

BOEING CO  
Form DEF 14A  
March 26, 2004  
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**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

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

**THE BOEING COMPANY**

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(Name of Registrant as Specified In Its Charter)

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

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March 26, 2004

Dear Shareholder:

I am pleased to invite you to attend the Company's 2004 Annual Meeting of Shareholders, which will be held on Monday, May 3, 2004, beginning at 10:00 a.m., Central time, in Chicago, Illinois. We will meet in the Grand Ballroom of the Renaissance Chicago Hotel, which is located at One West Wacker Drive in Chicago.

Activities at the Annual Meeting will be limited to the items of business listed in the Notice of Annual Meeting of Shareholders. The following items of business will be presented:

- (1) election of four directors;
- (2) vote on a management proposal to approve amendments to the Company's Certificate of Incorporation and By-Laws to eliminate certain supermajority vote requirements;
- (3) advisory vote on the appointment of the Company's independent auditors; and
- (4) vote on seven shareholder proposals, if they are presented.

Your Board of Directors recommends a vote for the election of the nominees for director, the management proposal and the advisory vote on the appointment of the Company's independent auditors. The Board recommends a vote against each of the shareholder proposals. We will also report on the activities of the Company. You will have an opportunity to submit questions or comments on matters of interest to shareholders generally.

Your vote is important. Whether or not you plan to attend the Annual Meeting in person, I urge you to complete the accompanying proxy card and return it promptly.

Very truly yours,

Harry C. Stonecipher

*President and Chief Executive Officer*

**REQUEST ELECTRONIC DELIVERY OF PROXY DOCUMENTS.** Shareholders may elect to receive future distributions of proxy statements and annual reports by e-mail. To take advantage of this service, please see your proxy card and page 50 of this proxy statement for further information.

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**THE BOEING COMPANY**

**Boeing World Headquarters**

**100 North Riverside Plaza, Chicago, Illinois 60606**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

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|                          |   |
|--------------------------|---|
| <b>TIME</b>              | Monday, May 3, 2004, 10:00 a.m., Central time. Registration will begin at 8:30 a.m. The Annual Meeting will begin at 10:00 a.m. and conclude at 12:00 p.m.  |
| <b>PLACE</b>             | The Renaissance Chicago Hotel, One West Wacker Drive, Chicago, Illinois 60616-9985.   |
| <b>AGENDA</b>            | <ol style="list-style-type: none"><li>1. Elect four persons to the Board of Directors for three-year terms expiring in 2007.</li><li>2. Vote on a management proposal to approve amendments to the Certificate of Incorporation and By-Laws to eliminate certain supermajority vote requirements.</li><li>3. Cast an advisory vote on the appointment of Deloitte &amp; Touche LLP as independent auditors.</li><li>4. Vote on shareholder proposal on military contracts.</li><li>5. Vote on shareholder proposal on human rights policies.</li><li>6. Vote on shareholder proposal on declassification of the board of directors.</li><li>7. Vote on shareholder proposal on simple majority vote.</li><li>8. Vote on shareholder proposal on severance agreements.</li><li>9. Vote on shareholder proposal on retention of stock obtained through stock options.</li><li>10. Vote on shareholder proposal on pension plans.</li><li>11. Transact any other business properly brought before the meeting.</li></ol> |
| <b>RECORD DATE</b>       | You can vote if you were a shareholder at the close of business on March 5, 2004.   |
| <b>MEETING ADMISSION</b> | <p><i>Registered Shareholders.</i> An admission ticket is attached to your proxy card. <b>Please bring the admission ticket with you to the meeting.</b></p> <p><i>Beneficial Shareholders.</i> Shareholders whose stock is held by a broker or bank (often referred to as holding in street name ) should come to the beneficial shareholders table. <i>In order to be admitted, beneficial shareholders must bring account statements or letters from their brokers or banks showing that they owned Boeing stock as of March 5, 2004. In order to vote at the meeting, beneficial shareholders must bring legal proxies, which they can obtain only from their brokers or banks.</i></p> <p>In all cases, shareholders must bring photo identification to the meeting for admission.</p>   |
| <b>VOTING BY PROXY</b>   | <p><i>Registered Shareholders and Participants in Savings Plans.</i> Please vote:</p> <ol style="list-style-type: none"><li>1. By Toll-Free Telephone: Call 1-877-PRX-VOTE (1-877-779-8683) to vote by phone;</li><li>2. By Internet: Go to <a href="http://www.eproxyvote.com/ba">www.eproxyvote.com/ba</a> to vote on the Internet; or</li><li>3. By Mail: Mark, sign, date and promptly mail the enclosed proxy card in the postage-paid envelope. Any proxy may be revoked at any time prior to its exercise at the meeting.</li></ol> <p><i>Beneficial Shareholders.</i> If your shares are held in the name of a bank, broker or other holder of record, follow the voting instructions you receive from the holder of record to vote your shares.</p>  |

This proxy statement is issued in connection with the solicitation of a proxy on the enclosed form by the Board of Directors of The Boeing Company for use at the Company's 2004 Annual Meeting of Shareholders. We will begin distributing this proxy statement, a form of proxy and the 2003 Annual Report on or about March 26, 2004.

By Order of the Board of Directors

James C. Johnson

*Corporate Secretary*

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**THE BOEING COMPANY**  
**PROXY STATEMENT**  
**ANNUAL MEETING OF SHAREHOLDERS**  
**Monday, May 3, 2004**

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**PROXIES AND VOTING AT THE MEETING**

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Holders of Boeing stock at the close of business on March 5, 2004, are entitled to receive notice of the Annual Meeting and to vote their shares at the Annual Meeting. As of that date, there were approximately 842,989,568 shares of common stock outstanding and approximately 801,633,363 of those shares were eligible to vote. (The shares held in the ShareValue Trust for the Company's ShareValue Plan are not entitled to vote, and shares issued in exchange for shares of Rockwell International Corporation or McDonnell Douglas Corporation that have not been exchanged are not eligible to vote.) There were 135,229 registered shareholders on the record date, and approximately 456,000 beneficial shareholders whose shares were held in street name through a broker or bank.

Shares represented by a properly executed proxy will be voted at the Annual Meeting and, when instructions are given by the shareholder, will be voted in accordance with those instructions. If a proxy is executed and returned but no instructions are given, the shares will be voted according to the recommendations of the Board of Directors. The Board of Directors recommends a vote FOR Items 1 through 3 and AGAINST Items 4 through 10.

The Board is not aware of any business that may properly be brought before the Annual Meeting other than those matters described in this proxy statement. However, the enclosed proxy card gives discretionary authority to persons named on the proxy card to vote the shares in their best judgment if any matters other than those shown on the proxy card are properly brought before the Annual Meeting.

**How to Vote**

Your vote is important. You can save the Company the expense of a second mailing by voting promptly. Registered shareholders can vote by telephone, the Internet or by mail, as described below. If you are a beneficial shareholder, please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see what options are available to you.

Registered shareholders and savings plan participants may cast their vote by:

- (1) Signing, dating and promptly mailing the proxy card in the enclosed postage-paid envelope;
- (2) Accessing the Internet website [www.eproxyvote.com/ba](http://www.eproxyvote.com/ba) and voting by following the instructions provided on the website; or

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- (3) Calling 1-877-PRX-VOTE (1-877-779-8683) and voting by following the instructions provided on the phone line.

In order to vote via telephone or on the Internet, please have in front of you either your proxy card or, if you have consented to receive your materials electronically, your e-mail notification advising that materials are available on-line. A phone number and a website are contained on each of the documents. Upon entering either the phone number or the Internet address, you will be instructed on how to proceed.

Proxy cards will be sent to those persons having interests in Boeing stock through participation in the stock funds of the following Company benefit plans ( Plans ):

1. *The Boeing Company Voluntary Investment Plan*
2. *BAO Voluntary Savings Plan*
3. *Employee Payroll Stock Ownership Plan of McDonnell Douglas Corporation*
4. *Rockwell Automation Retirement Savings Plan for Salaried Employees*
5. *Rockwell Automation Retirement Savings Plan for Hourly Employees*
6. *Rockwell Automation Retirement Savings Plan for Certain Employees*

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Plans 1 through 3 listed above are sponsored by Boeing and its subsidiaries for their employees. Plans 4 through 6 listed above are sponsored by Rockwell International Corporation for its employees (the Rockwell Plans ), and the Company has no control over them and no responsibility for their administration.

Shares of Boeing stock held in the Plans ( Plan Shares ) are registered in the names of the trustees. The participants do not have actual ownership of the Plan Shares and may not vote the Plan Shares directly at the Annual Meeting. However, Plan participants are allocated interests in the shares and may instruct the trustees how to vote such interests. The number of shares of Boeing stock shown on your proxy card includes all registered shares and Plan Shares. Plan Shares can be voted only by submitting proxy instructions, whether by telephone, the Internet or mailing in the printed proxy card; they cannot be voted at the Annual Meeting and prior voting instructions cannot be revoked at the Annual Meeting. If you are a Plan participant, your proxy instructions must be received by the Plan trustee no later than midnight on Wednesday, April 28, 2004.

The trustees will cast Plan Share votes according to the participants' instructions. If no instructions are received, the trustee will vote the participants' Plan Shares in accordance with the terms of the Plan, which are as follows: for plans 1 through 3 listed above, shares will be voted in the same manner and proportion as the shares with respect to which voting instructions have been received, whereas the trustee for the Rockwell Plans will vote in its own discretion.

## **Revocation of Proxies**

A registered shareholder may revoke a properly executed proxy at any time before its exercise by:

Delivering a written notice of revocation to the Corporate Secretary;

Delivering another proxy that is dated later than the original proxy;

Attending the Annual Meeting and giving notice of revocation to an Inspector of Election; or

Attending the Annual Meeting and voting by ballot.

Beneficial shareholders cannot revoke their proxies in person at the Annual Meeting because the actual shareholders of record, banks or brokers, will not be present. Beneficial shareholders wishing to change their votes after returning voting instructions to their bank or broker should contact the bank or broker directly.

## **Vote Required**

The presence at the Annual Meeting, in person or by duly authorized proxy, of the holders of one-third of the outstanding shares of stock entitled to vote constitutes a quorum for the transaction of business. Each share of Boeing stock entitles the holder to one vote on each matter presented for shareholder action. A plurality of votes cast is required for the election of directors. This means that the director nominee with the most votes

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for a particular slot is elected to that slot. Only votes for affect the outcome. Checking the box on the proxy card that withholds authority to vote for a nominee is the equivalent of abstaining. Abstentions are not counted for the purpose of election of directors.

With respect to each of the proposals other than the election of directors (i.e., Items 2-10), shareholders may vote in favor of the proposal or against the proposal, or abstain from voting. The affirmative vote of holders of record of a majority of the outstanding shares of the Company entitled to vote for the election of directors is required for the approval of Item 2. As for Items 3-10, the affirmative vote of the majority of shares present in person or by proxy and entitled to vote at the Annual Meeting is required for approval of those proposals. A shareholder who signs and submits a ballot or proxy is present, so an abstention will have the same effect as a vote against those proposals.

Under New York Stock Exchange ( NYSE ) rules, if your broker holds your shares in its name, the broker is permitted to vote your shares on the election of directors and on Item 3, even if it does not receive voting instructions from you. Items 2 and 4 through 10 of this proxy statement are non-discretionary, meaning that brokers who hold shares for the accounts of their clients and who have not received instructions from their clients do not have discretion to vote on those items. When a broker votes a client's shares on some but not all of the proposals at the Annual Meeting, the missing votes are referred to as broker non-votes. Those shares will be included in determining the presence of a quorum at the Annual Meeting but are not considered present for purposes of voting on the non-discretionary items.

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### **Expenses of Solicitation**

All expenses for soliciting proxies will be paid by the Company, which has retained D.F. King & Co., Inc., 48 Wall Street, New York, New York 10005, to aid in the solicitation of proxies, for fees of approximately \$15,000, plus additional expenses of approximately \$95,000. Proxies may be solicited by personal interview, mail and telephone. D.F. King & Co., Inc. has contacted brokerage houses, other custodians and nominees to ask whether other persons are the beneficial owners of the shares they hold in street name and, if that is the case, will supply additional copies of the proxy materials for distribution to such beneficial owners. The Company will reimburse such parties for their reasonable expenses in sending proxy materials to the beneficial owners of the shares.

### **Voting Results**

The Company will announce preliminary voting results at the Annual Meeting. Final official results will be printed in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2004 (available at [www.SEC.gov](http://www.SEC.gov) and [www.boeing.com](http://www.boeing.com)).

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## **ITEM 1. ELECTION OF DIRECTORS**

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### **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

#### **A VOTE FOR ALL NOMINEES.**

The Board of Directors of the Company, pursuant to the By-Laws, has determined that the number of directors of the Company shall be 11, which number will be reduced to 10 upon the retirement of Paul E. Gray. Board policy requires each nonemployee director to resign at the annual meeting following that director's 72nd birthday. Dr. Gray has announced his intention to retire from the Board at the Annual Meeting. The Board is divided into three classes, each of which is composed of approximately one-third of the directors. Directors are elected by a plurality of the votes cast. Except as otherwise specified in a proxy, proxies will be voted for these nominees.

The Governance, Organization and Nominating Committee of the Board of Directors identifies and recommends to the Board the nominees to fill any vacancies on the Board and nominees to be proposed by the Board as candidates for election as directors.

Each nominee elected as a director will continue in office until his or her successor has been elected, or until his or her death, resignation or retirement. If any nominee is unable to serve, proxies will be voted for the election of such person as shall be designated by the Board, unless the Board chooses to reduce the number of directors serving on the Board.

The Board of Directors has proposed the following four nominees for election as directors at the Annual Meeting with terms expiring in 2007. Linda Z. Cook, who was named a director by the Board effective December 1, 2003, is standing for election for the first time. Ms. Cook was selected to serve on the Board based upon the recommendation by the Governance, Organization and Nominating Committee. The Governance, Organization and Nominating Committee enlisted the services of a third-party search firm to identify Ms. Cook as a potential board candidate.

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The Board has determined that each of the nominees for director and continuing directors, except Mr. Stonecipher, the Company's President and Chief Executive Officer, meets the criteria for independence prescribed by the NYSE listing standards.

**Table of Contents****NOMINEES FOR DIRECTORS WHOSE TERMS EXPIRE IN 2007**

| <b>Name</b>        | <b>Principal Occupation or Employment/Other Business Affiliations</b>  | <b>Age</b> | <b>Director Since</b> |
|--------------------|--|------------|-----------------------|
| John H. Biggs      | <i>Former Chairman and Chief Executive Officer, Teachers Insurance and Annuity Association-College Retirement Equities Fund ( TIAA-CREF ).</i> Mr. Biggs served as Chairman and Chief Executive Officer of TIAA-CREF (national teachers pension fund) from January 1993 until November 2002. He is also a director of J.P. Morgan Chase & Co. He is a trustee of Washington University in St. Louis and an at-large trustee of the International Accounting Standards Board Foundation. He is Chair of the Finance Committee and a member of the Audit Committee.  | 67         | 1997                  |
| John E. Bryson     | <i>Chairman of the Board, President and Chief Executive Officer, Edison International.</i> Mr. Bryson has served as Chairman of the Board, President and Chief Executive Officer of Edison International (electric power generator, distributor and structured finance provider), the parent company of Southern California Edison, since 1990. He is a director of The Walt Disney Company and Western Asset Funds, Inc. (and related fixed income funds). He is a member of the Compensation Committee and the Governance, Organization and Nominating Committee.  | 60         | 1995                  |
| Linda Z. Cook      | <i>President and Chief Executive Officer, Shell Canada Limited.</i> Ms. Cook was appointed President and Chief Executive Officer and a member of the Board of Directors of Shell Canada Limited (integrated petroleum) on August 1, 2003. She served as Chief Executive Officer for Shell Gas & Power from January 2000 through July 2003. She previously served as Director, Strategy & Business Development on the Shell Exploration & Production Global Executive Committee based in The Hague. Ms. Cook is a member of the Society of Petroleum Engineers, the Harvard School of Government Dean's Council and the Canadian Council of Chief Executives. She is a member of the Audit Committee and the Finance Committee. | 45         | 2003                  |
| Rozanne L. Ridgway | <i>Former Assistant Secretary of State for Europe and Canada.</i> Ms. Ridgway served 32 years with the U.S. State Department, including service as Ambassador to the German Democratic Republic and to Finland, and, from 1985 until her retirement in 1989, as Assistant Secretary of State for Europe and Canada. She is also a director of Emerson Electric Company, 3M Company, Sara Lee Corporation, New Perspective Fund and Manpower, Inc. She is the Chair of the Governance, Organization and Nominating Committee and a member of the Compensation Committee.  | 68         | 1992                  |

**CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2005**

| <b>Name</b>           | <b>Principal Occupation or Employment/Other Business Affiliations</b> | <b>Age</b> | <b>Director Since</b> |
|-----------------------|---|------------|-----------------------|
| Kenneth M. Duberstein |   | 59         | 1997                  |

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*Chairman and Chief Executive Officer, The Duberstein Group.* Mr. Duberstein has served as Chairman and Chief Executive Officer of The Duberstein Group (consulting firm) since 1989. He was White House Chief of Staff in 1988 and 1989. Mr. Duberstein is also a director of ConocoPhillips, Fannie Mae, Fleming Companies, Inc. and St. Paul Companies and a governor of the American Stock Exchange and the NASD, Inc. He is Chair of the Compensation Committee and a member of the Governance, Organization and Nominating Committee.

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| <b>Name</b>            | <b>Principal Occupation or Employment/Other Business Affiliations</b>   | <b>Age</b> | <b>Director Since</b> |
|------------------------|---|------------|-----------------------|
| W. James McNerney, Jr. | <b>Chairman and Chief Executive Officer, 3M Company.</b> Mr. McNerney has served as Chairman and Chief Executive Officer of 3M Company (diversified technology) since January 2001. Beginning in 1982, he served in management positions at General Electric Company, his most recent being President and Chief Executive Officer of GE Aircraft Engines, 1997-2000. Mr. McNerney is also a director of The Procter & Gamble Company and a member of various business and educational organizations. He is a member of the Audit Committee and the Finance Committee. | 54         | 2001                  |

|                |  |    |      |
|----------------|--|----|------|
| Lewis E. Platt | <b>Non-Executive Chairman of the Board of The Boeing Company.</b> Mr. Platt was elected Non-Executive Chairman of the Board effective December 1, 2003. He served as President and Chief Executive Officer of Hewlett-Packard Company (measurement, computing and communications equipment) from November 1992 until July 1999, and as director and Chairman from September 1993 until his retirement in December 1999. In 1995, he was appointed to the Advisory Committee on Trade Policy Negotiations by President Clinton. Mr. Platt was Chief Executive Officer and a director of Kendall-Jackson Wine Estates Ltd. until June 2001. He is also a director of 7-Eleven, Inc. and serves on the Wharton School Board of Overseers and as a trustee of the David and Lucile Packard Foundation. He is a member of the Compensation Committee and the Governance, Organization and Nominating Committee. | 62 | 1999 |
|----------------|--|----|------|

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**CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2006**


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| <b>Name</b>       | <b>Principal Occupation or Employment/Other Business Affiliations</b>  | <b>Age</b> | <b>Director Since</b> |
|-------------------|--|------------|-----------------------|
| John F. McDonnell | <b>Retired Chairman, McDonnell Douglas Corporation.</b> Mr. McDonnell served as Chairman of McDonnell Douglas Corporation (aerospace) from 1988 until its merger with Boeing in 1997, and as its Chief Executive Officer from 1988 to 1994. He is also a director of Zoltek Companies, Inc., director of BJC Healthcare and Chairman of the Board of Trustees of Washington University in St. Louis. He is a member of the Compensation Committee and the Governance, Organization and Nominating Committee. | 66         | 1997                  |

|                       |  |    |      |
|-----------------------|--|----|------|
| John M. Shalikashvili | <b>Retired Chairman of the Joint Chiefs of Staff, U.S. Department of Defense.</b> General Shalikashvili served as the 13th Chairman of the Joint Chiefs of Staff (armed forces) from 1993 to 1997. Previously, he served as Commander in Chief of all U.S. forces in Europe and as NATO's 10th Supreme Allied Commander in Europe. General Shalikashvili is a visiting professor at Stanford University's Center for International Security and Cooperation. He also serves as a director of Frank Russell Trust Company, L-3 Communications Holdings, Inc., Plug Power Inc. and United Defense Industries, Inc. He is Chair of the Audit Committee and Special Programs Committee and is a member of the Finance Committee. | 67 | 2000 |
|-----------------------|--|----|------|

|                      |  |    |      |
|----------------------|--|----|------|
| Harry C. Stonecipher |  | 67 | 1997 |
|----------------------|--|----|------|

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***President and Chief Executive Officer of The Boeing Company.*** Mr. Stonecipher has served as Chief Executive Officer since December 1, 2003. He served as Vice Chairman of the Board of The Boeing Company from May 2001 until June 2002 and as President and Chief Operating Officer from 1997 until May 2001. He served as President and Chief Executive Officer of McDonnell Douglas Corporation (aerospace) from 1994 until its merger with Boeing in 1997. He was Chairman of the Board, President and Chief Executive Officer of Sundstrand Corporation (aerospace) from 1991 to 1994. Mr. Stonecipher is also a director of PACCAR, Inc.

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**BOARD MEMBERSHIP AND DIRECTOR INDEPENDENCE**

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The Company's business affairs are managed under the direction of the Board of Directors. Directors meet their responsibilities by participating in meetings of the Board and Board committees on which they sit, through communications with our Chief Executive Officer and other officers, by reviewing materials provided to them, and by visiting our offices and plants.

During 2003, the Board of Directors met 8 times, having 6 regular meetings and 2 special meetings, with each special meeting spanning several days. The committees of the Board of Directors held a total of 38 meetings. All directors attended 100% of the scheduled Board and committee meetings. Each director is expected to attend the Company's annual meeting of shareholders, absent a valid reason, such as a scheduling conflict. Last year, all directors serving at the time attended the annual meeting of shareholders.

The Board of Directors has adopted the following Director Independence Standards consistent with the independent director listing standards of the NYSE.

To be considered independent the Board of Directors must make an affirmative determination, by a resolution of the Board as a whole, that the director being reviewed has no material relationship with the Company other than as a director, either directly or indirectly (such as a partner, shareholder or executive officer of another entity that has a relationship with the Company). In each case, the Board broadly considers all relevant facts and circumstances.

A director will not be deemed to be independent if, within the preceding three years:

- (a) the director was employed by the Company or any of its direct or indirect subsidiaries;
- (b) an immediate family member of the director was employed by the Company as an executive officer;
- (c) the director was employed by or affiliated with the Company's current or former internal or independent auditor in a professional capacity;
- (d) an immediate family member of the director was employed by or affiliated with the Company's current or former internal or independent auditor in a professional capacity;
- (e) a director, or an immediate family member, received more than \$100,000 annually in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation, so long as such compensation is not contingent on continued service;

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(f) a director was employed as an executive officer of another company where any of the Company's current executives serve on that company's compensation committee;

(g) an immediate family member of the director was employed as an executive officer of another company where any of the Company's current executives serve on that company's compensation committee;

(h) a director was an executive officer or an employee of a company that makes payments to or receives payments from the Company for property or services in an amount that exceeds in any single fiscal year \$1,000,000 or 2% of that company's consolidated gross revenues, whichever is greater; or

(i) an immediate family member is an executive officer of a company that makes payments to or receives payments from the Company for property or services in an amount that exceeds in any single fiscal year \$1,000,000 or 2% of that company's consolidated gross revenues, whichever is greater.

An immediate family member includes a director's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone (other than domestic employees) who shares such director's home.

A director's service as an executive officer of a not-for-profit organization will not impair his or her independence if, within the preceding three years, the Company's charitable contributions to the organization in any single fiscal year, in the aggregate, do not exceed the greater of \$1,000,000 or 2% of that organization's latest publicly available consolidated gross revenues. The Board of Directors will review all commercial and charitable relationships of directors on an annual basis.

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The mere ownership of a significant amount of stock is not in and of itself a bar to an independence determination but rather one factor to consider.

Whether directors meet these categorical independence tests will be reviewed and will be made public annually prior to their standing for re-election to the Board of Directors. For relationships not covered by these guidelines, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors who themselves satisfy the independence guidelines.

**COMMITTEE MEMBERSHIP**

Pursuant to the By-Laws, the Board of Directors has established the following standing committees: Audit, Compensation, Governance, Organization and Nominating, Finance, and Special Programs. All of the members of each of these standing committees meet the criteria for independence prescribed by the NYSE. Membership of the standing committees is determined at the organizational meeting of the Board in conjunction with the annual meeting. Adjustments to committee assignments may be made as of that date.

Membership of each committee is as follows, with committee chairpersons listed first.

| <b>Audit</b>           | <b>Compensation</b>     | <b>Governance,<br/>Organization<br/>and Nominating</b> |
|------------------------|-------------------------|--|
| John M. Shalikashvili  | Kenneth M. Duberstein   | Rozanne L. Ridgway                                     |
| John H. Biggs          | John E. Bryson          | John E. Bryson   |
| Linda Z. Cook          | *Paul E. Gray           | Kenneth M. Duberstein                                  |
| W. James McNerney, Jr. | John F. McDonnell       | *Paul E. Gray  |
|                        | Lewis E. Platt          | John F. McDonnell                                      |
|                        | Rozanne L. Ridgway      | Lewis E. Platt   |
| <b>Finance</b>         | <b>Special Programs</b> |  |
| John H. Biggs          | John M. Shalikashvili   |  |
| Linda Z. Cook          | *Paul E. Gray           |  |
| W. James McNerney, Jr. |                         |  |
| John M. Shalikashvili  |                         |  |

\* After more than 13 years of valued service as a director, Dr. Gray will retire at the Annual Meeting.

The Board of Directors has adopted a written charter for each committee. Shareholders may access a copy of each committee's charter on the Company's website at [www.boeing.com/corp\\_gov/flash.html](http://www.boeing.com/corp_gov/flash.html). In addition, a copy of the Audit Committee Charter is attached to this proxy statement as Appendix B, as required by the proxy rules. A summary of the duties and responsibilities of each committee is set forth below.

**Audit Committee**

**14 meetings in 2003**

The primary purposes of the Audit Committee are to assist the Board of Directors in oversight of (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the Company's internal audit function and the independent auditor. The Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as deemed necessary to perform its duties and responsibilities.

The charter of the Audit Committee requires that the Committee be comprised of at least three directors, all of whom are not members of management and meet the applicable independence and financial literacy requirements of the Securities and Exchange Commission ( SEC ) and the NYSE. At least one member must be an audit committee financial expert and have accounting or related financial management expertise as required by the SEC and the NYSE, respectively. The Board of Directors has determined that Mr. Biggs is the audit committee financial expert and has the accounting or related financial management expertise and furthermore that each committee member is independent and financially literate. The Audit Committee:

Appoints, retains, compensates, evaluates and terminates, if necessary, the independent auditor subject to ratification by the Board of Directors;

Reviews and pre-approves both audit and non-audit services provided by the independent auditor;

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Reviews and advises on the selection and removal of the internal auditor;

Reviews and recommends changes to the internal audit charter;

Reviews, on an annual basis, a formal written statement prepared by the independent auditor describing internal quality control procedures and any material issues raised by the most recent review or peer review of the firm and delineating all relationships relevant to audit independence between the independent auditor and the Company;

Discusses with management or the independent auditors, as appropriate, the matters required to be discussed by the Statement on Auditing Standards No. 61 and the Sarbanes-Oxley Act of 2002 relating to the conduct of the audit or quarterly review;

Reviews with the independent auditors, internal auditors and members of senior management the adequacy and effectiveness of the Company's financial controls and financial reporting procedures;

Meets periodically or at least annually with management, the senior internal auditing executive and the independent auditors in separate executive sessions;

Reviews and discusses with financial management and independent auditors, prior to filing, the Company's quarterly and annual reports filed with the SEC and certifications required by the Sarbanes-Oxley Act of 2002 and relevant reports rendered by the independent auditors;

Reviews earnings press releases with management and financial information and earnings guidance provided to analysts and ratings agencies;

Prepares a report for inclusion in the annual proxy statement;

Discusses with management policies and procedures regarding risk assessment and risk management;

Reviews management's assessment of compliance with laws, regulations and Company policies relative to payments to individuals or organizations retained as foreign sales consultants;

Meets with the Office of Internal Governance to review the Company's ethics and business conduct program and Company compliance with the principles of the Defense Industry Initiative on Business Ethics and Conduct;

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Reviews significant pending and threatened litigation, the status of advancement of expenses to employees involved in Company-related legal proceedings, and related indemnification;

Presents to the Board such comments and recommendations as the Audit Committee deems appropriate, and performs such other duties as may be assigned by the Board or deemed appropriate by the Committee within the context of the Audit Committee's Charter;

Sets clear hiring policies compliant with laws and regulations for employees and former employees of the independent auditor;

Establishes and maintains procedures for receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters;

Establishes and maintains procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters;

Conducts an annual self-evaluation; and

Reports annually to the Board regarding execution of the Audit Committee's duties and responsibilities.



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**Compensation Committee**

**7 meetings in 2003**

The charter of the Compensation Committee requires that the Committee be comprised of at least three directors, all of whom meet the independence requirements of the NYSE. The Compensation Committee:

Establishes and administers the Company's executive compensation plans;

Reviews the individual elements of total compensation for the Chief Executive Officer and other elected officers and recommends salary adjustments to the Board of Directors;

Amends compensation plans within the scope of the Compensation Committee's authority and recommends plans and plan amendments to the Board;

Reviews the Company's incentive compensation and other equity-based compensation plans and recommends changes to the Board;

Produces an annual report on executive compensation;

Conducts an annual self-evaluation; and

Reviews and approves corporate goals and objectives relevant to the Chief Executive Officer's compensation and approves the compensation based on achievement of the goals.

**Governance, Organization and Nominating Committee**

**6 meetings in 2003**

The charter of the Governance, Organization and Nominating Committee requires that the Committee be comprised of at least three members, all of whom meet the independence requirements of the NYSE. The Governance, Organization and Nominating Committee:

Reviews and makes recommendations to the Board of Directors with respect to the responsibilities and functions of the Board and Board committees;

Makes recommendations to the Board concerning the organization, structure, size and composition of the Board, including recommending candidates to fill vacancies on, or to be elected or re-elected to, the Board;

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Makes recommendations concerning the compensation and benefits of directors;

Considers the names and qualifications of any candidates for the Board submitted by shareholders in accordance with the procedures set forth in the Company's By-Laws;

Develops and recommends to the Board an annual self-evaluation process for the Board;

Formulates corporate governance guidelines for approval by the Board and reviews the guidelines on a periodic basis;

Makes recommendations to the Board concerning candidates for election as Chief Executive Officer and other corporate officers;

Conducts an annual self-evaluation;

Monitors and reviews at least annually the performance of the Chief Executive Officer and the Company's plans for senior management succession;

Reviews and monitors the orientation and continuing education of Board members; and

Considers possible conflicts of interest of Board members and corporate officers.

In addition to the above, the Committee is responsible for making recommendations to the Board of Directors concerning nominees for election as directors and nominees for Board vacancies. To fulfill this role, the Committee reviews the organization, structure, size and composition of the Board to determine the qualifications and areas of expertise needed to further enhance the composition of the Board. When assessing a director candidate's

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qualifications, the Committee will consider issues of expertise (including international experience and industry background), independence, integrity, diversity and age, as well as skills relating to operations, manufacturing, finance, marketing, technology and public policy. This is further described in the Corporate Governance Principles on page 14 of this proxy statement and the Committee's charter. The Committee has not established specific minimum eligibility requirements for candidates other than integrity, the commitment to act in the best interests of all shareholders, requirements relating to age and ensuring that a majority of the Board remains independent.

The Committee utilizes the services of search firms to help identify candidates for director who meet the qualifications outlined above, as in the case of Linda Z. Cook. The search firm screens the candidates, conducts reference checks, prepares a biography of each candidate for the Committee to review and helps set up interviews.

The Committee will consider qualified candidates for director properly submitted by the Company's shareholders. The Committee does not evaluate the qualifications of candidates properly submitted by shareholders differently from those of director candidates. Shareholders can suggest qualified candidates for director by writing to the Office of the Corporate Secretary, Boeing World Headquarters, 100 North Riverside Plaza, 311A1, MC 5003-1001, Chicago, Illinois 60606-1596. Submissions should follow the procedures, including timing, set forth in the Company's By-Laws and as described under Submission of Shareholder Proposals for 2005 on page 51 of this proxy statement.

**Finance Committee**

**6 meetings in 2003**

The charter of the Finance Committee requires that the Committee be comprised of at least three members who are not members of management. The Finance Committee:

Reviews and makes recommendations concerning proposed dividend actions, stock splits and repurchases, current and projected capital requirements, and issuance of debt or equity securities;

Reviews strategic plans and transactions, including mergers, acquisitions, divestitures, joint ventures and other equity investments;

Reviews customer financing activities, business and related customer finance business, and funding plans of the Company and its subsidiaries;

Reviews the Company's significant financial exposures and contingent liabilities;

Reviews overall Company risk management program and major insurance programs;

Reviews the Company's credit agreements and short-term investment policies; and

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Reviews the investment policies, administration and performance of the trust investments of the Company's employee benefit plans.

### **Special Programs Committee**

**5 meetings in 2003**

The charter of the Special Programs Committee requires that the Committee be comprised of at least three members who are not members of management. The Special Programs Committee reviews on a periodic basis those programs of the Company that for purposes of national security have been designated as classified by the U.S. government. Due to the amount of time necessary to obtain required government clearances, the Committee may operate with fewer than three members.

**Table of Contents****DIRECTOR COMPENSATION**

The components of nonemployee director compensation are set forth in the table below. Directors who are employees of the Company do not receive any compensation for their service as directors.

|   |                 |
|---|-----------------|
| Annual Board Retainer Fee                       | \$60,000*       |
| Annual Retainer Fee for Committee Chair         | \$5,000*        |
| Annual Deferred Stock Unit Award                | \$40,000**      |
| First Annual Meeting Stock Option Grant         | 3,000 shares*** |
| Subsequent Annual Meeting(s) Stock Option Grant | 2,400 shares*** |

\* The Company reimburses nonemployee directors for actual travel and out-of-pocket expenses incurred in connection with their services. No additional fees are paid for attending Board or committee meetings. The Chairman of the Audit Committee receives an annual retainer fee of \$10,000. For 2004, the Non-Executive Chairman will receive aggregate compensation of an annual Board retainer fee of \$150,000, annual deferred stock units of \$80,000 and an option grant for 4,800 shares.

\*\* The number of deferred stock units awarded is equal to the number of shares of Boeing stock that could be purchased with \$40,000, based on the *Fair Market Value* of the stock as of the day on which the retainer is earned. The *Fair Market Value* for a single trading day is the mean of the high and low per share trading prices for Boeing stock as reported by *The Wall Street Journal* for the New York Stock Exchange Composite Transactions. The deferred stock units are credited to the director's account in the Company's Deferred Compensation Plan for Directors. Nonemployee directors may also defer all or part of their cash compensation into an interest-bearing cash-based account or as additional deferred stock units under the Deferred Compensation Plan for Directors. The Company matches all deferrals into deferred stock units with a contribution of an additional 25% of such stock units. Deferred stock units earn the equivalent of dividends, which are credited as additional stock units. Directors do not have the right to vote or transfer deferred stock units. Deferred stock units will be distributed as shares of Boeing stock after retirement or other termination of Board service.

\*\*\* The exercise price of an option is equal to the average of the *Fair Market Values* for the fifth through ninth business days following the date of grant. Options vest one year after grant, provided that the recipient remains a director. Options become exercisable in installments one, three and five years after the date of grant.

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**2003 AUDIT COMMITTEE REPORT**

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The Audit Committee of the Board of Directors serves as the representative of the Board for general oversight of the Company's financial accounting and reporting, systems of internal control, audit process, and monitoring compliance with laws and regulations and standards of business conduct. The Board has adopted a written charter for the Audit Committee. Management of the Company has responsibility for preparing financial statements of the Company as well as for the Company's financial reporting process. Deloitte & Touche LLP, acting as independent auditor, is responsible for expressing an opinion on the conformity of the Company's audited financial statements with generally accepted accounting principles in the United States.

In this context, the Audit Committee hereby reports as follows:

- (1) The Audit Committee has reviewed and discussed the audited financial statements for fiscal year 2003 with the Company's management.
- (2) The Audit Committee has discussed with the independent auditors the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, *Communication with Audit Committees*.
- (3) The Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with the independent auditors, the independent auditors independence.
- (4) Based on the review and discussion referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of Directors of the Company, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003, for filing with the Securities and Exchange Commission.

Each member of the Audit Committee meets the independence and financial literacy requirements of the SEC and the NYSE. Mr. Biggs is the audit committee financial expert under SEC rules and has accounting or related financial management expertise and is independent under applicable NYSE listing standards.

Ms. Cook was appointed to the Audit Committee in December 2003 but does not appear as a signatory to the Audit Committee's report because she was not a member during a substantial portion of fiscal year 2003.

*Audit Committee*

John M. Shalikhshvili, Chair

John H. Biggs

W. James McNerney, Jr.



**Table of Contents****INDEPENDENT AUDITORS FEES REPORT**

The aggregate fees billed by Deloitte & Touche LLP, our independent auditors, in fiscal years 2003 and 2002 were as follows:

| Services Rendered/Fees             | 2003           | 2002           |
|------------------------------------|----------------|----------------|
| Audit fees(1)                      | \$16.3 million | \$15.4 million |
| Audit-Related Fees(2)              | \$1.1 million  | \$0.2 million  |
| Total Audit and Audit-Related Fees | \$17.4 million | \$15.6 million |
| Tax fees(3)                        | \$4.0 million  | \$4.5 million  |
| All Other Fees(4)                  | \$0.3 million  | \$0.7 million  |

- (1) For professional services rendered for the audits of our 2003 and 2002 annual financial statements and the review of the financial statements included in our Forms 10-Q for fiscal years 2003 and 2002. Includes fees for issuance of comfort letters and consents related to SEC filings and other statutory audits of \$0.9 million for 2003 and \$0.6 million for 2002.
- (2) For audits of employee benefit plans, accounting consultations, and preparatory work for Sarbanes-Oxley Act internal control requirements.
- (3) For 2003, tax services for non-U.S. tax compliance and planning, corporate tax and expatriate software, expatriate tax compliance, and meals and entertainment deductibility; for 2002, tax services for non-U.S. tax compliance and planning, corporate tax and expatriate software, and expatriate tax compliance. Of the fees reported for 2003, approximately \$3 million constituted tax compliance, planning and preparation fees and \$1 million constituted tax consulting and advisory services.
- (4) Primarily for fees paid to Deloitte Consulting. Fees for both 2003 and 2002 relate to a project in progress at Flight Safety Training International at the time such entity was acquired by the Company in the fourth quarter of 2002. This project was completed in March 2003. No fees were incurred for financial information systems design and implementation.

The Audit Committee (the Committee) approved all fees noted above for 2003, except All Other Fees, which accounted for approximately 1.5% of all fees billed by Deloitte & Touche LLP and were not subject to the preapproval requirements.

The Committee has considered whether the provision of non-audit services is compatible with maintaining the independence of our independent auditors.

The Committee has adopted a policy governing its pre-approval of audit and non-audit services to be provided by the Company's independent auditor, Deloitte & Touche LLP, in order to facilitate compliance with the requirements of the Sarbanes-Oxley Act of 2002. Permitted audit services may include, among other things, audit, review or attest services required under the securities laws, opinions on the Company's financial statements and internal control systems and processes, comfort letters, and other services performed to fulfill the independent auditors responsibility under generally accepted auditing standards. Permitted non-audit services may include, among other things, consultations and tax services.



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Pursuant to this policy, the Office of the Corporate Controller will obtain the Committee's pre-approval of audit and non-audit services to be provided by the independent auditor on an annual basis. Committee pre-approval is also required for additional audit and/or non-audit services outside the scope of previously approved services in the event the fees for such additional services are equal to or greater than \$250,000. On a quarterly basis, the Office of the Corporate Controller will provide written updates to the Committee showing audit and non-audit services, the amount of audit and non-audit service fees incurred to date, and the estimated cost to complete such services.

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**CORPORATE GOVERNANCE PRINCIPLES**

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In order to help shareholders understand the roles and responsibilities of the Board of Directors and the Company's governance practices, the following is a description of the Company's corporate governance principles and current practices. The Governance, Organization and Nominating Committee reviews these practices periodically.

**Responsibilities of the Board**

**Role of the Board**

The Company's business is conducted by its employees, managers and corporate officers led by the chief executive officer ( CEO ), with oversight from the Board. The Board selects the CEO and works with the CEO to elect/appoint other corporate officers who are charged with managing the business of the Company. The Board has the responsibility of overseeing, counseling and directing the corporate officers to ensure that the long-term interests of the Company are being served. The Board and the corporate officers recognize that the long-term interests of the Company are advanced when they are responsive to the concerns of communities, customers, employees, public officials, shareholders and suppliers.

**Board Responsibilities**

The basic responsibility of the directors is to exercise their reasonable business judgment on behalf of the Company. In discharging this obligation, directors rely on, among other things, the Company's corporate officers, outside advisors and auditors.

The Board's general oversight responsibilities include, but are not limited to, the following: (1) evaluate the CEO's performance and review the Company's succession plan for the CEO and other elected officers; (2) review the long-range business plans of the Company and monitor performance relative to achievement of those plans; (3) consider long-range strategic issues and risks to the Company; and (4) approve policies of corporate conduct that promote and maintain the integrity of the Company.

**CEO Performance Evaluation**

At the end of each year, the CEO presents his performance objectives for the upcoming year to the nonemployee directors for their approval. The nonemployee directors then meet privately to discuss the CEO's performance for the current year against his performance objectives; they review that evaluation with the CEO. The Compensation Committee uses this performance evaluation in the course of its deliberations when considering the CEO's compensation in accordance with the policies and procedures in that Committee's charter.

**CEO and Management Succession**

The Board views CEO selection and management succession as one of its most important responsibilities. The CEO reports annually to the Governance, Organization and Nominating Committee on planning for CEO succession. The Board also reviews and monitors the plan of succession for elected officers. When succession of the CEO occurs, this Committee manages the process of identifying and selecting the new CEO with the full participation of each of the nonemployee directors.

It has been the policy of the Company that the positions of CEO and Chairman may be held by the same person. The Board believes that having the flexibility to combine these two positions is in the best interests of the Company.

#### **Ethics and Conflicts of Interest**

The Board expects the directors, officers and employees to act ethically at all times and acknowledge their adherence to the policies comprising the Company's codes of ethics. The Board will promptly disclose any waivers from the Company's Code of Ethical Business Conduct, which applies to the Board. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the Chairman of the Board or the Chairperson of the Governance, Organization and Nominating Committee. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Company shall not, directly or indirectly, extend or maintain credit, arrange for or renew an extension of credit in the form of a personal loan to or for any director or executive officer.

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### **Board's Interaction With Stakeholders**

The CEO and other corporate officers are responsible for establishing effective communications with the Company's stakeholders, including shareholders, customers, communities, employees, suppliers, creditors, governments and corporate partners. It is the policy of the Board that management speaks for the Company. This policy does not preclude independent directors from meeting with stakeholders, but where appropriate, management should be present at such meetings.

## **Board Composition**

### **Board Size and Composition**

The Board will have a majority of directors who meet the criteria for independence of the NYSE. The Governance, Organization and Nominating Committee reviews annually the appropriate skills and characteristics required of Board members in light of the current make-up of the Board. This assessment includes issues of expertise (including international experience and industry background), independence, integrity, diversity and age, as well as skills relating to operations, manufacturing, finance, marketing, technology and public policy. The Committee has not established specific minimum eligibility requirements for Board members other than integrity, the commitment to act in the best interests of all shareholders, requirements relating to age and ensuring that a majority of the Board remains independent.

### **Selection of Directors**

Under the By-Laws, the Board has authority to fill vacancies on the Board and to nominate candidates for election by the shareholders. The screening process is handled by the Governance, Organization and Nominating Committee in accordance with the policies and principles in its charter with direct input from the other directors.

### **Outside Board Memberships**

The CEO and other elected officers must seek the approval of the Governance, Organization and Nominating Committee before accepting outside board memberships with for-profit entities.

### **Director Retirement**

Each nonemployee director must retire at the annual meeting following his or her 72nd birthday. Directors who change the occupation they held when initially elected are expected to offer to resign from the Board. At that time, the Governance, Organization and Nominating Committee reviews the continued appropriateness of Board membership under the new circumstances. Unless waived by the Board, the Board has adopted a policy calling for employee directors, including the CEO, to retire from the Board at the time of a change in his or her status as an officer of the

Company.

### **Director Compensation and Stock Ownership**

The form and amount of director compensation will be determined by the Governance, Organization and Nominating Committee. The Committee periodically reviews and compares the Company's Board compensation to director compensation at peer companies that are also benchmarks for the Company's executive compensation program.

It is the general policy of the Board that its compensation should be a mix of cash and equity-based compensation with a significant portion of such compensation in the form of the Company's stock or stock-equivalent units.

### **Board and Committee Meetings**

#### **Board Agenda and Meetings**

The Chairman, the CEO and the committee chairpersons establish the agendas for Board and committee meetings. Each director is free to suggest items for the agenda, and each director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. Information and data that are important to the Board's understanding of

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the matters to be covered at a Board meeting will be distributed to the directors before the meeting. Directors should review in advance any materials sent to them in order to take part in a meaningful deliberation at the meeting. Directors are expected to attend all Board meetings, as well as the Annual Meeting of Shareholders.

## **Executive Sessions**

The nonemployee directors meet privately in executive sessions to review the performance of the CEO and to review recommendations of the Compensation Committee concerning compensation for employee directors and other elected officers. These nonemployee directors have the opportunity to meet in executive session to consider such matters as they deem appropriate, without management being present, as a regularly scheduled agenda item for every Board meeting. The Non-Executive Chairman acts as the chair of the executive sessions of the nonemployee directors.

## **Director Access to Officers and Employees**

Directors have full and free access to officers and employees of the Company. Any meeting or contact that a director wishes to initiate may be arranged through the CEO, the Secretary or the Chief Administration Officer.

## **Committees of the Board**

The Board has the following five committees: Audit, Compensation, Finance, Special Programs, and Governance, Organization and Nominating. Only nonemployee directors serve on the Audit, Compensation, and Governance, Organization and Nominating Committees. Chairpersons and members of these five committees are rotated periodically, as appropriate. Members of the Audit Committee periodically meet privately with representatives of Deloitte & Touche LLP, the Company's independent auditors, and with the Company vice president responsible for carrying out the internal audit function.

Each committee has a written charter, approved by the Board, which describes the committee's general authority and responsibilities. The committee chair reports on the items discussed and actions taken at their meetings to the Board following each committee meeting. Committee materials are provided to the committee members in advance of the meeting so as to allow members time to prepare for a discussion of the items at the meeting. Each committee undertakes an annual review of its charter and works with the Board to make appropriate revisions. The Board may, from time to time, establish and maintain additional committees. Members of the Board's committees are expected to attend all meetings.

## **Independent Advice**

The Board and its committees may seek legal, financial or other expert advice from a source independent of management.

**Confidential Voting**

It is the Company's policy that all proxy, ballot and voting materials that identify the vote of a specific shareholder on any matter submitted for a vote of shareholders will be kept secret from directors and officers of the Company, except (a) when disclosure is required by applicable law or regulation, (b) when a shareholder expressly requests such disclosure, or (c) in a contested proxy solicitation. If the shareholder is an employee of the Company or a participant in the Company's stock fund or one of its retirement, savings or employee stock ownership plans, the information will not be disclosed to management unless clause (a) or (b) above applies.

**Board and Committee Performance Evaluation**

With the goal of increasing the effectiveness of the Board and its relationship to management, the Governance, Organization and Nominating Committee evaluates the Board's performance as a whole. The evaluation process, which occurs annually, includes a survey of the individual views of all directors, which are then shared with the full Board and with management. In addition, each of the committees performs a similar annual self-evaluation.

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**Director Orientation and Continuing Education**

All new directors must participate in the Company's Orientation Program, which should be conducted within six months of election. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, significant financial, accounting and risk management issues, compliance programs, the Code of Ethical Business Conduct, its principal officers, and internal and independent auditors. In addition, the Orientation Program will include visits to Company headquarters and, to the extent practical, the Company's significant facilities. All directors are also encouraged to attend, at the Company's expense, director continuing education programs offered by various organizations.

**Shareholder Rights Plan**

The Board of Directors, in connection with shareholder approval of any shareholder rights plan, has approved the following statement: Boeing does not have a shareholder rights plan and has no present intention to adopt one. Subject to its continuing fiduciary duties, which may dictate otherwise depending on the circumstances, the Board shall submit the adoption or extension of any future rights plan to a vote of the shareholders.



**Table of Contents****SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth information regarding beneficial ownership of Boeing stock, as of March 1, 2004, of each director, the Company's Named Executive Officers, and directors and executive officers as a group, and also sets forth Boeing Stock Units ( BSUs ) and other stock units and interests held pursuant to the Company's compensation and benefit plans or pursuant to a contract. While these interests may not be transferred, some are vested.

All numbers are rounded to the nearest whole share. No family relationship existed among any of the directors or executive officers of the Company.

| <b>Directors and Nominees</b>   | <b>Shares Beneficially Owned(a)</b> | <b>Stock Units and Interests(b)</b> | <b>Total(c)</b> |
|---------------------------------|-------------------------------------|-------------------------------------|-----------------|
| John H. Biggs                   | 45,290(d)(e)                        | 17,084(f)                           | 62,374          |
| John E. Bryson                  | 21,480(d)(g)                        | 15,569(f)                           | 37,049          |
| Linda Z. Cook                   | 500(d)                              | 1,014(f)                            | 1,514           |
| Kenneth M. Duberstein           | 17,040(d)                           | 16,761(f)                           | 33,801          |
| Paul E. Gray                    | 19,997(d)                           | 8,835(f)                            | 28,832          |
| John F. McDonnell               | 11,793,470(d)(h)                    | 8,381(f)                            | 11,801,851      |
| W. James Mc Nerney, Jr.         | 2,160(d)                            | 7,669(f)                            | 9,829           |
| Lewis E. Platt                  | 9,280(d)                            | 14,396(f)                           | 23,676          |
| Rozanne L. Ridgway              | 22,880(d)                           | 22,760(f)                           | 45,640          |
| John M. Shalikashvili           | 5,901(d)                            | 5,136(f)                            | 11,037          |
| <b>Named Executive Officers</b> | <b>Shares Beneficially Owned(a)</b> | <b>Stock Units and Interests(b)</b> | <b>Total(c)</b> |
| Harry C. Stonecipher*           | 1,343,320(d)(i)                     | 412,575                             | 1,755,895       |
| James F. Albaugh                | 85,382(d)                           | 151,116                             | 236,498         |
| Laurette T. Koellner            | 12,269(d)                           | 76,196                              | 88,465          |
| Alan R. Mulally                 | 368,064(d)                          | 139,928                             | 507,992         |

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|   |            |           |            |
|---|------------|-----------|------------|
| David O. Swain  | 82,046(j)  | 127,707   | 209,753    |
| Philip M. Condit**  | 544,168(d) | 272,893   | 817,061    |
| All directors and all executive officers as a group<br>(26 persons) | 14,548,737 | 1,642,012 | 16,190,749 |

\* Also serves as a director. Mr. Stonecipher assumed the position of President and Chief Executive Officer on December 1, 2003.

\*\* Also served as a director. Mr. Condit resigned as Chairman and Chief Executive Officer on December 1, 2003. Mr. Condit remained an employee of the Company until his retirement effective March 1, 2004.

(a) Consists of the aggregate total of shares of common stock held by the reporting person either directly or indirectly, including 401(k) plan holdings, Performance Accelerated Restricted Stock ( PARS ), Employee Payroll Stock Ownership Plan of McDonnell Douglas Corporation ( PAYSOP ) shares, and options exercisable within 60 days.

(b) Consists of the aggregate total of BSUs, including BSUs granted in 2004 for 2003 performance, LTIP shares, RSUs attributed to the reporting person, career shares, and any deferred stock units.

(c) All persons listed as directors and nominees or named executive officers own less than 1% of the Company's outstanding common shares as of March 1, 2004, except:

|  | <b>% of<br/>Outstanding<br/>Shares</b> |
|--|--|
| John F. McDonnell                                  | 1.40%                                  |
| All directors and officers as a group (26 persons) | 1.92%                                  |

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- (d) This includes the following shares with respect to which the following persons have the right to acquire beneficial ownership within 60 days of the date of this table.

|                        | <b>Number<br/>of Shares<br/>Issuable</b> |
|------------------------|--|
| James F. Albaugh       | 20,002                                   |
| John H. Biggs          | 10,680                                   |
| John E. Bryson         | 17,880                                   |
| Philip M. Condit       | 381,466                                  |
| Linda Z. Cook          | 0  |
| Kenneth M. Duberstein  | 10,680                                   |
| Paul E. Gray           | 14,880                                   |
| Laurette T. Koellner   | 0  |
| John F. McDonnell      | 10,680                                   |
| W. James McNerney, Jr. | 2,160                                    |
| Alan R. Mulally        | 285,928                                  |
| Lewis E. Platt         | 8,280                                    |
| Rozanne L. Ridgway     | 17,280                                   |
| John M. Shalikhvili    | 5,700                                    |
| Harry C. Stonecipher   | 1,171,200                                |
| David O. Swain         | 0  |

- (e) This includes 30,000 shares held in the J. H. Biggs Revocable Trust, 2,710 shares held in the Biggs Family Charitable Foundation and 180 and 160 shares, respectively, held in two trusts established for family members.
- (f) These numbers represent deferred stock units held under the Deferred Compensation Plan for Directors. All nonemployee directors receive part of their Board compensation in deferred stock units. In addition, they may choose to defer all or part of their cash compensation in the form of stock units. (See Director Compensation on page 11.)
- (g) This includes 1,600 shares held in trust for a member of Mr. Bryson's family.
- (h) Of the total shares shown, 4,230,491 shares are held in trusts of which Mr. McDonnell or his wife is a trustee for the benefit of members of the McDonnell family. Also included are 7,383,643 shares of Boeing stock held in two trusts of which Mr. McDonnell and his brother are co-trustees and interests equal to 168,656 shares in the Boeing stock fund of the Company's Voluntary Investment Plan, a 401(k) retirement savings plan.
- (i) This includes 168,270 shares held in the H & J Stonecipher Revocable Trust.
- (j) This includes 49,379 shares held in the Swain Family Trust of which Mr. Swain is a co-trustee.

**Table of Contents****SECURITY OWNERSHIP OF MORE THAN 5% SHAREHOLDERS**

The following table sets forth information regarding beneficial ownership of the owners of more than 5% of the outstanding Boeing stock as of December 31, 2003.

| <b>Name/Address</b>   | <b>Shares Beneficially Owned</b> | <b>Percent of Stock Outstanding</b> |
|---|----------------------------------|-------------------------------------|
| Capital Research and Management Company<br>( Capital Research )<br>333 South Hope Street<br>Los Angeles, CA 90071 | 44,119,000(a)                    | 5.2%                                |
| State Street Bank and Trust Company<br>( State Street )<br>225 Franklin Street<br>Boston, Massachusetts 02110     | 91,549,016(b)                    | 11.4%                               |

- (a) Information is based on a Schedule 13G filed by Capital Research on February 13, 2004. Capital Research reports that at December 31, 2003, it had sole power to dispose of or direct the disposition of all the shares that it beneficially owned.
- (b) Information is based on a Schedule 13G filed by State Street on February 5, 2004. State Street reports that at December 31, 2003, it had sole power to vote or direct the vote of 83,677,083 shares and sole power to dispose of or direct the disposition of 30,182,288 shares. It also reports that it shared voting power over 6,114,452 shares and shared dispositive power over 61,366,728 shares. State Street is the Trustee of the Company's Voluntary Investment Plan, a 401(k) retirement savings plan (the "VIP"), the Company's BAO Voluntary Savings Plan (the "BAO VSP") and PAYSOP. It has informed the Company that the shared voting and dispositive amounts reported include 65,189,812 shares held in the VIP trust, 126,334 shares held in the BAO VSP trust and 954,543 shares held in the PAYSOP trust, at December 31, 2003. The Trustee has dispositive power for the shares in the VIP trust, the BAO VSP trust and the PAYSOP trust to the extent necessary to follow valid instructions from participants regarding withdrawals, transfers or loans from such plans. Participants in the VIP, the BAO VSP and the PAYSOP may direct the Trustee how to vote their proportionate interest in those shares. Unallocated shares and allocated shares for which written instructions are not timely received by the Trustee are voted by the Trustee in the same manner and proportion as the allocated shares in the VIP stock fund, the BAO VSP stock fund and the PAYSOP stock fund, respectively, for which voting instructions are timely received.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and certain of its officers to send reports of their ownership of Boeing stock and of changes in such ownership to the SEC and the NYSE. SEC regulations also require the Company to identify in this proxy statement any person subject to this requirement who failed to file any such report on a timely basis. Based on the Company's review of the reports it has received, the Company believes that all of its directors and officers complied with all the reporting requirements applicable to them with respect to transactions during 2003 except that one report was inadvertently filed late for each of the Company's directors, except for Mr. Stonecipher, for whom two reports were inadvertently filed late.



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**COMPENSATION OF EXECUTIVE OFFICERS**

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**COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

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The Compensation Committee (the Committee) of the Board of Directors establishes and administers the Company's executive compensation programs. During 2003, the Committee was composed of five nonemployee members of the Board, Messrs. Bryson, Duberstein, Gray, McDonnell and Platt, all of whom are independent directors under the NYSE listing standards. Ms. Ridgway was appointed a member of the Committee in February 2004 and therefore does not appear as a signatory to the Committee's report.

**Executive Compensation Policy**

Under the direction of the Committee, the Company will manage a company-wide executive compensation program to reinforce the importance of a strong executive team moving in a common direction to create shareholder value while striving toward the Company's vision: *People working together as a global enterprise for aerospace leadership.*

The goals of the Company's executive compensation programs are to:

1. Attract and retain the talent necessary to lead the Company's businesses;
2. Pay competitively with other major organizations that require comparable leadership competencies, skills, and experiences, as well as operate in similar global and regional markets;
3. Link pay to Company and individual performance; and
4. Align executive compensation with shareholder interests by focusing executives on the Company's total shareholder return and encouraging and facilitating share ownership.

Consistent with our governance principles and recently adopted NYSE listing standards, the Committee directly engaged an independent consultant to advise the Committee regarding various issues associated with the Company's executive compensation program and practices.

**Executive Pay Structure**

Boeing executive officers are assigned to pay grades, determined by comparing individual responsibilities with industry survey data and internal executive job relationships. Each pay grade has an established salary range, a percentage of salary that establishes a target award for the annual incentive, and a factor of salary on which long-term incentive awards are based. Using compensation survey data, adjusted for company size,

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Boeing targets its executives' pay at competitive levels of comparable jobs in benchmark companies, which include major aerospace and other large corporations (the peer group), based on consideration of job responsibilities, skills, experience and other factors.

A peer group is selected annually by the Committee and is used to benchmark pay levels. The 2003 peer group was selected based upon the following criteria: competitor, size, technology focus, global operations and diversified business. Application of these selection criteria resulted in a peer group representing a cross section of leading companies, spanning 10 S&P industry sectors, with annual sales and market capitalizations comparable to Boeing. The peer group includes five of the aerospace and defense companies in the S&P 500 Aerospace & Defense Index used in the performance comparison graph on page 24.

### **Base Salaries**

Base salaries recognize individual competencies, skills, experience and sustained performance. Executive officer salaries are determined by an evaluation of individual performance and by objective comparisons to internal peer data and external market data for similar positions.

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### **Annual Incentives**

Annual incentive awards focus management attention on annual Company performance. Actual award payments also reflect an evaluation of individual performance. Each executive pay grade has an assigned incentive target award. The incentive target award percentages assigned to the Named Executive Officers range from 85% to 100% of salary. Executive bonuses are paid in a combination of cash and Boeing Stock Units ( BSUs ). For the current Named Executive Officers the incentive awards for 2003 performance were paid out approximately 60% in cash and 40% in BSUs.

**Annual Incentive Award Determination.** Specifically, each officer's incentive award is determined based on Company performance against pre-established economic profit goals and is modified up or down based on individual performance. Economic profit reflects operating profit less the cost of capital, and includes adjustment for certain non-recurring items. The Committee determined that the Company's performance against these pre-established economic profit goals for 2003 resulted in a score of 0.80, which was above the threshold of 0.50 but below the target of 1.00.

**Boeing Stock Units.** BSUs are restricted stock units without voting rights but earning dividend equivalents. BSUs vest three years from the date of the award. The values of the BSUs at the time of grant to the Named Executive Officers are shown in footnote 4 to the Summary Compensation Table on page 25.

### **Long-Term Incentives**

Long-term incentives, in the form of equity, recognize executive impact level, commitment and corporate success in creating shareholder value. Since 1998, the Company has followed FAS 123, which requires the Company to recognize a charge to earnings for the fair value cost of all stock-based employee incentive compensation awards.

**Performance Shares.** Executives are awarded Performance Shares, which are rights to receive Boeing stock contingent on the Company's attaining shareholder return goals within a five-year time period. These performance goals represent rates of stock price appreciation from the time the Performance Shares are granted. The Committee establishes the terms for Performance Share grants based on business expectations, market conditions and compensation philosophy. For the 1999 Performance Share grant, 75% of the target share award opportunity vested based upon the achievement of specified stock price appreciation goals over the 1999-2004 performance period. The remaining 25% expired unvested in February 2004. The terms of the Performance Shares granted to the Named Executive Officers are described in the Long-Term Incentive Plans section on page 28.

**Career Shares.** The long-term incentive program also includes grants of Career Shares to senior executives. Career Shares are units of Boeing stock paid upon retirement from the Company. Career Shares earn dividend equivalents, which accrue in the form of additional Career Shares and which will be distributed in Boeing stock when and to the extent the Career Shares are distributed. The values of the Career Shares at the time of grant to the Named Executive Officers are shown in footnote 4 to the Summary Compensation Table.

### **Other Compensation**



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In addition to base salary, annual and long-term incentive award opportunities, the Company also provides its executive officers with benefits and perquisites targeted to competitive practices.

Executive officers are eligible to participate in Company-provided retirement plans (see [Pension Plans](#) on page 29) and the Boeing Deferred Compensation Program. The Deferred Compensation Program provides executives an opportunity to defer up to 50% of base salary, any annual incentive awards and vested Performance Shares into an interest-bearing account (credited annually with interest based on a AA Bond yield) or Boeing deferred stock units (an unfunded stock unit account). In order to encourage long-term stock ownership (see [Stock Ownership](#) ) if Boeing deferred stock units are elected, the Company provides a 25% matching contribution which is restricted from withdrawal until an executive's retirement. The values of matching deferred stock units, at the time of grant, to the Named Executive Officers are shown in footnote 4 to the Summary Compensation Table.

The Company has an Executive Layoff Benefit Plan, which covers all executives and provides severance benefits equal to one year's base salary plus annual incentive in the event an executive's job is eliminated. The Company does not have employment agreements with the Named Executive Officers.

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In 2003, executive officers received the following perquisites: access to the Company's plane for business purposes and, in some cases, personal usage; company provided leased vehicles, first class air travel, financial services allowance and an annual physical exam. The Committee reviewed the competitiveness and appropriateness of these offerings, in consultation with the independent consultant, and determined this package of benefits and perquisites is consistent with Boeing's executive compensation policy and market practices.

## **Chief Executive Officer Compensation**

Effective December 1, 2003, Phil Condit resigned as Chairman and Chief Executive Officer and a new leadership structure was implemented. Lewis Platt was named Non-Executive Chairman and Harry Stonecipher was named President & CEO. Mr. Condit remained an employee of the Company until his retirement effective March 1, 2004.

Mr. Stonecipher's annual base salary was set at \$1,500,000, based on consideration of competitive practices among the peer group. For 2003, Mr. Stonecipher was awarded a prorated annual incentive award on the terms described above under Annual Incentives of 120% of base salary, based on his significant contributions during the remainder of 2003. No long-term incentives were awarded to Mr. Stonecipher in 2003 as he was not an employee at the time of grant. Upon his re-hire, Mr. Stonecipher was eligible for the benefits and perquisites available to executive officers as outlined under Other Compensation.

Mr. Condit's annual base salary was \$1,560,000 and he was awarded an annual incentive award on the terms described above under Annual Incentives of 64% base salary, based on 2003 economic profit results. In February 2003, Mr. Condit also received Performance Share and Career Share awards consistent with the guidelines outlined under Long-Term Incentives. In addition, he was eligible for the benefits and perquisites available to executive officers as outlined under Other Compensation.

## **Stock Ownership**

Stock ownership is a fundamental principle underlying the philosophy and structure of the Company's compensation programs. Stock ownership for executives promotes alignment of their interests with those of shareholders. The Committee has established stock ownership guidelines for executives that range from one to six times annual base salary, and from four to six times base salary for the Named Executive Officers. All of the Named Executive Officers meet or exceed their guidelines.

As a further incentive to encourage long-term stock ownership, the Company provides a 25% matching contribution on deferred earned compensation. These matching shares are restricted from sale until retirement, as outlined under Other Compensation.

## **Tax Deductibility of Compensation**

Section 162(m) of the Internal Revenue Code of 1986, as amended, imposes a \$1 million limit on the amount that a publicly traded corporation may deduct for compensation paid to a Named Executive Officer who is employed on the last day of the fiscal year. Performance-based compensation is excluded from this \$1 million limitation.

The Committee's policy is to provide annual incentive awards that are fully deductible by the Company for income tax purposes. In 2002, the Committee modified the Performance Share program so that future Performance Share grants will be deductible by the Company under Section 162(m). Performance Shares granted prior to 2003 are not deductible. In addition, the Company has a salary and incentive award deferral plan that permits compensation deferred under the plan by Named Executive Officers to be exempt from the limit on tax deductibility.

*Compensation Committee*

Kenneth M. Duberstein, Chair

John E. Bryson

Paul E. Gray

John F. McDonnell

Lewis E. Platt

**Table of Contents****PERFORMANCE GRAPH**

The following graph compares the cumulative total shareholder return on \$100 invested at year-end in 1998 in Boeing stock, Standard & Poor's 500 Stock Index and Standard & Poor's 500 Aerospace & Defense Index. The investment values are based on share price appreciation plus dividends paid in cash, assuming that dividends were reinvested on the date on which they were paid. The stock price performance shown in the graph is not necessarily indicative of future price performance.

**Return to Shareholders**

**Cumulative Return Assumes \$100 Invested, Reinvestment of Dividends**

**5 Years 12/98 through 12/03**

| Company / Index             | Years Ended |         |         |         |         |         |
|-----------------------------|-------------|---------|---------|---------|---------|---------|
|                             | Base        |         |         |         |         |         |
|                             | Period      | Dec. 99 | Dec. 00 | Dec. 01 | Dec. 02 | Dec. 03 |
| BOEING CO                   | 100         | 128.77  | 207.58  | 123.64  | 107.00  | 139.53  |
| S&P 500 INDEX               | 100         | 121.04  | 110.02  | 96.95   | 75.52   | 97.18   |
| S&P 500 AEROSPACE & DEFENSE | 100         | 101.71  | 127.52  | 104.91  | 99.52   | 122.50  |

**Table of Contents****SUMMARY COMPENSATION TABLE**

The following table sets forth the annual and long-term compensation of the Company's Named Executive Officers (NEOs), including the Company's former Chairman and Chief Executive Officer. Annual compensation includes amounts deferred at the officer's election. All numbers are rounded to the nearest dollar or whole share.

| Name and Principal<br>Position in 2003   | Year | Annual Compensation |            |   | Long-Term<br>Compensation Awards   |   | All Other<br>Compensation<br>\$(5) |
|--|------|---------------------|------------|---|------------------------------------|---|------------------------------------|
|  |      | Salary(\$)          | Bonus\$(3) | Other<br>Annual<br>Compensation<br>(\$) | Restricted<br>Stock<br>Awards\$(4) | Securities<br>Underlying<br>Options (#) |                                    |
| <b>Harry C. Stonecipher(1)</b><br>President and Chief<br>Executive Officer   | 2003 | \$ 109,615          | \$ 91,700  | \$ 54,229(6)                            | \$ 190,473                         | 3,000                                   | \$ 637,598                         |
|  | 2002 | 681,155             | 473,000    | 0                                       | 800,856                            | 0                                       | 120,729                            |
|  | 2001 | 1,100,002           | 695,000    | 107,141(6)                              | 1,260,462                          | 0                                       | 451,476                            |
| <b>James F. Albaugh</b><br>Executive V.P., President and<br>Chief Executive Officer,<br>Integrated Defense Systems | 2003 | 747,500             | 220,600    | 81,364(7)                               | 292,445                            | 10,000                                  | 123,862                            |
|  | 2002 | 653,481             | 317,500    | 0                                       | 372,889                            | 0                                       | 43,333                             |
|  | 2001 | 581,693             | 331,300    | 0                                       | 397,922                            | 0                                       | 38,103                             |
| <b>Laurette T. Koellner</b><br>Executive V.P. and Chief<br>People & Administration<br>Officer                      | 2003 | 535,692             | 263,600    | 158,148(8)                              | 271,136                            | 0                                       | 361,723                            |
|  | 2002 | 473,654             | 252,000    | 0                                       | 240,773                            | 0                                       | 232,436                            |
|  | 2001 | 376,500             | 219,000    | 0                                       | 231,833                            | 0                                       | 27,782                             |
| <b>Alan R. Mulally</b><br>Executive V.P., President<br>and Chief Executive Officer<br>Commercial Airplanes         | 2003 | 818,038             | 386,500    | 161,992(9)                              | 460,461                            | 0                                       | 52,702                             |
|  | 2002 | 749,424             | 440,500    | 95,197(9)                               | 464,043                            | 0                                       | 48,896                             |
|  | 2001 | 699,617             | 398,700    | 107,329(9)                              | 439,751                            | 0                                       | 45,719                             |
| <b>David O. Swain</b><br>Executive V.P. and Chief<br>Operating Officer,<br>Integrated Defense Systems              | 2003 | 574,154             | 249,100    | 99,921(10)                              | 325,682                            | 0                                       | 103,842                            |
|  | 2002 | 509,712             | 262,100    | 0                                       | 321,046                            | 0                                       | 106,651                            |
|  | 2001 | 464,616             | 246,200    | 0                                       | 311,004                            | 0                                       | 310,647                            |
| <b>Philip M. Condit(2)</b><br>(former) Chairman and<br>Chief Executive Officer                                     | 2003 | 1,620,000           | 599,000    | 218,312(11)                             | 621,275                            | 0                                       | 264,771                            |
|  | 2002 | 1,547,308           | 982,800    | 169,879(11)                             | 903,405                            | 0                                       | 274,563                            |
|  | 2001 | 1,479,231           | 1,134,000  | 71,015(11)                              | 1,127,150                          | 0                                       | 225,639                            |

(1) Mr. Stonecipher was named the Company's President and Chief Executive Officer on December 1, 2003. Mr. Stonecipher previously served the Company as Vice Chairman of the Board until June 1, 2002, and as President and Chief Operating Officer from 1997 until May 1, 2001.

(2) Mr. Condit resigned as Chairman and Chief Executive Officer on December 1, 2003. Mr. Condit remained an employee of the Company until his retirement effective March 1, 2004.

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- (3) Annual incentive compensation (consisting of cash payments reported in the Bonus column and BSUs reported in the Restricted Stock column) is based on performance in the year shown, but is determined and paid during the following year.
- (4) The amount reported in the Restricted Stock column for each officer is the value of (a) BSUs awarded in February 2004 for performance in fiscal year 2003 and (b) Restricted Stock Units ( RSUs ), Career Shares and matching deferred stock units awarded during the year. The number of BSUs awarded was the number of shares of Boeing stock that could be purchased with 40% of the officer's incentive award, using as a purchase price the *Fair Market Value* of the stock on that date. (*Fair Market Value* for a single trading day is the mean of the high and low per share trading prices for Boeing stock as reported by *The Wall Street Journal* for the New York Stock Exchange Composite Transactions.) However, in accordance with the SEC's proxy rules, the value of the BSUs awarded is shown here using the closing market price of the stock on the date of the award, which was \$43.62 on February 23, 2004.

BSUs and RSUs are stock units that earn equivalent dividends, which are accrued in the form of additional BSUs or RSUs each quarter. BSUs vest and are payable three years after the award. The officer may choose to receive for each BSU one share of Boeing stock or cash equal to the *Fair Market Value* of one share at the time of vesting. RSUs vest on the schedule determined by the Compensation Committee and are paid out in stock. Career Shares are stock units that are paid out in stock, contingent on the officer's staying with the Company until retirement. Career Shares earn dividend equivalents, which accrue in the form of additional Career Shares. Matching deferred stock units are paid under the Company's Deferred Compensation Plan for Employees. For each deferral into a stock unit account of salary (up to 50%), annual cash incentive awards, vested BSUs and earned Performance Shares, the Company contributes an additional 25% of such stock units.

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The following table shows the aggregate number and value of BSUs granted to each of the NEOs in 2004 for service in 2003, and the number and value of Career Shares and matching deferred stock units granted to each of them in 2003. The values are based on the closing market price of Boeing stock on the dates of grant. No RSUs were granted to the NEOs in 2003.

|                      | Number of Units |               |                               | Value     |               |                               |
|----------------------|-----------------|---------------|-------------------------------|-----------|---------------|-------------------------------|
|                      | BSUs            | Career Shares | Matching Deferred Stock Units | BSUs      | Career Shares | Matching Deferred Stock Units |
|                      |                 |               |                               |           |               |                               |
| Harry C. Stonecipher | 1,396           | 0             | 4,844                         | \$ 60,907 | \$ 0          | \$ 129,566                    |
| James F. Albaugh     | 3,356           | 3,525         | 1,788                         | 146,395   | 100,427       | 45,623                        |
| Laurette T. Koellner | 4,009           | 2,518         | 962                           | 174,858   | 71,738        | 24,540                        |
| Alan R. Mulally      | 5,877           | 3,827         | 3,725                         | 256,366   | 109,031       | 95,064                        |
| David O. Swain       | 3,790           | 2,618         | 2,981                         | 165,304   | 74,587        | 85,791                        |
| Philip M. Condit     | 9,112           | 7,855         | 0                             | 397,486   | 223,789       | 0                             |

The following table shows the aggregate number and value of BSUs, RSUs, Career Shares, matching deferred stock units, LTIP Shares granted under the Company's previous long-term incentive plan, and other shares of restricted stock or RSUs held by each of the NEOs at year-end, plus the BSUs awarded in 2004. The value of all such shares and units is based on the closing price of Boeing stock on December 31, 2003, which was \$42.14 per share, except for the BSUs granted in 2004, whose value is based on the closing price of the stock on February 23, 2004, which was \$43.62.

**All Restricted Stock Units**

|                      | Number  | Value      |
|----------------------|---------|------------|
| Harry C. Stonecipher | 2,465   | \$ 105,954 |
| James F. Albaugh     | 86,416  | 3,646,541  |
| Laurette T. Koellner | 32,757  | 1,386,301  |
| Alan R. Mulally      | 66,215  | 2,798,987  |
| David O. Swain       | 45,712  | 1,931,922  |
| Philip M. Condit     | 144,590 | 6,106,522  |

- (5) Amounts reported in the All Other Compensation column for 2003 include the sums of the values of (a) dividend equivalents and interest on dividend equivalents on LTIP Shares granted under the Company's previous long-term incentive plan and not yet converted into stock, (b) Company contributions to retirement and 401(k) plans of the Company and its subsidiaries, (c) premiums paid by the Company for term life insurance for the benefit of the insured, (d) expenses paid by the Company in connection with executive relocations and/or temporary living expenses, and (e) annual aggregate payments under the Company's qualified and non-qualified retirement plans.

**All Other Compensation**

|                      | (a)    | (b)      | (c)   | (d)      | (e)        |
|----------------------|--------|----------|-------|----------|------------|
| Harry C. Stonecipher | \$ 0   | \$ 3,462 | \$ 0  | \$ 3,136 | \$ 631,000 |
| James F. Albaugh     | 0      | 44,850   | 4,942 | 74,070   | 0          |
| Laurette T. Koellner | 0      | 32,142   | 3,541 | 326,040  | 0          |
| Alan R. Mulally      | 0      | 47,296   | 5,406 | 0        | 0          |
| David O. Swain       | 0      | 34,449   | 3,747 | 65,646   | 0          |
| Philip M. Condit     | 15,298 | 97,200   | 8,022 | 144,251  | 0          |

(6) The amount for 2003 represents perquisites, including \$38,409 for financial counseling and \$15,820 for personal use of Company aircraft.\* The amount for 2001 represents perquisites, including \$59,581 for personal use of Company aircraft.\*

(7) The amount for 2003 represents perquisites, including \$58,879 for personal use of Company aircraft.\*

(8) The amount for 2003 represents perquisites, including \$134,892 for personal use of Company aircraft.\*

(9) The amount for 2003 represents perquisites including \$107,351 for personal use of Company aircraft\* and \$31,050 in tax reimbursement. The amount for 2002 represents perquisites, including \$45,088 for personal use of Company aircraft\* and



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\$30,122 in tax reimbursement. The amount shown for 2001 represents perquisites, including \$53,421 for personal use of Company aircraft\* and \$35,688 in tax reimbursement.

(10) The amount for 2003 represents perquisites including \$82,579 for personal use of Company aircraft.\*

(11) The amount for 2003 represents perquisites, including \$183,902 for personal use of Company aircraft.\* The amount for 2002 represents perquisites, including \$102,192 for personal use of Company aircraft.\* The amount for 2001 represents perquisites, including \$42,673 for personal use of Company aircraft.\*

\* Certain Boeing executives are encouraged to use Company-owned aircraft for business and personal travel for security reasons and consistent with the Company's Executive Protection Policy. Amounts for 2003 represent the aggregate incremental cost to the Company for personal use of Company aircraft. Amounts for 2002 and 2001 were previously reported and calculated in accordance with IRS guidelines for imputed income for personal use of Company aircraft.

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**OPTION GRANTS IN LAST FISCAL YEAR**


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The table below sets forth information with respect to the number and potential realizable value of individual grants of stock options granted to NEOs in 2003.

|                      | <b>Securities<br/>Underlying<br/>Options (#)</b> | <b>% of Total<br/>Options<br/>Granted</b> | <b>Exercise<br/>Price<br/>(\$/Sh)</b> | <b>Exp.<br/>Date</b> | <b>Grant Date<br/>Present<br/>Value (\$)(3)</b> |
|----------------------|--|---|---------------------------------------|----------------------|---|
| Harry C. Stonecipher | 3,000(1)   | .1196%                                    | \$ 28.223                             | 4/28/2013            | \$ 34,200                                       |
| James F. Albaugh     | 10,000(2)  | .3987%                                    | 26.880                                | 4/21/2013            | 109,700   |
| Laurette T. Koellner | 0  | 0   | 0                                     | 0                    | 0   |
| Alan R. Mulally      | 0  | 0   | 0                                     | 0                    | 0   |
| David O. Swain       | 0  | 0   | 0                                     | 0                    | 0   |
| Philip M. Condit     | 0  | 0   | 0                                     | 0                    | 0   |

(1) Options were granted pursuant to the Company's 1992 Stock Option Plan for Nonemployee Directors. The term of each option is 10 years, absent termination due to cause, disability, retirement or death. 40% of the option is exercisable on the date of the Company's first annual meeting after the date of grant, an additional 30% of the option is exercisable on the date of the Company's third annual meeting after the date of grant, and the final 30% of the option is exercisable on the date of the Company's fifth annual meeting after the date of grant.

(2) Options were granted pursuant to the Company's 1997 Incentive Stock Plan. The term of each option is 10 years, absent termination due to cause, disability, retirement or death. 40% of the option vests three years after the date of grant, an additional 30% of the option vests four years after the date of grant, and the final 30% of the option vests five years after the date of grant. Exercise of an option is contingent upon continued employment at least three years after the date of grant.

(3) The grant date present value of the options is calculated using a binomial option-pricing model with assumptions for expected volatility, risk-free rate of return, dividend yield and time of exercise/expected life.



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**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR  
AND FISCAL YEAR-END OPTION VALUES**

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The table below also sets forth information with respect to the number and assumed value of outstanding options held by the NEOs at year-end.

|                      | Shares<br>Acquired<br>on Exercise | Value<br>Realized(1) | Number of<br>Securities Underlying<br>Unexercised Options<br>at Fiscal Year-End(#) |               | Value of Unexercised<br>In-the-Money Options<br>at Fiscal Year-End(2) |                       |
|----------------------|-----------------------------------|----------------------|--|---------------|---|-----------------------|
|                      |                                   |                      | Exercisable  | Unexercisable | Exercisable<br>(\$)   | Unexercisable<br>(\$) |
| Harry C. Stonecipher | 0                                 | 0                    | 1,170,000  | 3,000         | \$ 32,772,051   | \$ 42,006             |
| James F. Albaugh     | 0                                 | 0                    | 20,002   | 10,000        | 0   | 153,450               |
| Laurette T. Koellner | 0                                 | 0                    | 0  | 0             | 0   | 0                     |
| Alan R. Mulally      | 15,180                            | 226,037              | 285,928  | 0             | 600,599   | 0                     |
| David O. Swain       | 0                                 | 0                    | 0  | 0             | 0   | 0                     |
| Philip M. Condit     | 45,500                            | 592,957              | 428,266  | 0             | 3,170,910   | 0                     |

(1) The value realized is the difference between the *Fair Market Value* of the underlying stock at the time of exercise and the exercise price. (*Fair Market Value* for a single trading day is the mean of the high and low per share trading prices for Boeing stock as reported by *The Wall Street Journal* for the New York Stock Exchange Composite Transactions.)

(2) Amounts are based on the *Fair Market Value* of Boeing stock on the last trading day of the year, December 31, 2003, which was \$42.225. There is no guarantee that, if and when these options are exercised, they will have this value.

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**LONG-TERM INCENTIVE PLANS AWARDS IN LAST FISCAL YEAR**

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The Performance Share program is designed to focus executives on stock price appreciation by requiring a minimum annual increase in share price within a five-year period before any awards can be paid. The 2003 Performance Share awards are contingent on the Company's achieving threshold, target and maximum stock prices of \$42.38, \$60.54 and \$68.11, respectively, within five years from the date of grant. The grant date share price of Boeing stock for purposes of the 2003 Performance Share awards was \$30.27 (the average daily closing of a share of Boeing stock on the NYSE over a 20-consecutive-day period ending on the date of grant).

Performance Shares vest at such time as the average daily closing price of a share of Boeing stock on the New York Stock Exchange over a 20-consecutive-day period achieves a specified hurdle. The Performance Shares will be distributed in Boeing stock on the date the specified performance hurdle is met. The Performance Shares earn dividend equivalents, which will be accrued in the form of additional Performance Shares and distributed in Boeing stock when and to the extent that the related Performance Shares are distributed. The total number of shares delivered by the end of the five-year cycle will range from zero to 125% of the contingent grant.

|                      | Number<br>of Shares | Performance<br>or Other<br>Period Until<br>Maturations<br>or Payout | Contingent Future Payouts at<br>Specified Stock Prices |                               |                             |                              |
|----------------------|---------------------|---|--|-------------------------------|-----------------------------|------------------------------|
|                      |                     |   | Less Than<br>\$42.38<br>Threshold (#)                  | \$42.38<br>Threshold<br>(15%) | \$60.54<br>Target<br>(100%) | \$68.11<br>Maximum<br>(125%) |
| Harry C. Stonecipher | 0                   | 2003-2008   | 0  | 0                             | 0                           | 0                            |
| James F. Albaugh     | 88,117              | 2003-2008   | 0  | 13,218                        | 88,117                      | 110,146                      |
| Laurette T. Koellner | 62,941              | 2003-2008   | 0  | 9,441                         | 62,941                      | 78,676                       |
| Alan R. Mulally      | 95,670              | 2003-2008   | 0  | 14,351                        | 95,670                      | 119,588                      |
| David O. Swain       | 65,458              | 2003-2008   | 0  | 9,819                         | 65,458                      | 81,823                       |
| Philip M. Condit     | 314,199             | 2003-2008   | 0  | 47,130                        | 314,199                     | 392,749                      |

**Table of Contents****PENSION PLANS**

The following table shows the estimated annual pension benefits payable to an executive officer, assuming retirement on January 1, 2004, at age 65 after selected periods of service. Total pension benefits for executive officers are determined under the Company's Supplemental Executive Retirement Plan (the "SERP"), which is an unfunded, unqualified defined benefit plan. A portion of that benefit will be paid under the Company's Pension Value Plan, which is a qualified defined benefit plan whose benefits are limited by applicable federal tax laws and regulations. The remainder of the benefit will be paid under the SERP. The benefits shown in the table are based on straight-life annuity amounts. The plans also permit selection of a joint and survivor annuity with reductions in the benefits shown. The benefits shown in the table are not subject to any deduction for Social Security benefits.

| Remuneration | Years of Credited Service |           |           |           |           |           |
|--------------|---------------------------|-----------|-----------|-----------|-----------|-----------|
|              | 15                        | 20        | 25        | 30        | 35        | 40        |
| \$300,000    | \$72,000                  | \$96,000  | \$120,000 | \$144,000 | \$168,000 | \$192,000 |
| 600,000      | 144,000                   | 192,000   | 240,000   | 288,000   | 336,000   | 384,000   |
| 900,000      | 216,000                   | 288,000   | 360,000   | 432,000   | 504,000   | 576,000   |
| 1,200,000    | 288,000                   | 384,000   | 480,000   | 576,000   | 672,000   | 768,000   |
| 1,500,000    | 360,000                   | 480,000   | 600,000   | 720,000   | 840,000   | 960,000   |
| 1,800,000    | 432,000                   | 576,000   | 720,000   | 864,000   | 1,108,000 | 1,152,000 |
| 2,100,000    | 504,000                   | 672,000   | 840,000   | 1,008,000 | 1,176,000 | 1,344,000 |
| 2,400,000    | 576,000                   | 768,000   | 960,000   | 1,152,000 | 1,344,000 | 1,536,000 |
| 2,700,000    | 648,000                   | 864,000   | 1,080,000 | 1,296,000 | 1,512,000 | 1,728,000 |
| 3,000,000    | 720,000                   | 960,000   | 1,200,000 | 1,440,000 | 1,680,000 | 1,920,000 |
| 3,300,000    | 792,000                   | 1,056,000 | 1,320,000 | 1,584,000 | 1,848,000 | 2,112,000 |
| 3,600,000    | 864,000                   | 1,152,000 | 1,440,000 | 1,728,000 | 2,016,000 | 2,304,000 |
| 3,900,000    | 936,000                   | 1,248,000 | 1,560,000 | 1,872,000 | 2,184,000 | 2,496,000 |

Credited service begins on the commencement of employment. As of December 31, 2003, the following NEOs have the indicated years of credited service: James F. Albaugh, 19.5; Alan R. Mulally, 34.5; David O. Swain, 39.5; Laurette T. Koellner, 26.0; Harry C. Stonecipher 15.5; and Philip M. Condit, 38.5. Mr. Stonecipher's service reflects the terms of an employment agreement that applied to his first period of employment. Under that agreement, he received credit for twice as many years of service as he actually worked for the Company.

Under the SERP, pension benefits are based on years of credited service times 1.6% of average annual salary plus average annual incentive compensation for the last five years of employment. Benefits calculated under the SERP are limited to 100% of a participant's annual salary at termination and are reduced by the amount of benefits received under the Pension Value Plan.<sup>1</sup> The total annual averages for the following NEOs are as follows: James F. Albaugh, \$1,122,630; Laurette T. Koellner, \$688,937; Alan R. Mulally, \$1,593,378; and David O. Swain, \$932,081. Mr. Condit, upon his retirement effective March 1, 2004, had an annual benefit of \$1,419,600.

Had Mr. Mulally attained age 65 and retired on January 1, 2004, his benefit calculated under the SERP formula would have exceeded his annual salary by approximately \$86,000 per year. Had Mr. Swain attained age 65 and retired on January 1, 2004, his benefit calculated under the SERP formula would have exceeded his annual salary by approximately \$10,000 per year. Because the SERP limits pension benefits to 100% of annual salary, Mr. Mulally's and Mr. Swain's benefits would have been reduced accordingly. Mr. Albaugh's and Ms. Koellner's benefits have not exceeded the SERP limit and would therefore not have been reduced.

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Upon his original retirement on June 1, 2002, Mr. Stonecipher began receiving his annual retirement benefit of \$631,000. This amount is included in Mr. Stonecipher's All Other Compensation in the Summary Compensation Table. Mr. Stonecipher will continue to receive his benefit during his current period of employment. He will also earn additional service under the Pension Value Plan and the SERP. However, future accruals under the SERP will be partially offset by the value of payments Mr. Stonecipher receives prior to his retirement, including amounts he has already received. The amount of his additional annual benefit is expected to range between \$25,000 and \$40,000 for each year that he works.

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- (1) The Pension Value Plan became effective as of January 1, 1999. Under the Pension Value Plan, benefits are earned after one year of service, which is retroactively credited upon completion. Benefits generally vest after five years of service. Each year, a bookkeeping account in a participant's name is credited with an amount equal to a percentage of the participant's base pay depending on the participant's age, ranging from 3% for younger than age 30 to 11% for age 50 and older. Each participant's account also receives interest credits based on the yield of the 30-year U.S. Treasury bond in effect during November of the previous year, except that the rate may be no lower than 5.25% or higher than 10%. When a participant retires, the amount credited to the participant's account is converted into an annuity.

In addition, certain benefits earned by participants under prior retirement plans of Boeing and McDonnell Douglas calculated as of December 31, 1998 were transferred to the Pension Value Plan as of January 1, 1999. Certain benefits earned by participants under prior retirement plans of Boeing North American were transferred as of July 1, 1999. These benefits will increase each year at the same rate the participant's salary increases. At retirement, participants will receive these benefits in addition to the Pension Value Plan annuity described above.

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**TERMINATION OF EMPLOYMENT ARRANGEMENTS**

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**Executive Layoff Benefit Plan.** The Boeing Executive Layoff Benefit Plan (the Plan) is an ongoing layoff benefits program for executives who are involuntarily laid off from the Company. The Plan is intended to constitute a welfare benefit severance plan under the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Plan is unfunded and paid directly from the general assets of the Company.

Benefits under the Plan are provided when an executive-level position is eliminated by the Company, the executive does not become employed elsewhere within the Company, and the executive is involuntarily laid off. In addition, if the scope, duties, or responsibilities of an executive position have changed significantly, and the position is no longer evaluated as an executive-level position, then the executive position is deemed eliminated and the key executive is eligible for benefits under the Plan, unless the executive either (a) accepts a position within the Company (including a nonexecutive position) or (b) rejects an executive-level position offer.

Eligible participants under the Plan receive a layoff benefit equal to: one year of base salary at the time of layoff, plus the employee's annual target incentive compensation, multiplied by the Company's actual performance score for the year during which the layoff event occurs, minus, if applicable, the total of all payments made, or to be made, pursuant to any individual employment, separation or severance agreement.

The Plan is administered by the Compensation Committee of the Board of Directors.

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**RELATED-PARTY TRANSACTIONS**

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In 2003, a subsidiary of the Company, Boeing Management Company (BMC), entered into a license agreement providing Bugeye Technology, Inc. (BTI) rights to use the Company's patents and technology related to certain advanced video display technologies (the Bugeye technologies) in exchange for aggregate five-year minimum license fees and annual royalty payments of \$4,450,000 based on sales made by BTI. In the same transaction, BMC also assigned the Bugeye trademark to BTI in exchange for 102,365 shares of BTI Series A preferred dividend stock at \$0.411 per share.

BTI was formed through the Company Chairman's Innovation Initiative (CII) program. Douglas A. Swain, who serves as the President of BTI is the son of David O. Swain, the Company's Executive Vice-President and Chief Operating Officer, Integrated Defense Systems.

David O. Swain recused himself from any involvement in the transaction and any dealings with BTI so long as he is an employee of the Company. The Company believes that the terms of this transaction were consistent with market conditions.



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**ITEM 2. MANAGEMENT PROPOSAL TO APPROVE AMENDMENTS TO  
CERTIFICATE OF INCORPORATION AND BY-LAWS TO  
ELIMINATE CERTAIN SUPERMAJORITY VOTE REQUIREMENTS**

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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THIS PROPOSAL.**

The Board of Directors, in its continuing review of corporate governance matters, and after careful consideration and upon recommendation by the Governance, Organization and Nominating Committee of the Board, has concluded that it is in the best interests of the Company's shareholders to remove the supermajority vote requirements in the Company's charter documents relating to the approval of certain business combinations and certain changes in the Company's capital stock. These changes will be effected by the removal of Article EIGHTH of the Company's Certificate of Incorporation, and amendments to related provisions in Sections 3 and 5 of Article FOURTH and in Articles NINTH and ELEVENTH of the Certificate of Incorporation and Sections 2, 3 and 4 of Article VIII of the Company's By-Laws (the related provisions). If the amendments are approved, transactions requiring the approval of shareholders or certain changes in the Company's capital stock will require only a simple majority vote, subject to the exception under Delaware law that is explained below.

The proposed amendments would eliminate Article EIGHTH, which currently requires the holders of at least 75% or more of the outstanding stock of the Company entitled to vote for the election of directors (the Voting Stock) approve certain Business Combinations. A Business Combination includes a merger, consolidation, exchange of stock, asset sale, liquidation, recapitalization, redemption or certain other business transactions, including the issuance of Company stock to, and any loan to, guarantee on behalf of, or selective redemption of stock owned by an Interested Stockholder. An Interested Stockholder is a person (other than the Company) who beneficially owns 10% or more of the Voting Stock of the Company and certain defined Affiliates. The 75% vote requirement does not apply, however, to a Business Combination if (1) a majority of the Continuing Directors of the Board (directors who were directors prior to the time an Interested Stockholder became an Interested Stockholder, and directors recommended for election by such directors) have approved the Business Combination or (2) the Continuing Directors determine that the specified minimum price, form of consideration and procedural requirements are satisfied.

The proposed amendments to Sections 3 and 5 of Article FOURTH would remove the provisions that make such sections expressly subject to Article EIGHTH. Sections 3 and 5 address, respectively, amendment of the Certificate of Incorporation to increase or decrease any class or classes of the authorized stock of the Company, and the power of the Board to approve the issuance and disposition of any authorized and unissued shares. Article NINTH would be amended to incorporate certain definitions formerly in Article EIGHTH. The proposed amendments to Article ELEVENTH would remove provisions providing that no amendment to repeal or alter Article EIGHTH or Sections 3 and 5 of Article FOURTH may be made without an affirmative vote of 75% of the Voting Stock or the recommendation of a majority of the Continuing Directors together with the affirmative vote of the holders of a majority of the Voting Stock. In addition, Sections 2, 3 and 4 of Article VIII of the By-Laws would be amended to remove references to Article EIGHTH of the Certificate of Incorporation.

If Article EIGHTH is eliminated, then under the Delaware General Corporation Law the holders of only a majority of the outstanding company stock entitled to vote for the election of directors would be required to approve the transactions described in the third paragraph above, subject to the following exception. If the transaction constitutes a business combination within the meaning of Section 203 of the Delaware General Corporation Law (Section 203) involving a person owning 15% or more of the Company's voting stock (referred to as an interested shareholder), then the transaction could not be completed for a period of three years after the date the person became an interested shareholder unless (1) the Board of Directors approved either the business combination or the transaction that resulted in the person becoming an interested shareholder prior to such business combination or transaction, (2) upon consummation of the transaction that resulted in the person becoming an interested shareholder, that person owned at least 85% of the Company's outstanding voting stock (excluding shares owned by persons who are directors and also officers of the Company and shares owned by certain employee benefit plans of the Company), or (3) the business combination was approved by the Board and by the affirmative vote of at least 66-2/3% of the Company's outstanding voting stock not owned by the interested

shareholder.

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The sections of the Certificate of Incorporation and By-Laws that reflect the proposed amendments are attached to this proxy statement as Appendix A and are marked to show changes from the Company's current Certificate of Incorporation and By-Laws.

**APPROVAL OF THIS PROPOSAL REQUIRES THE AFFIRMATIVE VOTE OF HOLDERS OF RECORD OF A MAJORITY OF THE OUTSTANDING SHARES OF THE COMPANY ENTITLED TO VOTE FOR THE ELECTION OF DIRECTORS.**

If this proposal is approved by the shareholders, it will be effected by the filing of an Amended and Restated Certificate of Incorporation with the State of Delaware promptly after this Annual Meeting. The amendments to the By-Laws, if approved by the shareholders, will be effective immediately upon approval.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE FOR THIS PROPOSAL.**

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**ITEM 3. ADVISORY VOTE ON APPOINTMENT OF  
DELOITTE & TOUCHE LLP AS INDEPENDENT AUDITORS**

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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE FOR THIS PROPOSAL.**

Deloitte & Touche LLP currently serves as the Company's independent auditors, and that firm conducted the audit of the Company's accounts for fiscal year 2003. The Audit Committee has appointed Deloitte & Touche LLP to serve as independent auditors to conduct an audit of the Company's accounts for fiscal year 2004.

Selection of the Company's independent auditors is not required to be submitted to a vote of the shareholders of the Company for ratification. The Sarbanes-Oxley Act of 2002 requires the Audit Committee to be directly responsible for the appointment, compensation and oversight of the audit work of the independent auditors. However, the Board of Directors is submitting this matter to the shareholders as a matter of good corporate practice. If the shareholders fail to vote on an advisory basis in favor of the selection, the Audit Committee will reconsider whether to retain Deloitte & Touche LLP, and may retain that firm or another without re-submitting the matter to the Company's shareholders. Even if shareholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Company and the shareholders.

Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE FOR THIS PROPOSAL.**

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**SHAREHOLDER PROPOSALS**

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The following shareholder proposals have been submitted for consideration at the Annual Meeting. The Company will provide the names and addresses of the proponents of these shareholder proposals and the number of shares each proponent holds upon oral or written request for such information. Requests may be sent to the Corporate Secretary, The Boeing Company, Boeing World Headquarters, 100 North Riverside Plaza, 311A1, MC 5003-1001, Chicago, Illinois 60606-1596, or by calling (312) 544-2803.

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**ITEM 4. SHAREHOLDER PROPOSAL ON MILITARY CONTRACTS**

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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST THIS PROPOSAL.**

Several shareholders have advised the Company that they intend to present the following resolution at the Annual Meeting. In accordance with the applicable proxy statement regulations, the proposed resolution and supporting statement, for which the Board of Directors and the Company accept no responsibility, are set forth below. Approval of this proposal would require the affirmative vote of a majority of the outstanding shares of Boeing stock present in person or by proxy and entitled to vote at the Annual Meeting.

**Shareholder Resolution**

Resolved: that the Board of Directors review and if necessary amend and amplify our Company's code of conduct and statements of ethical criteria for military production-related contract bids, awards and contract execution, and report the results of this process to shareholders within six months of the annual meeting.

**Proponents Supporting Statement**

We believe that authentic global security exists only when all people everywhere feel secure. Global security will only come about when there is justice for all through human development and environmental and economic sustainability.

Faith communities measure the global economy not only by what it produces, but also by its impact on the environment, how it touches human life and whether it protects the dignity of the human person.

We believe decisions to develop and to produce weapons can have grave consequences to the lives and/or freedom of people worldwide if the company has not considered its responsibility for its decisions. We believe that economic decision making has both moral and financial components, and that our company's responsibilities include analyzing the effects of its decisions with respect to employees, communities, and

nations.

We believe companies engaging in research, development, production and sales of weapons, weapons components and weapons delivery systems must evaluate the decisions made when bidding on such work. That bidding/contract process must follow a defined format and include clear, concise criteria and policies.

We recommend that the criteria/standards include:

ethical business practices such that human rights and fair labor standards are upheld;

long-term environmental impact studies as well as waste management plans at production sites;

strategies for stability of employment, including descriptions of alternate production plans and funding sources;

directives for business practices which respect the culture of communities in which factories are located;

guidelines derived after critical study of political and civil stability of countries and before sale of weapons, weapons parts and dual-use technology;

studies of potential impacts of military production and use of those products on peoples' economies, environments and societies, along with specific actions for remediation, should it be required; and

processes that ensure that the principles of the common good and the integrity of creation are considered when making decisions about bidding on contracts.

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**Board of Directors Response**

The Board of Directors unanimously recommends a vote against this proposal that the Company review and report to shareholders on its code of conduct and statements of ethical criteria for military production-related bidding and contracting, and that the Company follow specified criteria and policies in the bidding and contracting process. The Board believes that the proposed review and report are unnecessary and not in the best interests of the Company and its shareholders.

The U.S. government relies on the technological and manufacturing capability of the private sector to develop the expertise and produce the equipment it has determined will be needed to achieve a sound defense posture as the nation faces new and varied threats. The Company, with its technological capabilities and expertise, participates in the nation's defense activities in the belief that it is appropriate to support government decisions made in the interest of peace and national security. The U.S. government has determined that the various threats to the security of the United States mandate the development of certain capabilities. The U.S. government has also determined that these capabilities support the stability of economies, environments and cultures worldwide, and are important ingredients in providing the capabilities necessary for the defense of this and other nations.

Moreover, all companies that sell major military products must comply with the requirements of both the executive and legislative branches of the U.S. government. The Board of Directors believes that the development of criteria for the bidding, acceptance and implementation of military contracts is properly within the purview of government policymakers and regulators. Boeing policies require compliance with all U.S. laws and regulations that control the export and sale of military products overseas. Many of the Company's overseas sales of military products are made under contracts with the U.S. government, which then sells the products directly to a foreign government that is a U.S. ally or friendly nation. Most of these transfers are a matter of public record through U.S. government-provided information or the news media. The Board does not believe that the costly collection and dissemination of the requested data would add to the information already available to shareholders in any meaningful way.

The Company also has a strong commitment to integrity and has an active program to promote ethical business practices. During 2003, the Board of Directors initiated two independent reviews of the Company's ethics program. Former Senator Warren Rudman and the Ethical Leadership Group (ELG) each conducted comprehensive reviews of the Company's ethics program, including policies and procedures affecting military production-related contract bids and awards. The Rudman and ELG reports contained many specific recommendations to strengthen the Company's ethics program. The Company is implementing a broad range of changes based on these recommendations. For example, the Company created the Office of Internal Governance, headed by a Senior Vice President reporting directly to the Chief Executive Officer, responsible for the Company's internal audit, ethics, import, export, international service contractors and compliance assessment programs. Likewise, policies and procedures to prevent conflicts of interest and misuses of competitor information in any context, including government procurements, are being strengthened.

Accordingly, we do not believe that the review and report requested by the proponents of this proposal would provide a meaningful addition to our ongoing efforts to promote the highest standards of ethical business conduct.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST PROPOSAL 4.**

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**ITEM 5. SHAREHOLDER PROPOSAL ON HUMAN RIGHTS POLICIES**

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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST THIS PROPOSAL.**

Several shareholders have advised the Company that they intend to present the following resolution at the Annual Meeting. In accordance with the applicable proxy statement regulations, the proposed resolution and supporting statement, for which the Board of Directors and the Company accept no responsibility, are set forth below. Approval of this proposal would require the affirmative vote of a majority of the outstanding shares of Boeing stock present in person or by proxy and entitled to vote at the Annual Meeting.

**Shareholder Resolution**

WHEREAS, we believe transnational corporations operating in countries with repressive governments, ethnic conflict, weak rule of law, endemic corruption, or poor labor and environmental standards face serious risks to their reputation and share value if they are seen as responsible for, or complicit in, human rights violations;

Among the various nations where our country operates, the Peoples Republic of China has consistently been noted as violating basic human rights. Yet, Boeing has been called China's most valuable lobbyist. It has also worked to have the U.S. government grant China Most Favored Nation status. Meanwhile jobs are being transferred from the U.S. to China in ever-increasing numbers;

*The Wall Street Journal* editorialized (09/26/02) how Christians in China are harassed, jailed and sometimes killed. Catholics loyal to the Pope remain persecuted, as are Protestants whose only crime is reading the Bible, without official authorization, in their own homes. Last December five members of an evangelical sect were sentenced to death in secret trials.

Our company has no comprehensive human rights policy enabling it to effectively manage and avoid allegations of aiding and abetting such abuses;

A number of global companies have already adopted a comprehensive human rights policy based upon the Universal Declaration of Human Rights (1948);

We believe significant commercial advantages may accrue to Boeing by adopting a comprehensive human rights policy including: enhanced corporate reputation, improved employee recruitment and retention, improved community and stakeholder relations, and reduced risk of adverse publicity, consumer boycotts, divestment campaigns, and law suits;



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Congressional resolutions have been introduced calling for human rights criteria for companies operating in China, Tibet and elsewhere;

RESOLVED: shareholders request the Board to develop and adopt a comprehensive human rights policy to include an explicit commitment to support and uphold the principles and values contained in the Universal Declaration of Human Rights. We suggest that they adopt such a policy at the earliest possible time and that they report on the progress made in this regard, especially in places like China which have consistently been listed as in violation of basic human rights, no later than November 1, 2004.

### **Proponents Supporting Statement**

We believe our human rights policy should include:

1. Workplace standards based upon the core conventions of the International Labor Organization (ILO Conventions No. 29, 87, 98, 100, 105, 111, 138, and 182).
2. Standards regarding the use of security personnel, both private and host country security forces, that is based upon and consistent with internationally accepted human rights norms, such as the U.N. Code of Conduct for Law Enforcement Officials.
3. Human rights and social impact assessment conducted prior to any decision to invest in countries in civil conflict or which have poor human rights records, as prepared by the U.S. Department of State.

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4. A plan for implementing these commitments and policies throughout our company's global operations that provides for a secure and independent complaint mechanism, provisions for consultation with local affected communities, provisions for social auditing by credible independent agencies, and provisions for annual public reporting.

**Board of Directors Response**

As a global enterprise for aerospace leadership, Boeing is committed to remaining one of the premier industrial companies in the world. We have found that significant good is accomplished by bringing countries into the mainstream of open-market trading and economic progress. It is the Company's experience and belief that operations in a foreign country and involvement with its local employees and communities can make a positive difference in both the economic well-being of the people and the eventual betterment of their society. In our international as well as our domestic operations, we are committed to operating with integrity and the highest ethical business principles. We are committed to promoting the rule of law and showing respect for employees and their rights of association and assembly wherever we operate in the world, and to conducting our business with a high regard for health, safety, environmental standards and social responsibility.

Good corporate citizenship is a value embedded in the Company's 2016 Vision Statement and the Company's day-to-day operations, locally and globally. We have structures in place to ensure ethical decision making and compliance with legal and ethical principles in all our operations. The Company recently created an Office of Internal Governance, which reports directly to the Company's Chief Executive Officer and is responsible for the Company's internal audit, ethics, import, export, international service contractors, and compliance assessment programs. The Company's ethics organization, which was previously integrated with the business units, has been consolidated into a single organization reporting to Company headquarters. Also, the Company is increasing the size of the ethics organization in order to more effectively meet current and emerging requirements.

The Ethics and Business Conduct Committee, whose members include the Chief Executive Officer and presidents of the operating groups, helps oversee implementation of the Company's ethics program. Part of the Company's ethics program is providing Company-wide ethics and business conduct education programs to ensure that all employees know Boeing values and standards of conduct. In addition, the Company provides compliance education programs designed to ensure that employees understand the legal requirements relevant to their work at a level of detail appropriate to their job functions. Suppliers, consultants and contract labor receive ethics and business conduct training materials so that they are aware of the Company's standards of business conduct. Contract terms are being strengthened regarding these third-party service providers obligations to comply with the Company's standards of business conduct.

We believe that adoption of the policy called for by this proposal is unnecessary and would impose unnecessary barriers to initiating operations internationally that would be of benefit to the Company and its shareholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST PROPOSAL 5.**

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**ITEM 6. SHAREHOLDER PROPOSAL ON DECLASSIFICATION OF THE BOARD OF DIRECTORS**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST THIS PROPOSAL.**

A shareholder has advised the Company that he intends to present the following resolution at the Annual Meeting. In accordance with the applicable proxy statement regulations, the proposed resolution and supporting statement, for which the Board of Directors and the Company accept no responsibility, are set forth below. Approval of this proposal would require the affirmative vote of a majority of the outstanding shares of Boeing stock present in person or by proxy and entitled to vote at the Annual Meeting.

**Shareholder Resolution**

Elect Each Director Annually

RESOLVED: Shareholders request that our Directors take the necessary steps so that each director is elected annually. (Does not affect the unexpired terms of directors.)

**Proponent s Supporting Statement**

We as shareholders voted in support of this topic.

| <b>Year</b> | <b>Rate of Support</b> |
|-------------|------------------------|
| 1999        | 51%                    |
| 2002        | 50.5%                  |
| 2003        | 56%                    |

These percentages are based on yes and no votes cast. I believe this repeat level of shareholder support is more impressive than the raw percentages because this support followed our Directors' objections. Additionally our Directors had authorized their objections to go out in extra solicitations to shareholders beyond the usual proxy distribution.

The Council of Institutional Investors ([www.cii.org](http://www.cii.org)) formally recommends that Directors act to adopt proposals which win a majority of votes cast. This is a general recommendation, not this specific proposal. (Source: CII Corporate Governance Policies, September 4, 2003)

Since 1999 our Directors have not provided any management position evidence that Directors consulted with a corporate governance authority who supported this proposal topic. I believe our directors have an obligation to give equal consideration to both sides of this key issue.

I can only question how Directors analyzed this proposal topic. I believe our directors have done a disservice to their shareholders, employees and customers by committing themselves to the status quo in corporate governance on this key issue.

When something goes wrong at a company, Boards could face liability if they ignored a shareholder proposal that could have prevented the problem. Source: Seth Taube, Securities Litigation Department, McCarter & English, Shareholder Proposals Still Get No Respect, The Street.com, May 12, 2003.

#### Strong Investor Concern

Thirty-eight (38) shareholder proposals on this topic achieved an impressive 62% average supporting vote in 2003. (Source: Investor Responsibility Research Center, Corporate Governance Bulletin, June-Sept. 2003). Annual election of each Director is a key policy of the Council of Institutional Investors. (Source: CII Corporate Governance Policies, September 4, 2003)

I believe that annual election of each Director is an avenue to express to each Director our concern about our current stock price compared to its \$69 price in 2001.

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Annual election of each director would also enable shareholders to vote annually on each member of our key Audit Committee. This is particularly important after the \$200 billion-plus total loss in combined market value at Enron, Tyco, WorldCom, Qwest and Global Crossing due in part to poor auditing.

I believe it is unfounded the concern expressed by some that the annual election of each director could leave companies without experienced directors. In the unlikely event that shareholders vote to replace all directors, such a decision would express dissatisfaction with the incumbent Directors and would reflect the need for change.

### Council of Institutional Investors Recommendation

The Council of Institutional Investors ([www.cii.org](http://www.cii.org)), whose members have \$2 trillion invested, called for annual election of each Director. This is a general recommendation, not this specific proposal. (Source: CII Corporate Governance Policies, September 4, 2003)

### Elect Each Director Annually

Yes on 6.

### **Board of Directors Response**

The Company's By-Laws divide the Board of Directors into three classes with directors elected to staggered three-year terms. Approximately one-third of the directors stand for election each year. The current classified board structure has been in place since it was approved by the shareholders in 1986.

The Board of Directors and its Governance, Organization and Nominating Committee, in consultation with outside corporate governance experts, have again carefully considered this proposal and the arguments for and against a classified board. We have concluded that the Company's classified board structure continues to be in the best interests of the Company and its shareholders, and oppose this proposal for the reasons outlined below.

*Protection Against Unfair and Abusive Takeover Tactics.* A classified board is designed to safeguard the corporation against the efforts of a third party intent on quickly taking control of, and not paying fair value for, the business and assets of the corporation. The classified board structure enhances the ability of the Board of Directors to negotiate the best results for all shareholders in these circumstances. It would not preclude a takeover, but it would afford the Company time to evaluate the adequacy and fairness of any takeover proposal, negotiate with the sponsor on behalf of all shareholders and weigh alternatives, including the continued operation of the Company's businesses, to provide maximum value for all shareholders.

*Accountability to Shareholders.* All directors are required to uphold their fiduciary duties to the Company and its shareholders, regardless of how often they stand for election. The Board of Directors believes that directors elected to three-year terms are not insulated from this responsibility

and are just as accountable to shareholders as directors elected annually.

*Corporate Governance.* The Board of Directors is committed to first-rate corporate governance and continually examines the Company's practices in light of the changing environment. The Company has adopted Corporate Governance Principles, which appear on page 14 of this proxy statement, that focus on the independence and quality of the members of the Board and its effective functioning. The Board notes that numerous well-respected U.S. corporations and institutional investors have classified boards, including over 60% of the S&P 500 companies. In addition, the Board observes several corporate governance practices that provide for many of the advantages sought by the proponent, including a majority of independent directors (currently 10 of our 11 directors are independent), evaluation of the Chief Executive Officer by the nonemployee directors, a business code of ethics, executive sessions of nonemployee directors, nonemployee director access to Company officers and employees and the Board's use of independent legal, financial or other expert advice.

*Stability and Continuity.* The three-year staggered terms are designed to provide stability, enhance long-term planning and ensure that a majority of the Company's directors at any given time have prior experience as directors of the Company. This ensures that the Board of Directors has solid knowledge of the Company's complex business and products, as well as its product strategy. Directors who have experience with the Company and knowledge about its business and affairs are a valuable resource and are better positioned to make the fundamental decisions that are best for the Company and its shareholders.

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*Effect of Proposal.* Adoption of this proposal would not automatically result in the elimination of the Company's classified board structure. A formal amendment repealing the classified board provision of the Company's By-Laws would, if not approved by the Board of Directors, need to be submitted to the shareholders, and it would require approval of the holders of at least 75% of the outstanding shares entitled to vote for the election of directors. The Board, however, in exercising its fiduciary duties, must independently consider whether it would be in the best interest of the Company to declassify the Board. The Board's conclusion is that declassifying the Board would not be in the best interest of the shareholders. The resulting vote would probably fail since the votes for the proposal in the recent past fall significantly short of 75% of the Company's outstanding shares entitled to vote for the election of directors.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST PROPOSAL 6.**

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**ITEM 7. SHAREHOLDER PROPOSAL ON SIMPLE MAJORITY VOTE**

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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST THIS PROPOSAL.**

A shareholder has advised the Company that he intends to present the following resolution at the Annual Meeting. In accordance with the applicable proxy statement regulations, the proposed resolution and supporting statement, for which the Board of Directors and the Company accept no responsibility, are set forth below. Approval of this proposal would require the affirmative vote of a majority of the outstanding shares of Boeing stock present in person or by proxy and entitled to vote at the Annual Meeting.

**Shareholder Resolution**

RESOLVED: Shareholders request that our Directors increase shareholder rights by using all means in their power to adopt a simple-majority voting standard (50% plus one vote) in place of a super-majority voting standard. This includes 75% or higher voting barriers for shareholder votes to be successful. This also includes each super-majority requirement which our Board has the power (unilaterally or with the cooperation of others) to modify accordingly. This includes a recommendation to make a special solicitation (to address this one topic only) to obtain the yes-vote of 75% of outstanding shares needed for adoption.

**Proponent s Supporting Statement**

Our Directors are to be Applauded

Our Directors are to be applauded for their October 2003 recommendation of the elimination of super-majority provisions in response to our 2002 and 2003 votes in favor of this topic. I believe this proposal is simply an enhancement of our Board s announcement. This proposal supplements our Board s announcement by extending the simple-majority provision to changing the current 3-year Directors terms to one-year terms.

I believe this proposal also adds a provision intended to ensure the success of our Board s recommendation. I believe that our Board would be embarrassed if our Board s recommendation fell short of the minimum vote required. This voting threshold was put in many years ago before corporate governance gained high visibility.

I believe our board is correct in its recommendation because current super-majority requirements allow a small minority to frustrate the will of the majority of shareholders. For example, with our company s supermajority rule requiring a 75%-vote to change to one-year director terms, if 74% of shares outstanding vote yes and 1% vote no only 1% of shares could force their will on the overwhelming 74% majority.



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I believe that a company which has or adopts simple-majority is sending a signal of confidence in its management abilities and strategy. I believe adopting simple-majority would be a sign that our Board is confident that their skill and strategy will result in our company being fairly valued in the market.

Simple-Majority Vote

Yes on 7.

### **Board of Directors Response**

The Board of Directors recommends a vote against this proposal for the reasons stated below.

The Board of Directors and its Governance, Organization and Nominating Committee have carefully reviewed the super-majority provisions in the Certificate of Incorporation and By-Laws. After such consideration, the Board continues to believe that such provisions, other than the provisions proposed to be eliminated in the Management Proposal (Proposal 2), protect the interests of shareholders and should be maintained.

The Company's Certificate of Incorporation and By-Laws require approval by at least 75% of our outstanding shares before certain fundamental changes can be made in our governing instruments. For example, this approval is required for the adoption or the alteration, amendment or repeal of certain provisions of the Certificate of Incorporation and the By-Laws, including those relating to shareholder meetings, the number and removal of

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directors, the filling of vacancies on the Board of Directors, the classification of the Board and cumulative voting. The vote requirement for such changes is reduced to a majority of the outstanding shares if the Board, in the exercise of its fiduciary duties, finds that such actions are in the best interests of the Company and its shareholders.

These provisions comprise the fundamental framework of our governance structure and are intended to preserve and maximize the value of the Company for all shareholders by protecting against self-interested actions by one or a few large shareholders. Similar provisions are included in the governing instruments of many public corporations. Without such provisions, it may be possible for the holders of a majority of the shares represented at a meeting in person or by proxy and entitled to vote on the matter, but not a majority of all outstanding shares entitled to vote, to take actions that would give them effective control of the Company without negotiating with the Board of Directors to achieve the best results for the other shareholders. These voting provisions do not preclude changes to the corporate governance provisions, but they do ensure that fundamental changes can only be made when a broad consensus of shareholders agrees that a change is prudent.

It is important to note that the Company's Board of Directors is an independent board, consisting of ten outside directors and one inside director, providing further assurance that the existing shareholder voting provisions will not be used for entrenchment purposes but to maximize shareholder value for all shareholders.

As discussed in the Management Proposal (Proposal 2) on page 31 of this proxy statement, the Board of Directors has approved and recommended for approval by the Company's shareholders amendments to the Certificate of Incorporation and By-Laws that would remove the 75% vote requirement for certain business combinations and changes in the capital stock of the Company. The Board has concluded that these provisions may discourage beneficial transactions and are not in the best interests of shareholders in view of the Company's overall corporate governance structure.

Approval of the proposal would not by itself eliminate the supermajority provisions which are not subject to the Management Proposal. A formal amendment repealing the supermajority provisions would need to be submitted to the shareholders and would require approval by at least 75% of our outstanding shares entitled to vote or, upon recommendation of the Board of Directors, of the holders of at least a majority of the outstanding shares entitled to vote for the election of directors. It should be noted that although last year a similar simple majority vote shareholder proposal was approved by a majority of the shares present or represented by proxy and entitled to vote at the meeting, it received approval of only 34.54% of the outstanding shares entitled to vote. While the Board would consider such an amendment, it would do so consistent with its fiduciary duty to act in a manner it believes to be in the best interests of the Company and its shareholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST PROPOSAL 7.**

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**ITEM 8. SHAREHOLDER PROPOSAL ON SEVERANCE AGREEMENTS**

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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST THIS PROPOSAL.**

A shareholder has advised the Company that he intends to present the following resolution at the Annual Meeting. In accordance with the applicable proxy statement regulations, the proposed resolution and supporting statement, for which the Board of Directors and the Company accept no responsibility, are set forth below. Approval of this proposal would require the affirmative vote of a majority of the outstanding shares of Boeing stock present in person or by proxy and entitled to vote at the Annual Meeting.

**Shareholder Resolution**

Shareholder Input Regarding Golden Parachutes

RESOLVED: Shareholders request that our Board of Directors seek shareholder approval for future golden parachutes for senior executives. This applies to benefits exceeding 200% of the sum of the executive's base salary plus bonus. Future golden parachutes include agreements renewing, modifying or extending existing severance agreements or employment agreements with golden parachute or severance provisions.

This includes that golden parachutes not be given for a change in control or merger which is approved but not completed. Or for executives who transfer to the successor company. This proposal would include to the fullest extent each golden parachute that our Board has or will have the power to grant or modify.

Because it may not always be practical to obtain prior shareholder approval, our company would have the flexibility under this proposal of seeking approval after the material terms of a golden parachute were agreed upon.

**Proponent's Supporting Statement**

54% Shareholder Support

The 17 shareholder proposals voted on this topic in 2003 achieved an impressive 54% average supporting vote. (Investor Responsibility Research Center Corporate Governance Bulletin, June - Sept. 2003)

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The potential magnitude of golden parachutes for executives was highlighted in the failed merger of Sprint (FON) with MCI WorldCom. Investor and media attention focused on the estimated \$400 million payout to Sprint Chairman William Esrey. Almost \$400 million would have come from the exercise of stock options that vested when the deal was approved by Sprint's shareholders.

Another example of questionable golden parachutes is the \$150 million parachute payment to Northrop Grumman executives after the merger with Lockheed Martin fell apart.

I believe:

1. A change in control can be more likely if our executives do not maximize shareholder value.
2. Golden parachutes can allow our executives to walk away with millions even if shareholder value languishes during their tenure.

### Independent Support for Shareholder Input on Golden Parachutes

Institutional investors recommend companies seek shareholder approval for golden parachutes. For instance the California Public Employees Retirement System (CalPERS) said, shareholder proposals requesting submission of golden parachutes to shareholder vote will always be supported. Also, the Council of Institutional Investors supports shareholder approval if the golden parachute exceeds 200% of a senior executive's annual base salary.

### Shareholder Input regarding Golden Parachutes

Yes on 8.

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**Board of Directors Response**

The Board of Directors opposes this proposal because it believes that contractual arrangements which provide reasonable severance benefits for senior executives following a change in control of the Company can be an important and entirely appropriate element of an executive compensation program. Such arrangements are an important tool for the Company to recruit, retain and motivate executives and provide a means of ensuring the stability of the executive management team during mergers and reorganizations. This stability is in the best interests of all shareholders.

The Board of Directors, through its Compensation Committee, which is comprised solely of independent directors, sets executive compensation in a manner it believes to be in the best interests of the Company and its shareholders. Although the Company does not presently have employment or severance agreements with its executive officers, other than the Executive Layoff Benefit Plan described on page 30 of this proxy statement, the Board maintains that it is important for the Company to retain the flexibility to offer such arrangements in order to recruit and retain top executives.

Requiring prior shareholder approval of severance agreements is not in the best interests of the Company and its shareholders because the imposition of such a requirement would make it extremely difficult to implement in a timely manner compensation arrangements suited to particular situations. In addition, implementation of this proposal would be costly and disruptive. Boeing has nearly 800,000 shareholders. Calling a special meeting of shareholders to approve an agreement prior to signing with an executive is expensive. Unless the Company incurred the significant expense of a special meeting of shareholders, such arrangements could only be entered into once a year after approval at the annual meeting of shareholders or subject to a general pre-approval which might not be sufficient for all situations. The Company would, therefore, be unable to assure a potential senior executive that the agreement would be approved or ratified. As a result of this uncertainty, a candidate could not be sure of the terms of employment and would be more likely to accept a competing offer that provided final terms. Obtaining shareholder approval after the material terms are agreed upon, as suggested by the proponent, is simply impractical.

The Board of Directors believes that compensation arrangements with senior executives, including severance agreements, should continue to be the primary responsibility of the Board acting through its Compensation Committee, which is in the best position to assess appropriate and competitive compensation practices.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST PROPOSAL 8.**

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**ITEM 9. SHAREHOLDER PROPOSAL ON RETENTION OF STOCK  
OBTAINED THROUGH STOCK OPTIONS**

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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST THIS PROPOSAL.**

A shareholder has advised the Company that he intends to present the following resolution at the Annual Meeting. In accordance with the applicable proxy statement regulations, the proposed resolution and supporting statement, for which the Board of Directors and the Company accept no responsibility, are set forth below. Approval of this proposal would require the affirmative vote of a majority of the outstanding shares of Boeing stock present in person or by proxy and entitled to vote at the Annual Meeting.

**Shareholder Resolution**

*Retention of Stock Obtained Through Options*

RESOLVED: Shareholder request that our board of directors adopt a policy for senior executives and directors to commit to hold throughout their tenure at least 75% of all Boeing shares that they obtain by exercising stock options. This would include each option plan that our Board has the power to modify accordingly.

**Proponent's Supporting Statement**

Since the accounting scandals at Enron, Worldcom and other companies, the role of stock options in executive compensation has become more controversial. Unlike direct stock holdings, stock options can also discourage executives from increasing dividends because option holders are not entitled to dividends. I believe stock options can provide incentives to senior executives which conflict with the interests of stockholders. For this reason I believe stock options can encourage actions to boost short-term performance.

I believe that this proposal is more important to our company than to some other companies because our company does not require that our directors own any minimum amount of stock.

This resolution proposes to align director and executive interests with those of shareholders by asking our directors and executives to commit that they will hold at least 75% of all Boeing stock that they obtain by exercising options for as long as they remain directors or executives. This policy seeks to decouple executive and director compensation from short-term price movements. This is designed to encourage greater emphasis on longer-term gains while giving directors and executive's flexibility by enabling them to sell 25% of their holdings at will.

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I believe that adopting this policy would be a good way of assuring shareholders that our directors and senior executives are committed to long-term growth of the Company and not merely short-term gains.

I urge you to vote FOR this resolution.

Retention of Stock Obtained through Options

Yes on 9.

### **Board of Directors Response**

The Board of Directors opposes this proposal because it is based on mistaken factual assumptions about the Company's equity incentive compensation programs, is unnecessary, and is not in the best interests of the Company and its shareholders.

As discussed in the Compensation Committee Report on Executive Compensation on page 21 of this proxy statement, stock ownership is a fundamental principle underlying the philosophy and structure of the Company's executive compensation programs. The Compensation Committee has established stock ownership guidelines for executives that range from one to six times base salary (four to six times base salary for the Named Executive Officers). All current officers meet or exceed their guidelines. As a further incentive to encourage long-term stock ownership, the Company provides a 25% matching contribution on earned compensation that the executive defers into a stock unit account. These matching deferred stock units are distributed as Boeing stock or cash upon retirement, layoff, death or disability.

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The Company's executive compensation program consists not of stock options but primarily of the following three types of awards, each of which accrues dividend equivalents in Boeing stock that are distributed when and to the extent that the awards vest or are earned:

Boeing Stock Units, which are restricted stock units that are awarded upon the achievement of annual incentive goals and that vest over a three-year period,

Performance Shares, a long-term incentive award consisting of rights to receive Boeing stock contingent on the Company's attaining total shareholder return goals within a five-year time period, and

Career Shares, another long-term incentive award that are restricted units of Boeing stock paid only upon retirement, layoff, death or disability.

The Company's directors are not covered by the stock ownership guidelines for senior executives discussed above. However, this proposal as it relates to directors is unnecessary because directors are encouraged to and do own Boeing stock. As discussed under "Director Compensation" on page 11 of this proxy statement, the Company's current director compensation program provides for a substantial portion of director compensation to be paid in deferred stock units under the Company's director deferred compensation plan, in addition to stock options. Nonemployee directors may also defer all or a portion of their cash compensation into additional stock units under the deferred compensation plan. As a further incentive to encourage long-term stock ownership, the Company provides a 25% matching contribution on all cash compensation a director defers into a stock unit account. These deferred stock units are distributed as Boeing stock after retirement or other termination of Board of Directors service. In 2003, directors deferred an average of 88% of the compensation they could have received in cash into deferred stock units. As shown in the Security Ownership table on page 18 of this proxy statement, these deferrals have resulted in Board members holding a significant economic interest in the Company.

In summary, the Board of Directors believes this proposal is unnecessary and, if implemented, would impose an arbitrary and inflexible policy regarding compensation of senior executives and directors that would impede the Company's ability to compete for and retain talented executives and directors.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST PROPOSAL 9.**



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**ITEM 10. SHAREHOLDER PROPOSAL ON PENSION PLANS**

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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST THIS PROPOSAL.**

A shareholder has advised the Company that he intends to present the following resolution at the Annual Meeting. In accordance with the applicable proxy statement regulations, the proposed resolution and supporting statement, for which the Board of Directors and the Company accept no responsibility, are set forth below. Approval of this proposal would require the affirmative vote of a majority of the outstanding shares of Boeing stock present in person or by proxy and entitled to vote at the Annual Meeting.

**Shareholder Resolution**

RESOLVED: Shareholders request the Board of Directors adopt the following policy:

- (1) Employees vested at time of conversion be given a choice between their old pension plans (the Heritage Plans ) or the Pension Value cash-balance plan (the PVP ) at time of their termination or retirement.
- (2) The PVP to provide a monthly annuity at least equal to that expected under the Heritage Plans, or an actuarially equivalent lump sum.

**Proponent s Supporting Statement**

Boeing implemented the PVP in 1999 for over 100,000 non-represented employees. Although the difference between the Heritage Plans and the PVP is primarily one of benefit formula change, Boeing has resisted giving employees a choice at retirement or termination. We believe Boeing should allow such a choice, as we believe other companies like Kodak, 3M, Motorola, Delta Airlines, and AT&T have done.

By refusing to give all employees a choice, we believe Boeing is discouraging both new employees who are unlikely to benefit from the Heritage Plans, and many older employees, who may be disadvantaged by the PVP when compared to Heritage Plans benefits.

The Board of Directors response last year stated Overall, the PVP provides a level of benefits that is very close to, and in some cases better than, the benefits provided by the prior plans. We believe in some cases, older, longer service high performance workers also do worse.

In 2003, Congressman Bernie Sanders (VT) introduced H.R. 1677, the Pension Benefits Protection Act, sponsored by 131 Members of Congress. This act would require companies that convert to cash balance plans to allow workers who are either at least 40 years old or have at

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least 10 years of service the choice to remain in the traditional defined benefit plan that was promised to them when they started working for their company. This legislation was endorsed by the AARP representing over 35 million Americans, and the AFL-CIO representing over 13 million American workers. The Boeing PVP, like more than 300 cash balance conversions has not yet received a determination from the IRS as to tax qualification status, in response to the Company's application for such determination in 1999. We are convinced Congress will eventually require companies to allow pension choice to affected employees as a condition of maintaining tax-qualified status.

Last year, this proposal received 61 million votes, almost 12 percent of votes cast. We believe a majority of employee-shareholders have supported and will continue to support this proposal. We believe adoption would result in a public relations, morale building, and long term net monetary advantage for Boeing to voluntarily allow pension plan choice, instead of being forced to do so retroactively by Congress or the courts.

In their February 23, 1998 message to shareholders, Boeing said "A company, any company, is nothing more or less than the people who make it up. We still believe Boeing should walk their talk" in pension issues.

Please encourage the Board of Directors to give a pension choice to those loyal employees who made the company famous and profitable:

Thank you for your support.

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**Board of Directors Response**

The Board of Directors opposes this proposal because its approval and implementation would impose a significant and costly administrative burden on the Company and, more importantly, it would undermine the Company's ability to maintain a single pension plan as part of its total compensation and benefits packages for its nonunion salaried employees.

This is the fourth consecutive year that the proponent has submitted this proposal (or a similar variation thereof) for inclusion in the Company's proxy statement. On each prior occasion the proposal was defeated by over 87% of the votes cast. The Board of Directors believes that this rejection of the proposals reflects the shareholders' understanding of the Company's commitment to provide its employees with a total compensation and benefits package that is competitive and that helps the Company attract and retain the best performers. Management believes that the Pension Value Plan or PVP meets these criteria, and that the PVP's generous, carefully thought out transition measures have protected the transition-date workforce.

The Company designed its new pension plan, the PVP, to provide a single plan for the Company's tens of thousands of nonunion salaried employees. Before the PVP was implemented in 1999, these employees earned benefits under more than 20 different plans and formulas (the Heritage Plans) that were sponsored by the premerger companies: Boeing, McDonnell Douglas and Rockwell. The PVP was designed to provide benefits that would be comparable to the benefits provided to current employees under the Heritage Plans and that would allow employees to earn future benefits under a single benefit formula. The Company did not adopt the PVP to reduce pension-related costs. On the contrary, the PVP increased the Company's pension liability substantially, as was disclosed in the 1998 Annual Report.

Under the PVP, employees earn a credit-based benefit or cash balance account that grows with benefit credits and interest credits each year. The PVP uses a progressive scale for benefit credits that increase with age, unlike some other cash balance plans that use a flat rate. Benefit credits equal a percentage of pay each year, ranging from 3% to 11%, depending on age. Interest credits are based on the 30-year Treasury bond yield, with a low of 5.25% and a high of 10%. Any benefit transferred from a Heritage Plan continues to grow in proportion to the employee's salary and is added to the credit-based benefit. Total benefits are converted into a monthly annuity. The PVP also provides a minimum benefit of \$60/month times years of benefit service.

The Board of Directors understands that the subject of cash balance pension plans is not without controversy. However, the Board believes that the PVP is not subject to some of the criticisms of other cash-balance plans because it includes important features that are different from most other cash-balance pension plans. In addition to the features noted above,

The PVP preserves all benefits earned under the Heritage Plans, and allows these benefits to continue growing in proportion to the employee's salary.

Employees began earning new benefits under the PVP formula immediately upon the PVP's implementation rather than having a wear-away transition period before they could accrue any new benefits under the cash-balance plan.

The PVP increases the percentage of pay that is credited to the employee's cash-balance account as the employee's age increases. Thus, notwithstanding the proponent's assertion that older, longer service high performance workers also do worse, the PVP actually gives the Company's oldest employees nearly four times more benefit credits each year than their youngest counterparts receive.

## Edgar Filing: BOEING CO - Form DEF 14A

This proposal's call for pension plan choice implicitly, and in the Board of Directors' view erroneously, suggests that the Company took away benefits when it changed from the Heritage Plans to the PVP. The Company believes, based on its analysis, that for most employees who were near retirement age or who had long service when the PVP took effect, there is little difference in projected retirement benefits. In fact, due to the PVP's unusual features and the extra costs associated with this change, the Company further believes (based on its analysis) that many employees' projected PVP benefits are in fact slightly higher than the projected benefits from the Heritage Plans.

All benefits that employees had already accrued under the Heritage Plans have been preserved, as required by federal pension law. Both federal pension law and the terms of the prior pension plans gave the Company the right

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to change its pension plans for the future, as long as it did not reduce the benefits employees had already accrued. Boeing exceeded its legal obligation to merely preserve accrued benefits by not only protecting all of the prior plans' accrued benefits, but by providing for the future growth of those benefits in proportion to employees' future salary growth, instead of merely freezing the prior accrued benefits.

This proposal's recommendation to permit employees' vested at time of conversion a choice between the Heritage Plans, and the PVP would undermine a primary purpose of the PVP: to create a single, simplified plan for all salaried nonunion employees. The Company employs tens of thousands of nonunion employees. Large costs and significant administrative difficulties would be associated with maintaining numerous plans and benefit formulas, meeting the myriad federal regulations that apply to each plan, and offering and implementing employees' choices.

The Board of Directors is committed to the PVP because it believes the PVP better reflects the reality of today's marketplace, both in terms of employee career expectations and the competitiveness of the Company's total compensation programs. The Company will continually review its benefit plans and programs, making changes where appropriate. At this time, the Board is satisfied that the measures recommended by this proposal would be unnecessarily detrimental to the Company's pension and compensation programs.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE AGAINST PROPOSAL 10.**

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**GENERAL INFORMATION**

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**LIST OF SHAREHOLDERS OF RECORD**

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A list of shareholders of record entitled to vote at the Annual Meeting will be available at the Annual Meeting and will also be available 10 business days prior to the Annual Meeting between the hours of 9:00 a.m. and 4:00 p.m., Central time, at the Office of the Corporate Secretary, Boeing World Headquarters, 100 North Riverside Plaza, 311A1, MC 5003-1001, Chicago, Illinois 60606-1596. A shareholder may examine the list for any legally valid purpose related to the Annual Meeting.

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**DELIVERY OF PROXY MATERIALS AND ANNUAL REPORT**

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**Electronic Delivery**

The notice of Annual Meeting and Proxy Statement and 2003 Annual Report are available on our Internet site at [www.boeing.com](http://www.boeing.com). Instead of receiving paper copies of the Annual Report and Proxy Statement in the mail, shareholders can elect to receive these communications electronically via the World Wide Web. For additional information and to sign up, you can access [www.econsent.com/ba](http://www.econsent.com/ba).

Many brokerage firms and banks are also offering electronic proxy materials to their clients. If you are a beneficial owner of Boeing stock, you may contact that broker or bank to find out whether this service is available to you. If your broker or bank uses ADP Investor Communications Services, you can sign up to receive electronic proxy materials at [www.InvestorDelivery.com](http://www.InvestorDelivery.com).

**Householding Information**

As permitted by the SEC's proxy statement rules, the Company will deliver only one annual report or proxy statement to multiple shareholders sharing an address, unless the Company has received contrary instructions from one or more of the shareholders. The Company will, upon written or oral request, deliver a separate copy of the annual report or proxy statement to a shareholder at a shared address to which a single copy of the annual report or proxy statement was delivered and will include instructions as to how the shareholder can notify the Company that the shareholder wishes to receive a separate copy of the annual report or proxy statement. Registered shareholders wishing to receive a separate annual report or proxy statement in the future or registered shareholders sharing an address wishing to receive a single copy of the annual report or proxy statement in the future may contact the Company's Transfer Agent:

EquiServe Trust Co., N.A.

P.O. Box 43016

Providence, Rhode Island 02940-3016

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888-777-0923 (toll-free for domestic U.S. callers)

781-575-3400 (non-U.S. callers may call collect)

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### ANNUAL REPORT ON FORM 10-K

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The Company's 2003 Annual Report was mailed to shareholders with this proxy statement. Upon request, the Company will furnish without charge a copy of the Company's Annual Report on Form 10-K, which has been filed with the SEC. Shareholders may receive a copy of the Form 10-K by:

- (1) Writing to Data Shipping Department, The Boeing Company, P.O. Box 3707, Mail Code 3T-33, Seattle, Washington 98124-2207;
- (2) Calling (425) 393-4964;
- (3) Accessing the Company's website at **www.boeing.com**; or
- (4) Accessing the SEC's website at **www.sec.gov**.

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**SUBMISSION OF SHAREHOLDER PROPOSALS FOR 2005**

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The Company's next annual meeting will be held on Monday, May 2, 2005. Under Rule 14a-8(e) of the Securities Exchange Act of 1934, shareholder proposals intended for inclusion in the Company's 2005 Proxy Statement must be submitted in writing to the Company to the Office of the Corporate Secretary, Boeing World Headquarters, 100 North Riverside Plaza, 311A1, MC 5003-1001, Chicago, Illinois 60606-1596, and must be received by midnight Central time on Friday, November 26, 2004.

Any shareholder proposal submitted for consideration at next year's annual meeting but not submitted for inclusion in the proxy statement, including shareholder nominations for or suggestions of candidates for election as directors, that is received by the Company earlier than Sunday, January 2, 2005, or later than Tuesday, February 1, 2005 will not be considered filed on a timely basis with the Company under Rule 14a-4(c)(1). For such proposals that are not timely filed, the Company retains discretion to vote proxies it receives. For such proposals that are timely filed, the Company retains discretion to vote proxies it receives provided that (1) the Company includes in its proxy statement advice on the nature of the proposal and how it intends to exercise its voting discretion and (2) the proponent does not issue a proxy statement.

Shareholder nominations for or suggestions of candidates for election as directors must contain the following information:

a statement that the writer is a shareholder entitled to vote on the election of directors at the next annual meeting and is proposing a candidate for consideration by the Committee;

the name and contact information of the candidate;

a statement of the candidate's business and educational experience and other relevant biographical data;

a statement detailing any relationship between the candidate and the Company, including, among others, any customer, supplier, competitor, employee or shareholder of the Company;

a statement detailing any relationship or understanding between the proposing shareholder and the candidate; and

a signed statement from the candidate consenting (i) to be named in the proxy statement and proxy if selected and (ii) to serve on the Board if elected.

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**CONTACTING THE BOARD OF DIRECTORS**

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The Board of Directors has established a process whereby shareholders can send communications to the Non-Executive Chairman of the Board and each of the Board Committee chairpersons. This process is described in detail on the Company's website at



[www.boeing.com/corp\\_gov/email\\_the\\_board.html](http://www.boeing.com/corp_gov/email_the_board.html).

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Appendix A

**PROPOSED AMENDMENTS TO**  
**RESTATED**  
**CERTIFICATE OF INCORPORATION**  
**AND BY-LAWS OF**  
**THE BOEING COMPANY**

**Proposed Amendments to Restated Certificate of Incorporation.** The following provisions reflect the manner in which the applicable sections of the Certificate of Incorporation of the Company (the "Certificate") will be amended if Item 2 is approved by the shareholders at the Annual Meeting.

1. Sections 3 and 5 of Article FOURTH of the Certificate are amended in their entirety to read as follows:
  3. Except as otherwise required by law and except for such voting powers with respect to the election of directors or other matters as may be stated in the resolution or resolutions of the Board of Directors providing for the issue of any series of Preferred Stock, the holders of any such series shall have no voting power whatsoever. Subject to ~~Article Eighth herein and to~~ such restrictions as may be stated in the resolution or resolutions of the Board of Directors providing for the issue of any series of Preferred Stock, any amendment to the Certificate of Incorporation which shall increase or decrease the authorized stock of any class or classes may be adopted by the affirmative vote of the holders of a majority of the outstanding shares of the ~~voting~~ stock of the Corporation entitled to vote for the election of directors ("Voting Stock").
  5. ~~Subject to Article Eighth herein,~~ The Corporation may from time to time issue and dispose of any of the authorized and unissued shares of Common Stock or of Preferred Stock for such consideration not less than its par value, as may be fixed from time to time by the Board of Directors, without action by the stockholders. The Board of Directors may provide for payment therefor to be received by the Corporation in cash, property, or services. Any and all such shares of the Preferred or Common Stock of the Corporation, the issuance of which has been so authorized and for which consideration so fixed by the Board of Directors has been paid or delivered, shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon.
2. Article EIGHTH of the Certificate is deleted in its entirety as follows:

~~**Eighth:** In addition to any affirmative vote required by law or this Certificate of Incorporation, any Business Combination (as hereinafter defined) involving the Corporation shall be subject to approval in the manner set forth in this Article Eighth.~~

- ~~4. For the purposes of Article EIGHTH, Article NINTH, and Article ELEVENTH of this Certificate of Incorporation and Articles I, II and VIII of the By Laws of the Corporation:~~

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- (a) ~~Affiliate and beneficial owner~~ are used herein as defined in Rule 12b-2 and Rule 13d-3, respectively, under the Securities Exchange Act of 1934 as in effect on the date of adoption of this Article ~~Eight~~ by the stockholders of the Corporation (the ~~1934 Act~~). The term ~~Affiliate~~ as used herein shall exclude the Corporation, but shall include the definition of ~~Associate~~ as contained in said Rule ~~12-2~~.
- (b) ~~An Interested Stockholder~~ is a Person other than the Corporation who is (i) the beneficial owner of ten percent or more of the stock of the Corporation entitled to vote for the election of directors (~~Voting Stock~~) or (ii) an Affiliate of the Corporation and (A) at any time within a two-year period prior to the record date to vote on a Business Combination was the beneficial owner of ten percent or more of the ~~Voting Stock~~ or (B) at the completion of the Business Combination will be the beneficial owner of ten percent or more of the ~~Voting Stock~~.

For purposes of determining whether a Person is an Interested Stockholder pursuant to paragraph (b) of this Section 1, (i) the number of shares of ~~Voting Stock~~ deemed to be owned by the Interested Stockholder shall include shares deemed owned through application of paragraph (b) of this Section 1 together with ~~Voting Stock~~ that may be issuable pursuant to any agreement, arrangement, or understanding or upon the exercise of conversion rights, warrants, or options, or otherwise and (ii) the number of shares of ~~Voting~~

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~~Stock deemed to be outstanding shall not include any shares of Voting Stock that may be issuable pursuant to any agreement, arrangement, or understanding or upon the exercise of conversion rights, warrants, or options, or otherwise.~~

- ~~(e) A Person is a natural person or a legal entity of any kind, together with any Affiliate of such person or entity, or any person or entity with whom such person, entity, or an Affiliate has any agreement or understanding relating to acquiring, voting, holding, or disposing of Voting Stock.~~
  - ~~(d) A Continuing Director is a member of the Board of Directors of the Corporation (other than any Interested Stockholder or any Affiliate of an Interested Stockholder) who was a director prior to the time any Interested Stockholder became an Interested Stockholder, or any director who was recommended for election or elected by the Continuing Directors. Any action to be taken by the Continuing Directors shall require the affirmative vote of a majority of the Continuing Directors.~~
  - ~~(e) A Business Combination is (i) a merger or consolidation of the Corporation or any of its subsidiaries or an exchange of stock of the Corporation with an Interested Stockholder or an Affiliate of an Interested Stockholder; (ii) the sale, lease, exchange, pledge, transfer, or other disposition (A) by the Corporation or any of its subsidiaries of all or a Substantial Part of the Corporation's Assets to an Interested Stockholder or an Affiliate of an Interested Stockholder or (B) by an Interested Stockholder or an Affiliate of an Interested Stockholder of any of its assets, except in the ordinary course of business, to the Corporation or any of its subsidiaries; (iii) the issuance of stock or other securities of the Corporation or any of its subsidiaries to an Interested Stockholder or an Affiliate of an Interested Stockholder, other than on a pro rata basis to all holders of Voting Stock of the same class held by the Interested Stockholder or any such Affiliate pursuant to a stock split, stock dividend, or distribution of warrants or rights; (iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Stockholder or an Affiliate of an Interested Stockholder; (v) any reclassification or redemption of securities, recapitalization, merger, consolidation or other transaction which has the effect, directly or indirectly, of increasing the proportionate share of any Voting Stock beneficially owned by an Interested Stockholder or an Affiliate of an Interested Stockholder; (vi) any loan of money or other assets of the Corporation to, or guarantee of indebtedness or other obligations of, an Interested Stockholder or an Affiliate of an Interested Stockholder by the Corporation; (vii) any redemption by the Corporation of shares of outstanding stock of the Corporation or of options, warrants, or rights to acquire shares of stock of the Corporation beneficially owned by an Interested Stockholder or an Affiliate of an Interested Stockholder, other than on a pro rata basis to all holders of such stock or rights; or (viii) any agreement, contract, or other arrangement providing for any of the foregoing transactions.~~
  - ~~(f) A Substantial Part of the Corporation's Assets shall mean tangible or intangible assets of the Corporation or any of its subsidiaries with a fair market value, as determined by the Continuing Directors, in an amount equal to twenty percent or more of the total consolidated assets of the Corporation and its subsidiaries taken as a whole as of the end of its most recent fiscal year ended prior to the time the determination is made.~~
2. ~~The affirmative vote of not less than seventy five percent of the Voting Stock shall be required for the adoption or authorization of a Business Combination, unless:~~
- ~~(a) Such Business Combination shall have been approved by the affirmative vote of a majority of the Continuing Directors or~~
  - ~~(b) The Continuing Directors determine that:~~
    - ~~(i) The fair market value of the consideration per share to be received or retained by the holders of each class or series of stock of the Corporation in a Business Combination is equal to or greater than the higher of (A) the highest consideration per share (including brokerage commissions and soliciting dealer's fees) paid by such Interested Stockholder in acquiring any shares of such class of stock previously acquired in any one transaction or series of related transactions, whether before or after~~

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the Interested Stockholder became an Interested Stockholder, or (B) the highest closing sale price during the two year period immediately preceding the date of completion of the Business Combination of a share of such stock on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, and, if at any time during such two year period such stock is not listed on such Exchange, on the principal United States securities exchange registered under the 1934 Act on which such stock is listed, and, if such stock is not listed on any such exchange, the highest closing sales price or bid quotation with respect to a share of such stock during the two year period preceding the date of completion of the Business Combination on the National Association of Securities Dealers, Inc., Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date of completion of the Business Combination of a share of such stock as determined by a majority of the Continuing Directors in good faith; provided, however, that the consideration to be received by holders of a particular class or series of stock of the Corporation shall be in cash or in the same form as was previously paid in order to acquire beneficially shares of such class or series of stock of the Corporation that are beneficially owned by the Interested Stockholder and, if the Interested Stockholder beneficially owns shares of any class or series of stock of the Corporation that were acquired with varying forms of consideration, the form of consideration to be received by holders of such class or series of stock of the Corporation shall be either cash or the form used to acquire beneficially the largest number of shares of such class or series of stock of the Corporation beneficially acquired by it whether before or after the Interested Stockholder became an Interested Stockholder and

- (ii) The Interested Stockholder shall not have received or will not receive the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges, or other financial assistance or tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

3. In the event any vote of holders of Voting Stock is required for the adoption or approval of any Business Combination, a proxy or information statement describing the Business Combination and complying with the requirements of the 1934 Act shall be mailed at a date determined by the Continuing Directors to all stockholders of the Corporation whether or not such statement is required under the 1934 Act. The statement shall contain any recommendations as to the advisability of the Business Combination which the Continuing Directors, or any of them, may choose to state and, if deemed advisable by the Continuing Directors, an opinion of an investment banking firm as to the fairness of the terms of such Business Combination. Such firm shall be selected by the Continuing Directors and paid a fee for its services by the Corporation as approved by the Continuing Directors.

3. Article NINTH of the Certificate is renumbered as Article EIGHTH and amended in its entirety to read as follows:

**NINTH EIGHTH:** Any action by stockholders of the Corporation shall be taken at a meeting of stockholders, and no action may be taken by written consent of stockholders entitled to vote upon such action unless such action shall have been submitted to the stockholders after approval by the affirmative vote of a majority of the Continuing Directors. For the purposes of Article EIGHTH and Article TENTH of this Certificate of Incorporation and Articles I, II and VIII of the By-Laws of the Corporation, the following definitions shall apply.

1. A Continuing Director is a member of the Board of Directors of the Corporation who was a director prior to May 5, 2004, or any director who was recommended for election or elected by the Continuing Directors. Any action to be taken by the Continuing Directors shall require the affirmative vote of a majority of the Continuing Directors.
2. An Interested Stockholder is a Person other than the Corporation who is the beneficial owner of ten percent or more of the Voting Stock as defined in Article FOURTH of the Certificate of Incorporation. For purposes of determining whether a Person is an Interested Stockholder, (i) the number of shares of Voting Stock deemed to be owned by the Interested Stockholder shall include shares deemed owned through application of the preceding sentence together with Voting Stock that may be issuable pursuant to any agreement, arrangement, or understanding or upon the exercise of conversion rights, warrants, or options, or otherwise and (ii) the number of shares of Voting Stock deemed to be outstanding shall not include any shares of Voting Stock that may be issuable pursuant to any agreement, arrangement, or understanding or upon the exercise of conversion rights, warrants, or options, or otherwise.



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3. A Person is a natural person or a legal entity of any kind, together with any Affiliate of such person or entity, or any person or entity with whom such person, entity, or an Affiliate has any agreement or understanding relating to acquiring, voting, holding, or disposing of Voting Stock. Affiliate and beneficial owner are used herein as defined in Rule 12b-2 and Rule 13d-3, respectively, under the Securities Exchange Act of 1934 as in effect on the date of approval of this Section 4 by the stockholders of the Corporation. The term Affiliate as used herein shall exclude the Corporation, but shall include the definition of Associate as contained in said Rule 12b-2.
4. Article TENTH of the Certificate is renumbered as Article NINTH.
5. Articles ELEVENTH and TWELFTH of the Certificate are renumbered as Articles TENTH and ELEVENTH, respectively, and are amended in their entirety to read as follows:

~~ELEVENTH TENTH~~: The Corporation reserves the right to amend, alter, change, add to, or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by statute; and all rights herein conferred are granted subject to this reservation.

Notwithstanding anything contained in this Certificate of Incorporation to the contrary, either (a) the recommendation of a majority of the Continuing Directors together with the affirmative vote of the holders of record of a majority of the Voting Stock or (b) the affirmative vote of the holders of record of at least seventy-five percent of the Voting Stock shall be required to alter, amend, repeal, or adopt any provision inconsistent with ~~Section 3 and 5 of Article FOURTH hereof, Article EIGHTH hereof, Article NINTH EIGHTH hereof, paragraphs (c), (d), and (h) of Article TENTH NINTH hereof, this Article ELEVENTH TENTH, and Article VIII of the By-Laws.~~

~~TWELFTH ELEVENTH~~: To the full extent that the Delaware General Corporation Law, as it exists on the date hereof or may hereafter be amended, permits the limitation or elimination of the liability of directors, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for conduct as a director. Any amendment to or repeal of this Article ~~TWELFTH ELEVENTH~~ shall not adversely affect any right or protection of a director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

**Proposed Amendments to By-Laws.** The following provisions reflect the manner in which the By-Laws of the Company will be amended if Item 2 is approved by the shareholders at the Annual Meeting.

Sections 2, 3 and 4 of Article VIII of the By-Laws are amended in their entirety to read as follows:

**SECTION 2. Amendments as to Compensation and Removal of Officers.**

Notwithstanding anything contained in these By-Laws to the contrary, the affirmative vote of the holders of record of a majority of the Voting Stock, as defined in Article ~~FOURTH EIGHTH~~ of the Certificate of Incorporation, at a meeting of the stockholders called for the purpose, shall be required to alter, amend, repeal, or adopt any provision inconsistent with Sections 3, 4 and 5 of Article IV hereof, notice of which meeting shall include the form of the proposed amendment, or a summary thereof.

**SECTION 3. Amendments as to Stockholders Meetings, Directors.**

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Notwithstanding anything contained in these By-Laws to the contrary, either (a) the affirmative vote of a majority of the Continuing Directors, as defined in Article EIGHTH of the Certificate of Incorporation, or (b) the affirmative vote of the holders of record of at least seventy-five percent of the Voting Stock, as defined in Article ~~FOURTEENTH~~ of the Certificate of Incorporation, shall be required to alter, amend, repeal, or adopt any provision inconsistent with Sections 1, 2, and 4 of Article I and Sections 1, 10, and 11 of Article II.

### SECTION 4. Amendment of this Article VIII.

Notwithstanding anything contained in these By-Laws to the contrary, either (a) the recommendation of a majority of the Continuing Directors, as defined in Article EIGHTH of the Certificate of Incorporation, together with the affirmative vote of the holders of record of a majority of the Voting Stock, as defined in Article ~~FOURTEENTH~~ of the Certificate of Incorporation, or (b) the affirmative vote of the holders of record of at least seventy-five percent of the Voting Stock, as defined in Article ~~FOURTEENTH~~ of the Certificate of Incorporation, shall be required to alter, amend, repeal, or adopt any provision inconsistent with this Article VIII.

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**Appendix B**

**AUDIT COMMITTEE CHARTER**

***Purpose***

The Audit Committee is established by and among the Board of Directors for the primary purpose of assisting the Board in oversight of:

- 1) Integrity of the Company's financial statements,
- 2) Company's compliance with legal and regulatory requirements,
- 3) Independent auditor's qualifications and independence, and
- 4) Performance of the Company's internal audit function and independent auditor.

In fulfilling their responsibilities hereunder, it is recognized that the members of the Audit Committee are not full-time employees of the Company and are not, and do not represent themselves to be, accountants or auditors by profession. As such, it is not the duty of the Audit Committee or its members to conduct field work or other types of auditing or accounting reviews or procedures, and each member of the Audit Committee shall be entitled to rely on (i) the judgment of those persons and organizations within and outside the Company that it receives information from and (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations.

The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as deemed necessary to perform its duties and responsibilities.

The Company shall provide appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor, outside legal, accounting or other advisors that the Audit Committee chooses to engage.

***Organization***

**Members:**

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The Audit Committee shall consist of three or more directors who are not members of management and meet the independence and expertise requirements as defined by the New York Stock Exchange (NYSE) Listed Company Manual who are free from any relationship, including disallowed compensatory arrangements, that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. The chairperson and members of the Committee shall be appointed by the Board of Directors at the annual organization meeting of the Board. At least one member of the Committee shall be a financial expert, as determined by the Board, in compliance with the criteria established by the SEC.

### **Meetings:**

Audit Committee meetings shall be in conjunction with regular Board of Directors meetings and at such other times as called by or on behalf of the chairperson of the Committee.

A majority of the members of the Audit Committee shall constitute a quorum. The Committee shall act only on the affirmative vote of at least two of the members.

### ***Responsibilities***

The responsibilities of the Audit Committee are to:

- 1) Appoint, retain, compensate, evaluate and terminate, if necessary, the independent auditor. The audit committee should present its conclusions with respect to the independent auditor to the Board of Directors. The independent auditor is the public accounting firm that will be retained to perform audit services for the Company, any of its subsidiaries, or any related parties, including employee benefit plans sponsored by the Company.

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- 2) Review and pre-approve both audit and non-audit services to be provided by the independent auditor.
- 3) Review and advise on the selection and removal of the General Auditor. Additionally, the Audit Committee will review and recommend changes to the Internal Audit Charter.
- 4) Review, on an annual basis, a formal written statement prepared by the independent auditor describing:

The firm's internal quality control procedures

Any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues

All relationships relevant to auditor independence between the independent auditor and the Company. This includes discussion of such relationships, and recommending that the Board of Directors take appropriate action in response to the outside auditor's report to satisfy itself of the outside auditor's independence

- 5) Discuss with management or the independent auditor, as appropriate, the matters required to be discussed by Statement on Auditing Standards No. 61 and the Sarbanes-Oxley Act of 2002 relating to the conduct of the audit or quarterly review. This includes:

Independent auditor responsibility under generally accepted auditing standards

All significant and critical accounting policies and practices

Management judgments and accounting estimates

All alternative treatments of financial information within generally accepted accounting principles (GAAP) that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures, and the treatment preferred by the independent auditor

Material written communications between the independent auditor and management including, but not limited to, the engagement letter, independence letter, management representation letter, management letter, and schedule of audit adjustments

Report on Form 10-K and other information in the Annual Report

Disagreements with management, including management's response

Difficulties encountered in performing the audit, including management's response

Consultations with other accountants

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Major issues discussed with management prior to retention

An analysis of the auditor's judgment about the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements

- 6) Review with the independent auditors, internal auditors and members of senior management the adequacy and effectiveness of the Company's financial controls and financial reporting processes.
- 7) Meet periodically or at least annually with management, the senior internal auditing executive, and the independent auditors in separate executive sessions.
- 8) Review and discuss with management and the independent auditors, prior to filing, the Company's quarterly and annual reports filed with the SEC on Forms 10-Q and 10-K, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, any management certifications as required by the Sarbanes-Oxley Act of 2002 and relevant reports rendered by the independent auditors.
- 9) Review and discuss earnings press releases with management as well as financial information and earnings guidance provided to analysts and rating agencies. Discussions of earnings press releases as well as financial information and earnings guidance may be done generally (i.e. discussion of the types of information to be disclosed and the type of presentation to be made). Discussions need not occur in advance of each earnings press release or each instance in which earnings guidance is provided.

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- 10) Prepare a report and other additional information required for inclusion in the annual proxy statement to include at least the following:

A statement that the Committee has reviewed and discussed the audited financial statements with management

A statement that the Committee has discussed with the independent auditors the matters required by Statement on Auditing Standards No. 61, Required Communications with Audit Committees

A statement that the Committee has received written disclosures from, and held discussions with, the independent auditors on matters required by Independence Standards Board Statement No. 1, Independence Discussions with Audit Committees

A conclusion as to the Committee's Recommendation to the Board of Directors as to the filing of the Annual Report on Form 10-K with the Securities and Exchange Commission

A statement outlining the Company's policies and procedures related to pre-approval by the Committee of audit and non-audit services to be provided by the independent auditor

A schedule showing fees paid to the independent auditor for audit and non-audit services for the most recent two fiscal years. Fees must be categorized as follows: Audit Fees, Audit-Related Fees, Tax Fees, All Other Fees. Other than for Audit Fees, a description of the types of services provided under these categories must be included

A statement indicating that Audit Committee members are independent as defined under the listing standards of the NYSE

A statement identifying which member of the Committee is the financial expert

- 11) Review this charter on an annual basis and recommend to the Board of Directors changes to the charter as appropriate to support an affirmation by the Board of Directors.
- 12) Discuss with management, policies with respect to risk assessment and risk management.
- 13) Review management's assessment of compliance with laws, regulations, and Company policies relative to payments to individuals or organizations retained as foreign sales consultants.
- 14) Meet with the Office of Internal Governance to review the Company's ethics and business conduct program and Company compliance with the principles of the Defense Industry Initiative on Business Ethics and Conduct.
- 15) Review significant pending and threatened litigation, the status of advancement of expenses to employees involved in company-related legal proceedings, and related indemnification.
- 16) Set clear hiring policies, compliant with governing laws or regulations, for employees or former employees of the independent auditor.
- 17) Establish and maintain procedures for:

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The receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters

The confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters

- 18) Annually, perform a self-assessment relative to the Audit Committee's purpose, duties and responsibilities outlined herein.
- 19) Report annually to the Board of Directors regarding the execution of the Committee's duties and responsibilities as well as any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, or the performance of the internal audit function.
- 20) Present to the Board of Directors such comments and recommendations as the Audit Committee deems appropriate, and perform such other duties as may be assigned by the Board or deemed appropriate by the Committee within the context of this charter.

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**DIRECTIONS AND MAP**

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## **2004 Annual Meeting of Shareholders**

Renaissance Chicago Hotel

One West Wacker Drive

Chicago, Illinois

May 3, 2004 10:00 A.M.

### **General Directions**

#### **From O Hare Airport (18 miles SE):**

Travel on 90 East to the Kennedy  
Expressway East.

Exit on Ohio (heading East).

Turn right on Clark.

Turn left on Wacker Drive.

#### **From Midway Airport (12 miles N):**

Go North on Cicero Ave. to I-55 North.

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Take I-55 north to Lake Shore Drive.

Exit on Randolph St.

Turn right on Dearborn St.

Turn right on Wacker Drive.

The doors will open at 8:30 a.m. The meeting will begin at 10:00 a.m.

If you are an individual with a disability who requires a reasonable accommodation, please send an e-mail to [shareholderservices@boeing.com](mailto:shareholderservices@boeing.com) or call (312) 544-2835 at least two weeks in advance of the meeting.

Self-parking is available through the Renaissance Chicago Hotel for \$20.00 ( special event rate ). Vouchers will be available at the Annual Meeting registration tables. This rate does not apply to valet parking, nor does it include overnight parking.

Information on public transportation to the meeting may be obtained from RTA by calling (312) 836-7000. Please be prepared to give them the full street address shown at the top of this page.

**SKU Number 0707-PS-04**



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**2004 ANNUAL MEETING**

**ADMISSION TICKET**

This ticket will admit shareholder and one guest.

c/o EquiServe Trust Company, N.A.

P.O. Box 8694

Edison. NJ 08818-8694

**ANNUAL MEETING OF SHAREHOLDERS**

**TIME :** Monday, May 3, 2004, 10:00 a.m., Central Time

**PLACE:** The Renaissance Chicago Hotel

One West Wacker Drive

Chicago, Illinois

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**Your vote is important. Please vote immediately.**

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**Vote-by-Internet**

**OR**

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**Vote-by-Telephone**

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1. Log on to the Internet and go to

[http www.eproxyvote.com/ba](http://www.eproxyvote.com/ba)

2. Follow the easy steps outlined on the secured website.

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1. Call toll-free

1-877-PRX-VOTE (1-877-779-8683)

2. Follow the easy recorded instructions.

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**If you vote over the Internet or by telephone, please do not mail your card.**

DETACH HERE IF YOU ARE RETURNING YOUR PROXY CARD BY MAIL

**X** Please mark votes as in this example.

0707

The Board of Directors recommends a vote FOR Proposals 1, 2 and 3 and AGAINST Proposals 4 through 10.

|   | FOR ALL<br>NOMINEES | WITHHELD<br>FROM ALL<br>NOMINEES |   | FOR                                      | AGAINST | ABSTAIN |   | FOR   | AGAINST | ABSTAIN |    |
|---|---------------------|----------------------------------|---|--|---------|---------|---|---|---------|---------|----|
| 1. Election of Directors:<br>(01) John H. Biggs; (02)<br>John E. Bryson; (03)<br>Linda Z. Cook; and (04)<br>Rozanne L. Ridgway. | ..                  | ..                               | 4. Prepare a report on<br>military contracts. | ..                                       | ..      | ..      | 8. Require approval of<br>severance agreements. | ..  | ..      | ..      |    |
| _____   |                     |                                  | 5. Adopt human rights<br>policies.            | ..                                       | ..      | ..      | 9. Adopt retention of<br>stock policy.          | ..  | ..      | ..      |    |
| For all nominees except as noted above.   |                     |                                  |   |  |         |         |   |   |         |         |    |
|   | FOR                 | AGAINST                          | ABSTAIN                                       |  |         |         |   |   |         |         |    |
| 2. Approve amendments to<br>eliminate certain<br>supermajority vote<br>requirements.  | ..                  | ..                               | ..  | 6. Declassify the Board<br>of Directors. | ..      | ..      | ..  | 10. Give employees choice<br>of pension plans at<br>retirement or<br>termination. | ..      | ..      | .. |
| 3. Advise on appointment<br>of Deloitte & Touche<br>LLP as Independent<br>auditors.   | ..                  | ..                               | ..  | 7. Adopt simple<br>majority vote.        | ..      | ..      | ..  |   | ..      | ..      | .. |

Mark here for  
comments and  
note at left. ..  
Mark here for  
address change  
and note at left. ..

Signature (s) \_\_\_\_\_ Date \_\_\_\_\_ Signature (s) \_\_\_\_\_ Date \_\_\_\_\_

Please sign exactly as the name appears on your account. If the shares are registered in the names of two or more persons, each should sign. If acting as attorney, executor, trustee or in another representative capacity, sign name and title.

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**NOTICE OF THE 2004 ANNUAL MEETING OF SHAREHOLDERS**

The Annual Meeting of Shareholders of The Boeing Company will be held on Monday, May 3, 2004, 10.00 a.m., Central Time, at the Renaissance Chicago Hotel, One West Wacker Drive, Chicago, Illinois.

There are 10 proposals to be voted on at the Meeting:

1. Elect four persons to the Board of Directors for three-year terms expiring in 2007.
2. Vote on management proposal to amend certificate of incorporation and bylaws to eliminate certain supermajority vote requirements.
3. Advisory vote on appointment of Deloitte & Touche LLP as independent auditors.
4. Vote on shareholder proposal on military contracts.
5. Vote on shareholder proposal on human rights policies.
6. Vote on shareholder proposal on the declassification of Board of Directors.
7. Vote on shareholder proposal on simple majority vote.
8. Vote on shareholder proposal on severance agreements.
9. Vote on shareholder proposal on retention of stock obtained through options.
10. Vote on shareholder proposal on pension plans.

We will also transact any other business properly brought before the Meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEMS 1, 2 AND 3, AND AGAINST ITEMS 4 THROUGH 10.

If you were a shareholder of record at the close of business on March 5, 2004, you are entitled to vote at the Annual Meeting.

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If you have any questions about the Meeting, please contact the Office of the Corporate Secretary, The Boeing Company, Boeing World Headquarters, 100 North Riverside Plaza, 311A1, MC 5003-1001, Chicago, Illinois 60606-1596.

The Renaissance Chicago Hotel is handicap accessible. If you require special assistance, call the Office of the Corporate Secretary.

By order of the Board of Directors

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James C. Johnson

Senior Vice President, Corporate Secretary and Assistant General Counsel

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**PROXY / VOTING INSTRUCTION**

**SOLICITED BY THE BOARD OF DIRECTORS**

**THE BOEING COMPANY**

**ANNUAL MEETING OF SHAREHOLDERS**

**MAY 3, 2004**

The undersigned hereby appoints Kenneth M. Duberstein, John F. McDonnell and Lewis E. Platt (the Proxy Committee), and each of them, with the power of substitution, proxies for the undersigned and authorizes them to represent and vote all of the shares of stock of the Company which the undersigned may be entitled to vote at the Annual Meeting of Shareholders to be held on Monday, May 3, 2004 (the Meeting), and at any adjournment thereof, as indicated on the reverse side of this card with respect to Proposals 1 through 10, and with discretionary authority as to any other matters that may properly come before the Meeting, in accordance with and as described in the Notice and Proxy Statement for the Meeting.

If there are shares of stock allocated to the undersigned in any of the retirement, savings and employee stock ownership plans listed in the Proxy Statement under the heading Proxies and Voting at the Meeting, the undersigned hereby instructs the trustee of each such plan to vote all of such shares at the Meeting and any adjournment thereof, as indicated on the reverse side of this card with respect to Proposals 1 through 10, and authorizes the trustee to vote in its judgment or to empower the Proxy Committee to vote in the Proxy Committee's judgment, on such other business as may properly come before the Meeting and any adjournment thereof.

**If no direction is given, this proxy will be voted FOR Proposals 1, 2 and 3, and voted AGAINST Proposals 4 through 10.**

IMPORTANT: UNLESS VOTING ELECTRONICALLY OR BY PHONE, PLEASE

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MARK, SIGN AND DATE THIS PROXY ON THE REVERSE SIDE.

SEE REVERSE  
SIDE

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