

## **Part of 2005 Raytheon Annual Meeting (Actions of ARR)**

### **Proxy Proposal #8:**

#### **Mr. Swanson**

The next item is to consider a proposal on the selection of a Raytheon retiree as a director candidate. I will entertain a motion for the proposal.

#### **Mr. Arkin**

My name is Shepard Arkin. I represent Ed Greenberg and Mort Brond, stockholders of the Raytheon Corporation, and I make a motion that this proposal be accepted. I am here representing these people who are members of the Association of Raytheon Retirees. It's an organization that was formed to provide a conduit for the retirees to discuss issues with Raytheon management. We have had many fruitful discussions with Raytheon management and that is ongoing. However, one of our concerns is whether the real intent and content of those discussions is properly conveyed to Raytheon management. One way to do this is to have a director who could provide a direct input into the top levels of Raytheon management. In presenting this proposal I would like to note what our objective was. Our objective was to help ensure that Raytheon remains a major leader in the defense business and not to air personal grievances as stated in the company's proxy. We continue to have very fruitful discussions. I am very pleased with those and that will continue. What we want to talk to today is why we put in this proposal. Right now if you take a look in the business news, including today's paper, there are comments made about the airline industry, specifically about US Air about several other airlines who have taken their benefits and, in effect, passed them off onto the government. That has a serious effect as to how much benefits are available to the retirees. So what we are interested in doing is to help Raytheon attract top-level people from all walks and all fields necessary to maintain this requirement. It's easy to do at the top level because there are incentive awards that can be made available to top level people. But when you go down several levels, go down to the department managers, the program managers, the plant managers, these people have to know that to go to work for Raytheon is something that they want to do and is a desirable thing to do. Part of that is how they are treated while they are working for Raytheon and the second part of it is how they will be treated after they retire from Raytheon. The thing that the retirees can do is to provide a perspective on how the Raytheon retirement plan can be perceived by potential employees as whether it is a positive or a neutral impact. We want to make sure that what Raytheon is doing in its retirement activities is enough to attract the properly qualified people at all levels of management. Based on the fact that we have the knowledge, there is a lot

of information available. I'd like to request that you consider taking advantage of this valuable resource and that you consider voting for this proposal. Thank you.

**Mr. Swanson**

Shep, thank you. It's good to see you. I have not seen you since our days at the Missile Systems Division. I appreciate your point of view and hearing it. Raytheon has nearly a half million shareholders, 472,972 to be exact and the board is required to represent the interests of all shareholders, not only an important but small majority. Our retirees are greatly valued for their contributions to our company but the company must value the interest of all shareholders. For these and all the reasons described in the proxy the board recommends a vote against the proposal.

Any other discussion? Hearing none, if you have not already voted by proxy, please mark your ballot, raise your hand and your ballot will be collected and counted.

It is now 11:25 and I declare the polls closed. I'll instruct the inspector of elections to tabulate the votes and prepare a report. While the votes are being counted I'd like to make some comments on the current position of the company. As I mentioned earlier, last year was a strong year for our company. Record orders at \$25.7 billion, a 12% increase in sales to over 20 billion dollars and a total return to shareholders, including dividends, of 32%. At our annual meeting last year we said that our ability to continue to convert earnings to cash was very important. We said that our goal was to use cash first to pay down debt, and then return cash to our shareholders by buying back less equity, or through higher dividends, or both. The company is delivering on this commitment. We reduced net debt by \$2.1 billion dollars last year and we plan to continue to reduce our annual debt going forward. In the first quarter of this year we increased the quarterly dividend by 10%, the first dividend increase since 1996. Also during the year the company repurchased 1.4 million shares of common stock for \$53 million as part of our repurchase program, in which we are authorized to purchase up to \$700 million dollars of common stock through December of 2006. We have said that we would focus on predictable performance, strong relationships, innovative customer solutions. We did what we said we were going to do, and then some. Last week we reported another good quarter, and at the same time we increased our full year's guidance for earnings per share and for bookings. Our strategies have always been to put risks and uncertainties of the company's past behind us so that we can continue on our strategic growth plan and mitigate risk to the business going forward. In this context, we recently announced the tentative closure of two pending legal matters that the

company has been dealing with for many years which would enable us to close these two chapters and keep moving forward. What is our path going forward? I believe our path of growth and shareholder value starts with the focus on our customers and a vision based on world class people and technology.

**Question & Answer Period:**

**Mr. Churchill:** My name is Fred Churchill. I am a stockholder. My question deals with the cost of living pension increase for Raytheon's retirees and Raytheon's commitment to its retirees. I am the President of the Association of Raytheon Retirees, which represents 50,000 Raytheon retirees. A substantial number of long-retired, Raytheon retirees live at or below the poverty level. I would like to present a few examples. Clara Cheverie of Brockton, Massachusetts, retired in 1980 after 21 years of service, receives \$239.50 monthly, Peter Galifaro of West Yarmouth, Massachusetts, retired in 1980 after 30 years of service, receives \$333.24 monthly, Scott Howe of Deland, Florida, retired in 1979 after 25 years of service, receives \$294.09 monthly, Melvin Lewis of Tauton, Massachusetts, retired in 1985 after 27 years of service, receives \$507.35 monthly. These individuals, and others like them, are in need of a pension increase. Goods costing \$1.00 in 1993, the year of the last pension increase at Raytheon, cost \$1.35 today. My question is directed to Mr. Swanson: do you feel that Raytheon is meeting its commitment to its retirees when it pays the retirees pension in debased dollars?

**Mr. Swanson:** I appreciate your question; let me take it in a few parts. First let me assure you of this, Raytheon has honored and is honoring its commitment to its 59,783 retirees and will honor our commitment to some 80,000 retirees that we are projecting to have by 2010. Raytheon retirees receive approximately one billion dollars in retirement benefits annually. This year the company will put in an additional 515 million dollars in cash into that plan, last year we put in 440 million dollars into that plan. One other point, Raytheon's practice is to treat our retiree population in a similar fashion when it comes to pension updates. The company intends to honor those commitments to our retirees in all the 22 different defined pension plans that we have. I want to explain our thinking on this issue; I have worked with many of you during my tenure with this company. I want you to know that we do care and we are meeting our obligations to our current and our future retirees. At this time we must address the needs of all our stakeholders, which includes our shareholders, customers, and employees, in addition to our retirees.

**Mr. Churchill:** Thank you. I have a second question, Mr. Swanson. The Ten Commandments have been much in the news lately. Individual commandments don't receive the same attention. For example, the Fifth Commandment, which is, "Honor thy father and thy mother". This can be interpreted to mean that the elderly should be respected. This is a significant element of many cultures. During many years when Tom Phillips announced pension increases he always expressed his gratitude to the retirees for their contributions to the success of Raytheon. Do you feel that the Fifth Commandment has any bearing on Raytheon's treatment of its retirees?

**Mr. Swanson:** Now I was talking to Sister Mary Ellen earlier and in going through 11th grade in parochial school I understand the Ten Commandments very well and I must tell you that I have a fiduciary responsibility to our shareholders. I am trying to make sure that we treat all our shareholders in the right manner and we are trying to do that by honoring our commitments and that's the hard part about this job. We are trying to do this the best way we know how to do.

**Mr. Churchill:** Thank you.

**Mr. Swanson:** Anybody else? Ok, ready for the vote. I see that the inspector is ready to report the results of the election and with that if I can call on Mr. Deskowitz.

**Mr. Deskowitz:** Mr. Chairman, all the votes have been counted.....Item number 8: The selection of a Raytheon retiree candidate as a Raytheon director has been defeated having received the affirmative vote of 5% of the shares present in person or by proxy and entitled to vote in this meeting. My certificate as inspector of elections will be executed and then delivered to the secretary. This concludes my report, Mr. Chairman.

**Mr. Swanson:** Thank you very much. Thank you, all our business is now concluded, I'll entertain a motion to adjourn. Second? All in favor? Any opposed? Thank you all, the meeting is now adjourned, I'd like to thank you all for taking the time to attend, thank you all.