting or until their respective successors have been elected.

(2) Consider an advisory vote on the compensation of the Company's named executive officers.

(3) Approve the Raytheon Company 2010 Stock Plan for purposes of Internal Revenue Code Section 162(m).

(4) Ratify the selection of PricewaterhouseCoopers LLP as the Company's independent auditors.

(5) Consider and act upon such other business, including shareholder proposals if properly presented, as may properly come before the meeting or any adjournment thereof.

**Proxy Voting:** You can vote your shares by completing and returning the proxy card or voting instruction form sent to you. Most shareholders can also vote their shares over the Internet or by telephone. Please check your proxy card or the information forwarded by your broker, bank, trust 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,  
FRANK R. JIMENEZ  
*Secretary*

Waltham, Massachusetts

April 24, 2015

**Table of Contents**

**RAYTHEON COMPANY**

**870 Winter Street, Waltham, Massachusetts 02451**

**PROXY STATEMENT FOR 2015 ANNUAL MEETING OF SHAREHOLDERS**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>Proxy Statement</u></b>	1
<u>Proxies and Voting Procedures</u>	1
<u>Shareholders Entitled to Vote</u>	1
<u>Quorum and Required Vote</u>	2
<u>Tabulation of Votes</u>	3
<u>Multiple Copies of Annual Report to Shareholders</u>	3
<u>Householding Information</u>	3
<u>Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting</u>	3
<u>Electronic Delivery of Future Proxy Materials and Annual Reports</u>	3
<u>Cost of Proxy Solicitation</u>	4
<u>Shareholder Account Maintenance</u>	4
<b><u>Corporate Governance</u></b>	5
<u>Governance Highlights</u>	5
<u>Governance Principles</u>	6
<u>Board Independence</u>	6
<u>Director Nomination Process</u>	6
<u>Majority Voting for Directors</u>	7
<u>Board Leadership Structure and the Role of the Lead Director</u>	7
<u>Succession Planning</u>	8
<u>The Board's Role in Risk Oversight</u>	8
<u>Risk Assessment of Overall Compensation Program</u>	8
<u>Communication with the Board</u>	9
<u>Service on Other Boards</u>	9
<u>Director Education</u>	9
<u>Board and Committee Evaluation Process</u>	9
<u>Policy on Shareholder Rights Plans</u>	10
<u>Political Contributions and Lobbying Expenditures Disclosure</u>	10
<u>Shareholder Access and Engagement</u>	10
<u>Restatement Clawback Policy</u>	10
<u>Code of Conduct and Conflict of Interest</u>	10
<u>Transactions with Related Persons</u>	11
<b><u>The Board of Directors and Board Committees</u></b>	12
<u>Audit Committee</u>	13
<u>Management Development and Compensation Committee</u>	13
<u>Governance and Nominating Committee</u>	14
<u>Public Affairs Committee</u>	14
<u>Special Activities Committee</u>	14
<u>Executive Committee</u>	15
<u>Compensation Committee Interlocks and Insider Participation</u>	15
<b><u>Director Compensation</u></b>	16
<u>Determination and Assessment of Director Compensation</u>	18
<u>Elements of Director Compensation</u>	18
<u>Director Stock Ownership and Retention Guidelines</u>	18
<u>Policy Against Hedging with Respect to Company Stock</u>	19
<b><u>Election of Directors</u></b>	20
<u>Nominees for Election</u>	20

<b><u>Stock Ownership</u></b>	25
<u>Five Percent Shareholders</u>	25
<u>Management and Directors</u>	25
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	26

**Table of Contents**

<b><u>Executive Compensation</u></b>	27
<u>Compensation Discussion and Analysis</u>	27
<u>Management Development and Compensation Committee Report</u>	46
<u>Summary Compensation Table</u>	47
<u>2014 Grants of Plan-Based Awards</u>	51
<u>Outstanding Equity Awards at 2014 Fiscal Year-End</u>	55
<u>2014 Option Exercises and Stock Vested</u>	57
<u>Pension Benefits</u>	58
<u>Nonqualified Deferred Compensation</u>	61
<u>Potential Payments Upon Termination or Change-in-Control</u>	62
<b><u>Advisory Vote on Executive Compensation</u></b>	66
<b><u>Approval of Raytheon Company 2010 Stock Plan for Section 162(m) Purposes</u></b>	67
<b><u>Equity Compensation Plan Information</u></b>	71
<b><u>Audit Committee Report</u></b>	72
<b><u>Independent Auditors: Audit and Non-Audit Fees</u></b>	73
<b><u>Ratification of Appointment of PricewaterhouseCoopers LLP</u></b>	73
<b><u>Shareholder Proposals</u></b>	74
<b><u>Other Matters</u></b>	79
<b><u>Appendix A Raytheon Company 2010 Stock Plan</u></b>	A-1



**Table of Contents**

**RAYTHEON COMPANY**

**870 Winter Street, Waltham, Massachusetts 02451**

**PROXY STATEMENT FOR 2015 ANNUAL MEETING OF SHAREHOLDERS**

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Raytheon Company (Raytheon or the Company) of proxies to be voted at our 2015 Annual Meeting of Shareholders and at any meeting following adjournment thereof.

You are cordially invited to attend Raytheon's Annual Meeting on Thursday, May 28, 2015, beginning at 11:00 a.m. Eastern Time. Shareholders will be admitted beginning at 10:30 a.m. The meeting will be held at The Ritz-Carlton, Pentagon City, 1250 South Hayes Street, Arlington, Virginia 22202.

We are first mailing this proxy statement and accompanying forms of proxy and voting instructions on or about April 24, 2015 to holders of shares of our common stock as of Tuesday, April 7, 2015, the record date for the meeting.

If you are a shareholder of record as of the record date for the meeting, 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. For security purposes, to enter the meeting, you will be asked to present a valid picture identification, such as a driver's license or passport, with your admission ticket.

If your shares are held through a broker, bank, trust or other holder of record and you plan to attend the meeting in person, we will admit you only if we are able to verify that you are a Raytheon shareholder as of the record date. You should bring a letter or account statement demonstrating that you are the beneficial owner of our common stock on the record date, along with a valid picture identification to be admitted to the meeting. To vote your shares at the meeting, please see below.

**Proxies and Voting Procedures**

Your vote is important. Because many shareholders cannot attend the meeting in person, it is necessary that a large number of shareholders be represented by proxy. Most shareholders have a choice of voting over the Internet, by using a toll-free telephone number, or by completing a proxy card or voting instruction form and mailing it in the envelope provided. Please check your proxy card or the information forwarded by your broker, bank, trust or other holder of record to see which options are available to you. The Internet and telephone voting facilities for shareholders of record will close at 11:59 p.m. Eastern Time on Wednesday, May 27, 2015. The Internet and telephone voting procedures have been designed to authenticate shareholders, to allow you to vote your shares and to confirm that your instructions have been properly recorded. If your shares are held through a broker, bank, trust or other holder of record and Internet or telephone facilities are made available to you, these facilities may close sooner than facilities for shareholders of record.

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 and help avoid unnecessary resource expenditure.

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 broker, bank, trust 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 sign and return your proxy but 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.

**Shareholders Entitled to Vote**

Shareholders of our common stock at the close of business on the record date are entitled to notice of and to vote at the meeting. On April 7, 2015, there were 305,938,306 shares of our common stock outstanding.

## Edgar Filing: RAYTHEON CO/ - Form DEF 14A

If you are a participant in our Dividend Reinvestment Plan, shares acquired under the plan may be voted in the same manner as the shares that generated the dividends for reinvestment. Thus, these shares may be voted by following the same procedures as those described above.

If you are a participant in the Raytheon Savings and Investment Plan, your vote will serve as the voting instruction 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

---

## **Table of Contents**

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 (i.e., in street name) 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. We believe that nominees only have discretionary voting power with respect to the ballot item on ratification of auditors described in this proxy statement.

#### *Required Vote Election of Directors*

In uncontested elections of directors (as is the case for this annual meeting), each nominee must receive a majority of votes cast to be elected. That means that the number of votes cast for that nominee must exceed the votes cast against that nominee. An abstention does not count as a vote cast. Our Governance Principles require any incumbent nominee who fails to receive such a majority to tender his or her resignation to our Governance and Nominating Committee. For more information, see Corporate Governance Majority Voting for Directors on page 7. A nominee holding shares in street name does not have discretionary voting power with respect to the election of directors and may not vote shares unless the nominee receives voting instructions from the beneficial owner. Accordingly, a broker non-vote is not counted for voting purposes with respect to, and has no effect on, the election of directors.

#### *Required Vote Advisory Vote on Executive Compensation*

The affirmative vote of the holders of a majority of shares of our common stock, present in person or represented by proxy and entitled to vote, is required for approval with respect to the advisory vote on executive compensation. An abstention is treated as present and entitled to vote and therefore has the effect of a vote against the advisory vote on executive compensation. A nominee holding shares in street name does not have discretionary voting power with respect to this proposal and may not vote shares unless the nominee receives voting instructions from the beneficial owner. Accordingly, a broker non-vote is not counted for voting purposes with respect to, and has no effect on, the advisory vote on executive compensation.

#### *Required Vote Approval of the Raytheon Company 2010 Stock Plan for Purposes of IRC Section 162(m)*

The affirmative vote of the holders of a majority of shares of our common stock, present in person or represented by proxy and entitled to vote, is required to approve the Raytheon Company 2010 Stock Plan for purposes of IRC Section 162(m). An abstention is treated as present and entitled to vote and therefore has the effect of a vote against the proposal. A nominee holding shares in street name does not have discretionary voting power with respect to this proposal and may not vote shares unless the nominee receives voting instructions from the beneficial owner. Accordingly, a broker non-vote is not counted for voting purposes with respect to, and has no effect on, the proposal.

#### *Required Vote Ratification of Auditors*

The affirmative vote of the holders of a majority of shares of our common stock, present in person or represented by proxy and entitled to vote, is required to ratify the selection of our independent auditors. An abstention is treated as present and entitled to vote and therefore has the effect of a vote against ratification of the independent auditors. Because the New York Stock Exchange (NYSE) considers the ratification of the independent auditors to be routine, a nominee holding shares in street name may vote on this proposal in the absence of instructions from the beneficial owner.

#### *Required Vote Shareholder Proposals*

The affirmative vote of the holders of a majority of shares of our common stock, present in person or represented by proxy and entitled to vote, is required to approve a shareholder proposal. An abstention is treated as present and entitled to vote on a shareholder proposal and therefore has the effect of a vote against the proposal. A nominee holding shares in street name does not have discretionary voting power with respect to a shareholder proposal and may not vote shares unless the nominee receives voting instructions from the beneficial owner. Accordingly, a broker non-vote is not counted for voting purposes with respect to, and has no effect on, the shareholder proposals.



## **Table of Contents**

### *Other Matters*

If any other matters are properly presented for consideration at the meeting, including, among other things, consideration of a motion to adjourn the meeting to another time or place, the persons named in the proxy card 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 of this proxy statement, we do not anticipate that any other matters will be raised at the meeting.

In accordance with our Restated Certificate of Incorporation, as amended, each share of our 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:

required by law;

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

necessary in connection with a contested proxy solicitation; or

requested or otherwise disclosed by you.

If a comment written on a proxy card is provided to our Corporate Secretary, it will be done so without disclosing your vote unless necessary to an understanding of the comment.

### **Multiple Copies of Annual Report to Shareholders**

A copy of our 2014 Annual Report 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 us the cost of producing and mailing the annual report, we will discontinue the mailing of reports on the accounts you select if you follow the instructions regarding electronic access when you vote over the Internet.

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 (SEC) called householding. Under this procedure, we are permitted to deliver a single copy of our proxy statement and annual report to shareholders 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.

For certain 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 shareholder at that address. If you wish to receive an additional copy of our annual report or proxy statement this year, you may obtain one by calling the Raytheon Investor Relations Information Line toll free at 1-877-786-7070 (Option 1) or by writing to the Corporate Secretary at Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451. You also may request copies of our annual disclosure documents on our website at [www.raytheon.com](http://www.raytheon.com) under the heading Investor Relations/Request Information. If you are a street name holder and wish to revoke your consent to householding and receive additional copies of our proxy statement and annual report in future years, you may call Broadridge Investor Communications Services toll-free at 1-866-540-7095 or write to Broadridge Investor Communications Services, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. If you are a shareholder of record and wish to revoke your consent to householding 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 or write to Raytheon Shareholder Services, c/o American Stock Transfer & Trust

## Edgar Filing: RAYTHEON CO/ - Form DEF 14A

Company, 6201 15th Avenue, Brooklyn, New York 11219.

### **Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on Thursday, May 28, 2015**

This proxy statement and our 2014 Annual Report are also available on our website at [www.raytheon.com/proxy](http://www.raytheon.com/proxy).

### **Electronic Delivery of Future Proxy Materials and Annual Reports**

Most shareholders can elect to view future proxy statements and annual reports, as well as vote their shares of our common stock, over the Internet instead of receiving paper copies in the mail. This will save the Company the cost of producing and mailing these documents and help avoid unnecessary resource expenditure.

## **Table of Contents**

If you are a shareholder of record, you may choose this option by following the instructions provided when you vote over the Internet. You may also elect to receive annual disclosure documents electronically by following the instructions published on our website at [www.raytheon.com/proxy](http://www.raytheon.com/proxy). If you choose to view future proxy statements and annual reports over the Internet, you will receive an e-mail message next year containing the Internet address to access our annual report and proxy statement. Your choice will remain in effect until you cancel your election at [www.raytheon.com/proxy](http://www.raytheon.com/proxy). You do not have to elect Internet access each year.

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

## **Cost of Proxy Solicitation**

We will pay the cost of soliciting proxies. Proxies may be solicited on behalf of Raytheon by directors, officers or employees of Raytheon in person or by telephone, facsimile or other electronic means. We have retained D.F. King & Co., Inc. (DF King) to assist in the distribution and solicitation of proxies. Based on our agreement with DF King, we anticipate paying it fees ranging from approximately \$30,000 up to approximately \$100,000, plus-out-of-pocket expenses, for these services, depending upon the extent of proxy solicitation efforts undertaken.

As required by the SEC and the NYSE, 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 our common stock.

## **Shareholder Account Maintenance**

Our transfer agent is American Stock Transfer & Trust Company (AST). All communications concerning accounts of shareholders 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 website at [www.amstock.com](http://www.amstock.com).

For other Raytheon information, you can visit our website at [www.raytheon.com](http://www.raytheon.com). We make our website 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.

**Table of Contents**

**CORPORATE GOVERNANCE**

The Board of Directors is committed to being a leader in corporate governance. The Board believes that good governance enhances shareholder value and goes beyond simply complying with applicable requirements. It means an integrated and collaborative approach to governance promoting integrity, accountability, transparency and the highest ethical standards. To that end, the Board has adopted a number of policies, processes and practices to ensure effective governance. Our key governance documents are available on our website at [www.raytheon.com](http://www.raytheon.com) under the heading Investor Relations/Corporate Governance. Major elements of our governance profile are enumerated below and discussed in greater detail in this section.

**Governance Highlights**

***Independence*** All directors are independent other than the Chairman and CEO

The independent directors meet in executive session at the end of Board and committee meetings

***Independent Lead Director***

Compensation consultant independence policy instituted well in advance of regulatory requirements  
The Lead Director is, as described in our Governance Principles, fully independent and empowered with broadly defined leadership authority and responsibilities, including leading Board executive sessions

***Accountability***

All directors stand for election annually

Majority voting for directors in uncontested elections

Annual shareholder advisory vote on executive compensation

Annual Board evaluation of CEO performance led by the Management Development and Compensation Committee (MDCC)

Restatement Clawback Policy

No poison pill

Periodic Board review of the Company's ethics program



## Edgar Filing: RAYTHEON CO/ - Form DEF 14A

### ***Alignment with Shareholder Interests***

Rigorous pay-for-performance executive compensation program

Contemporary stock ownership and retention guidelines for directors and officers

Annual shareholder advisory vote on executive compensation

### ***Shareholder Access***

Prohibition on directors and officers engaging in hedging and derivative transactions involving Raytheon stock  
Multiple channels through the Company website to communicate with the Board and the Audit Committee

Active Company outreach and engagement with shareholders throughout the year

Shareholders authorized to call special meetings of shareholders

### ***Board Practices***

Shareholders authorized to take actions by written consent  
Robust annual Board and committee self-evaluation process, including independent director discussions in executive session

Mandatory director retirement at age 74

Regular MDCC and full Board review of executive succession planning

Balanced and diverse Board composition, which has been refreshed over time with the addition of five directors and departure of four directors in the last five years

### ***Risk Oversight***

Limits on the number of outside public company boards on which a director may serve, with lower limits for chief executive officers

Regular Board oversight of the Company's risk management, including its enterprise risk management process

Certain risks overseen by each Board committee based on the committee's role and responsibilities, including, by way of example, review by the Audit Committee of risks related to financial reporting, internal audit, auditor independence and related legal areas, by the MDCC of compensation program related risks, and by the Public Affairs Committee of U.S. and international regulatory compliance, environmental matters and crisis management

### ***Transparency***

## Edgar Filing: RAYTHEON CO/ - Form DEF 14A

Clear and understandable disclosure regarding the Company's executive compensation program and governance, as well as detailed and accurate financial reporting

Voluntary website disclosure regarding Company political expenditures and lobbying activities beyond legal requirements

Annual Corporate Responsibility Report highlighting the Company's values, culture and commitment to corporate responsibility, including governance, sustainability, ethics and business conduct, safety and wellness, and community support

## **Table of Contents**

### **Governance Principles**

Our Governance Principles provide a framework for oversight of the Company's governance and address a number of the topics enumerated above. The Governance Principles are available on our website at [www.raytheon.com](http://www.raytheon.com) under the heading "Investor Relations/Corporate Governance/Governance Principles" and are also available in print to any shareholder who requests them by writing to Raytheon Company, Investor Relations, 870 Winter Street, Waltham, Massachusetts 02451 or by emailing [invest@raytheon.com](mailto:invest@raytheon.com).

### **Board Independence**

The Governance Principles include criteria adopted by the Board to assist it in making determinations regarding the independence of its members. The criteria are consistent with the NYSE listing standards regarding director independence. To be considered independent, the Board must determine that a director does not have a material relationship, directly or indirectly, with Raytheon. A director will not be considered independent if he or she is a current partner or employee of an internal or external auditor of Raytheon, or if his or her immediate family member is a current partner of an internal or external auditor of Raytheon, or if he or she, or an immediate family member, has been within the last three years:

an executive officer of Raytheon;

a partner or employee of an internal or external auditor of Raytheon who personally worked on a Raytheon audit;

an executive officer of a public company that has an executive officer of Raytheon on its compensation committee;

a paid advisor or consultant to Raytheon receiving in excess of \$120,000 per year in direct compensation from Raytheon (other than fees for service as a director); or

an employee (or in the case of an immediate family member, an executive officer) of a company that does business with Raytheon and the annual payments to or from Raytheon exceeded the greater of \$1 million or 2% of the other company's annual gross revenues.

A director will also not be considered independent if, in the prior year, he or she, or an immediate family member, was an executive officer of a tax-exempt entity that received contributions from Raytheon exceeding the greater of \$1 million or 2% of the entity's gross revenues.

The Board has considered the independence of its members in light of its independence criteria, and has reviewed Raytheon's relationships with organizations with which our directors are affiliated. In this regard, the Board considered that subsidiaries of Tyco International, where Mr. Oliver serves as CEO, provide products and services to Raytheon in the ordinary course of business including fire protection and security system equipment and services. The amounts paid to, and received from, Tyco International were well below the relevant thresholds referenced above, and the Board further concluded that Mr. Oliver did not have a material interest, either directly or indirectly, in these transactions.

The Board also considered that State Street Global Markets, LLC (SSGM), a subsidiary of State Street Corporation, where Ms. Atkinson serves as Executive Vice President, Finance, provides purely transactional processing services to Raytheon pension plans in the ordinary operation of the plans. The amounts paid to, and received from, SSGM were well below the relevant thresholds referenced above, and the Board further concluded that Ms. Atkinson did not have a material interest, either directly or indirectly, in the provision of these transactional services.

Although none of our directors or their spouses is an executive officer of a not-for-profit organization, the Board reviewed charitable contributions to not-for-profit organizations with which our directors or their spouses are affiliated. None of the contributions approached the thresholds set forth in our independence criteria.

The Board has determined that Mses. Atkinson, Long and Stuntz, and Messrs. Cartwright, Clark, Hadley, Oliver, Ruetters, Skates and Spivey, do not directly or indirectly have a material relationship with the Company, nor do they directly or indirectly have a material interest in any transaction involving the Company, and each of them satisfies the independence criteria set forth in the Governance Principles and the NYSE

standards.

**Director Nomination Process**

The Governance and Nominating Committee's frame of reference for considering director candidates is set forth in the Board Selection section of the Governance Principles, which identifies diversity of experience, expertise and business judgment as key objectives. The Governance Principles also provide that the Committee, in consultation with the Board, will be guided by a number of other criteria, including that each director candidate should be chosen without regard to gender, race, religion, age, sexual orientation or national origin. The Committee considers the effectiveness of the framework established in

## **Table of Contents**

the Governance Principles periodically when considering the attributes and experience that might be most valuable in a new Board member. The Committee seeks to have a balanced, engaged and collegial board whose members possess the skills and background necessary to ensure that shareholder value is maximized in a manner consistent with all legal requirements and the highest ethical standards.

The Committee reviews each candidate's qualifications in accordance with the director qualification criteria contained in our Governance Principles and determines whether the candidate should be nominated for election to the Board. There is no difference in the way in which the Committee evaluates nominees for director positions based on the source of the nomination. From time to time, the Committee may engage a third party for a fee to assist it in identifying potential director candidates.

Shareholders wishing to propose a director candidate may do so by sending the candidate's name, biographical information and qualifications to the Chair of the Governance and Nominating Committee, in care of the Corporate Secretary, Raytheon Company, 870 Winter Street, Waltham, Massachusetts 02451. All director nominations should be made in accordance with the provisions set forth in our By-Laws, which are published on our website at [www.raytheon.com](http://www.raytheon.com) under the heading Investor Relations/Corporate Governance. You also may obtain a copy of our By-Laws by writing to the Corporate Secretary at the address set forth above.

Under our By-Laws, nominations for director may be made only by the Board or a Board committee, or by a shareholder entitled to vote who complies with the advance notice provision in our By-Laws. For our 2016 Annual Meeting of Shareholders, we must receive this notice between January 28, 2016 and February 27, 2016. However, in no event are we obligated to include any such nomination in our proxy materials.

## **Majority Voting for Directors**

Our By-Laws contain a majority of votes cast standard for uncontested elections of directors. Under the majority of votes cast standard, a director nominee is elected if the number of votes cast for the nominee exceeds the number of votes cast against the nominee. In contested elections (that is, those in which the number of nominees exceeds the number of directors to be elected), the voting standard is a plurality of votes cast.

Our Governance Principles also provide that any incumbent director in an uncontested election who fails to receive the requisite majority of votes cast for his or her election will tender his or her resignation to the Governance and Nominating Committee. The Governance and Nominating Committee will make a recommendation to the Board as to whether to accept or reject the director's resignation. The Board will act on the resignation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of results. The director whose resignation is under consideration will abstain from participating in both the Governance and Nominating Committee's recommendation and the Board's decision with respect to the resignation. If a resignation is not accepted by the Board, the director may continue to serve.

The Board also maintains the following policies and processes, which it believes represent best practices with respect to the election of directors:

the annual election of all directors;

a policy that a substantial majority of the Board shall be independent;

a rigorous nomination process conducted by the independent Governance and Nominating Committee; and

disclosure of a process through which shareholders may nominate director candidates.

The Board believes that the foregoing policies and practices help ensure the integrity of the election process by providing shareholders with a meaningful voice in director elections, thereby increasing the Board's accountability to shareholders.

## **Board Leadership Structure and the Role of the Lead Director**

## Edgar Filing: RAYTHEON CO/ - Form DEF 14A

On July 25, 2014, the Company announced that the Board had elected Thomas A. Kennedy as Chairman of the Board of the Company effective October 1, 2014. This action followed notice to the Board by then-Chairman of the Board, William H. Swanson, of his retirement from the Company effective September 30, 2014. The Company had previously announced on January 15, 2014, that Mr. Swanson would step down as CEO effective March 31, 2014, and that the Board had elected Joseph DeVivo as CEO effective March 31, 2014.

(Dick Drury): Thank you.

Joseph DeVivo: Thanks (Dick).

Operator: Your next question comes from Dave Turkaly of WR Hambrecht.

Dave Turkaly: Good morning. I wanted to ask a quick one on the Medtronic distribution deal that Horizon has. Does that cover the SynchroMed pump or is just the IsoMed constant-flow device?

Robert Wenzel: I will take that one, (Joe).

Joseph DeVivo: Yes, (Bob), please.

Robert Wenzel: The IsoMed is a fixed-delivery pump that delivers chemotherapy directly into the liver. The SynchroMed pump, as you alluded to, is a programmable pump that is programmable from outside the body. The distribution agreement we have with Medtronic only covers the IsoMed fixed-delivery pump. We have what we refer to as a co-promote agreement with Medtronic where we go out

and we act as more or less of a bird dog for them because of the common call point. The co-promote basically boils down to us finding leads for that Medtronic salesperson and then turning that lead over to them.

Dave Turkaly: For commission?

Robert Wenzel: For a commission, yes.

Dave Turkaly: Okay. And when you look at your port and access business, could you just help us understand? It looks like ports are somewhere around 18 million in sales last year. What are the main products there? What's driving the growth and what kind of share do you think you have today in that market? Thanks.

Robert Wenzel: Yes, we see a shift in our port business and we really focus in on the caregiver who really wants to provide a value-add. And the key technology that we have here, the intellectual property that we own is something we refer to as Vortex.

And basically, that prevents the buildup of sludge in the port. Many times, if a port becomes clogged, it has to be removed and another port put in. And the benefit for us is that our ports have this Vortex technology that allows them to be used for a much greater length of time than a standard port. So what we see is we see a shift of our port business moving from the standard conventional port to the more expensive and higher profit margin Vortex port.

Dave Turkaly: Would you say that, of your 18 million in '03 sales, what percent of that is Vortex?

Robert Wenzel: About 60%.

Dave Turkaly: Sixty? Okay, thanks.

---

RITA MEDICAL SYSTEMS INCORPORATED

Moderator: Jill Bertotti

05-13-04/10:00 am CT

Confirmation # 7453603

Page 32

Robert Wenzel: You are welcome.

Operator: Your next question comes from Wade King of Wells Fargo.

Wade King: Hi, guys. Can you hear me?

Joseph DeVivo: Yes.

Wade King: Just a couple of follow-up questions.

Joseph DeVivo: Sure.

Wade King: As it relates to the companies that are focused on device oncology products, Boston is obviously out there with about 150 million of revenue in this area and presumably about close to 100 reps. Aside from Boston, assuming that you are able to successfully integrate the companies, looking ahead, will there be anybody else as big as you folks are in this area?

Joseph DeVivo: I don't believe so. I do believe that Boston has about 65 reps. I don't think it's over 100. If it is, please tell me, but our knowledge is they have about 65 sales reps, about 110, \$120 million. So, yes, this would make us a strong Number Two in this segment from overall revenues and market leadership and radiofrequency ablation, so it's a good position and it's a good position to build on.

Wade King: Okay. Thank you. Following up on one of (Dick's) questions, maybe you could give us, if you have the information available, what is the average sale per account for RITA versus Horizon? Is that something that you could give to us?



---

RITA MEDICAL SYSTEMS INCORPORATED

Moderator: Jill Bertotti

05-13-04/10:00 am CT

Confirmation # 7453603

Page 33

Joseph DeVivo: I don't know that either company has communicated that publicly and I'm not sure that right now is actually a good opportunity to do so. I think it's - there's a huge range and to tell you the truth, I don't even know if we have it in front of us to be able to give to you. I'm sorry I don't think that's something (unintelligible), not that we don't want to but -.

Wade King: Right.

Joseph DeVivo: I would think that, with the concentration of customers, that in aggregate if you averaged out overall sales by that customer, that RITA would have a higher concentration of sales per customer but I don't know if that answers your question.

Wade King: Okay, and a question for (Bob), you mentioned that the - you know, of your port sales, 60% Vortex and it's got a feature there that helps to prevent sludging and thus enhance the longevity of the device (unintelligible) the need for repeat procedures. One, is this well protected from an IP standpoint too? Is this a - given this is a rather competitive market, is this something that helps that definitely is a differentiating factor that helps you, you know, to win over customers because of this? Are you taking share in this competitive market? Can you give us your insights here, please?

Robert Wenzel: You bet. The port market is somewhere between a 90 and \$100 million market. The biggest customer in that - not customer, the biggest competitor we have in that market is Bard and then behind them is a company called (Sims Deltech). We believe we've got about 20 to 25% market share in that market, and we believe it's growing because we have a superior port. I would say that our intellectual property is as solid as it gets; I don't see where that can be eroded.

---

RITA MEDICAL SYSTEMS INCORPORATED

Moderator: Jill Bertotti

05-13-04/10:00 am CT

Confirmation # 7453603

Page 34

Wade King: Okay, very good. Another question, you know, (Joe), could you lay out, in as much detail as you are willing here, other cost reductions, you know, that you expect to achieve for the combined company? What percent of that will come from the G&A side? What percent of that will come from sales and marketing or other?

Joseph DeVivo: Well, again, it's a great question, Wade, and more than that, it's just a little bit too early for us to go into. You know, we've a lot of work to do over the next 90 days, a lot of communications with employees and with the whole integration process. It comes from all buckets in general. I'll give you - or even have that at my fingertips for this call the broken out percentages, but in general, it comes from all buckets.

Anywhere that there is a duplication, we will identify synergies. The desire is to do so without undermining or hurting the core of the business. There's very large corporate expenses, G&A expenses, operational expenses, sales and marketing expenses; it really comes across the board in a transaction like that.

Wade King: Okay. Very good. Once again, this \$5-7 million of cost savings, I presume that excludes any potential benefits that you achieve in the combined operations of the companies, going forward, as it relates to taking advantage of a low-cost facility in Georgia that is operating only on a single shift. So, there's nothing in terms of this as relates to COGS specifically that's a part of your plan towards achieving, you know, profitability by early next year; it's all expense on the SG&A side. Is that right?

Donald Stewart: Hello Wade, this is (Don). I think that's a good assumption. We still have a lot of homework to do on the COGS side and the manufacturing, but most of what we've looked at, I mean a big chunk of the savings is that it's public

company costs. I know you follow small companies; you have a general idea of what it costs to be a public company, not just the cost, you know, you have to include the insurance cost and the like, so those are, you know, when you do this and go through negotiations, those are the most obvious and that's a big part of it. So, the rest of that is in the future - the other synergies that we're going to get.

Wade King: Okay, and (Bob), you alluded to one shift that you operated in your Manchester facility and just a minor detail - is that an eight-hour, ten-hour, twelve-hour shift?

Robert Wenzel: It's one eight-hour shift.

Wade King: One eight-hour shift. Very good. As it relates to the schedule per paying off the 6.5 million in July of '05, just to clarify, in the combined companies, your starting cash position is approximately \$10 million. Is that right? Cash and securities? That's about 8, 7 million from RITA and HMP about \$1.5 million. Is that correct, or 9 to 10 million?

Joseph DeVivo: That's from the March announcement, right?

Wade King: Yes.

Joseph DeVivo: Yes.

Wade King: A last question, please? (Bob), you mentioned that about 40% of your sales, either by units or dollar volume, are to the interventional radiologists as opposed to the oncologists. (Joe) and (Don), this has been an area that you are less well represented. Given the bone CPT code and the like and the need to build a distribution and a stronger to the interventional radiologists, it would

---

RITA MEDICAL SYSTEMS INCORPORATED

Moderator: Jill Bertotti

05-13-04/10:00 am CT

Confirmation # 7453603

Page 36

seem like this would be helpful to you, certainly as relates to driving a bone tumor related sales, given you will assume a lot of reps that are calling aggressively interventional radiologists right now.

Joseph DeVivo: Wade, I will tell you, one of the greatest frustrations we deal with on a daily basis is we feel that we leave a lot of opportunity on the table. We are limited by the amount of people and the amount of critical mass we have. We feel that there are places we haven't gone, people we haven't seen, and also not having as strong a link with the medical oncology specialty.

It's one of the very strong drivers of this transaction is to have the critical mass and to develop that access because, as you know, we have opportunities in breadth and in liver and in lung and in kidney and unifibroids and just are biggest challenge is not what to do, it's what not to do.

By growing the organization, it develops a larger platform that helps continue to market the vascular access products and we create a greater audience for ablation. (Bob) had mentioned earlier, it really is a win at all different levels, operationally and strategically, for our business. We fully intend, as a management team, to extract those strategic benefits.

Wade King: Okay and just to clarify, while you certainly will have a lot of other opportunities, looking ahead in surgical oncology products and interventional radiology products focused on cancer, clearly you've got your plate full for the time being. And I assume that investors don't need to consider that you're going to seriously entertain any other significant opportunity adding to the platform here that you're going to focus on achieving profitability near-term and successfully integrating the organization before you - these two organizations before you take on anything else.

Joseph DeVivo: Our focus is to deliver a successful integration, absolutely. We to look at all, you know, we understand the task ahead of us. I think we re very well prepared for it and our goal is to deliver to streets who are our collective investors a good company with good people who are going to build a marketplace, who are going to make money and great a lot of opportunities. When we are ready, if the opportunity comes to us to bring other technologies in, we re going to do it.

Wade King: Okay, very good. Thanks guys.

Joseph DeVivo: Thanks Wade.

Robert Wenzel: Thanks Wade.

Operator: Your next question comes from (Craig Knob) of Shore Water Limited.

(Craig Knob): Thank you and good morning, gentlemen. A couple of quick admin questions, if you don t mind. You mentioned due diligence. I am assuming that it is completed that there s no outstanding due diligence issues in the merger agreement at all?

Joseph DeVivo: Correct. We signed a definitive agreement last night.

(Craig Knob): Okay. And perhaps, Mr. Wenzel, you could tell me whether there were any other potential partners considered before you settled on RITA?

Robert Wenzel: (Craig), I would just as soon not get into that. One of the things that we looked at and I continue to look at and I m looking forward to talking to (Joe) about are some of the products that we ve investigated and some of the other partnering relationships. And, you know, it s certainly our Number One

priority is going to achieve a successful integration of these two companies, but there's frankly a lot of products out there that are looking for a way to the marketplace. The call points that we have - those people buy a lot of different products. I think this oncology platform is really being in the right place at the right time. There's a lot of opportunities out there to increase the breadth of our product line.

(Craig Knob): That's fair enough, thank you. The HSR review, which you say you are not subject to, I presume that is based on revenue. Is it?

Joseph DeVivo: Yes, we wouldn't qualify even if it was because we are under 100 million but also, we're not in competitive, you know, we don't have any.

(Craig Knob): There's no antitrust issues?

Robert Wenzel: There aren't any whatsoever.

(Craig Knob): But you are saying specifically that you're not going to be subject to the review?

Joseph DeVivo: Yes, we are.

(Craig Knob): Administratively anyway.

Joseph DeVivo: Yes, we are.

(Craig Knob): Just finally, with regard to the voting requirements, do both companies require a simple majority or is it more complicated than that?

Joseph DeVivo: A simple majority.

(Craig Knob): The lockups that you have in respect of what I think is more than 50% of your shareholders, Mr. Wenzel, does that mean that you are going to be looking for 50% of disinterested shareholders (unintelligible)?

Robert Wenzel: The holding agreements that we have in place virtually assure the passing of this merger.

(Craig Knob): From your point of you.

Robert Wenzel: From our point of view, right. That s correct.

(Craig Knob): All right. Thank you very much, gentlemen. It looks like a great fit and good luck with it.

Robert Wenzel: Thanks so much.

Operator: Your next question is a follow up question from (Dick Drury) of Constitution Research.

(Dick Drury): I m all set. Thank you.

Operator: At this time, you have no further questions.

Joseph DeVivo: Well, I d like to conclude this but first of all, thank you for so many of you being on the call. I know that this looks like that this is a - looks like a complex transaction. You know, this is a very positive transaction where we can take two companies and create one very strong company.

---

RITA MEDICAL SYSTEMS INCORPORATED

Moderator: Jill Bertotti

05-13-04/10:00 am CT

Confirmation # 7453603

Page 40

In today's day and age, I believe that the quicker we get to profitability, the quicker we get the critical mass and also enhance our strategic value to grow our business for the better. I think this transaction assures that for both RITA and HMP shareholders, and I think that I'm very excited to be a part of this transaction and believe that it will produce some great results.

So, I look forward to giving you updates in the future and thank you very much for joining the call.

Operator: This concludes today's conference call. You may now disconnect.

**END**

**Additional Information About the Merger and Where to Find It**

In connection with RITA Medical Systems' proposed merger with Horizon Medical Products, RITA intends to file with the Securities and Exchange Commission (SEC) a Registration Statement on Form S-4 that will include a joint proxy statement/prospectus and other relevant materials in connection with the proposed merger.

INVESTORS AND SECURITY HOLDERS OF RITA MEDICAL SYSTEMS AND HORIZON MEDICAL PRODUCTS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND THE OTHER RELEVANT MATERIALS WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT RITA MEDICAL SYSTEMS, HORIZON MEDICAL PRODUCTS, AND THE MERGER.

The joint proxy statement/prospectus and other relevant materials (when they become available), and any other documents filed by RITA or Horizon with the SEC, may be obtained free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, investor and security holders may obtain free copies of the documents (when they become available) filed with the SEC by RITA Medical Systems by directing a request to: RITA Medical Systems, Inc., 967 North Shoreline Blvd., Mountain View, California, 94043, Attn: Don Stewart. Investors may obtain free copies of the documents (when they become available) filed with the SEC by Horizon Medical Products by directing a request to: Horizon Medical Products, Inc., One Horizon Way, Manchester, Georgia 31816, Attn: Robert Wenzel.



RITA MEDICAL SYSTEMS INCORPORATED

Moderator: Jill Bertotti

05-13-04/10:00 am CT

Confirmation # 7453603

Page 41

RITA Medical Systems, Horizon Medical Products and their respective executive officers and directors may be deemed to be participants in the solicitation of proxies from the stockholders of RITA Medical Systems and Horizon Medical Products in favor of the merger. Information about the executive officers and directors of RITA Medical Systems and their ownership of RITA Medical Systems common stock is set forth in the RITA Medical Systems Form 10-K/A for the fiscal year ended December 31, 2003, which was filed with the SEC on April 29, 2004. Information about the executive officers and directors of Horizon Medical Products and their ownership of Horizon Medical Products common stock is set forth in the Horizon Medical Products Form 10-K/A for the fiscal year ended December 31, 2003, which was filed with the SEC on April 29, 2004. Investors and security holders may obtain more detailed information regarding the direct and indirect interests of RITA Medical Systems, Horizon Medical Products and their respective executive officers and directors in the merger by reading the joint proxy statement/prospectus regarding the merger when it becomes available.