

May 29, 2008

Boeing Company
100 North Riverside Plaza
Chicago, IL 60606

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (<http://www.contractormisconduct.org/>), a compilation of information from public resources regarding government contractors, including Boeing Company. On August 16, 2005, December 2, 2005, November 14, 2006 and March 5, 2007, we sent Boeing information regarding findings in POGO's database. As of today, we have not received a response from you. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to Boeing, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon
Investigator

Enclosure

Instances

1. Arms Export Control Act Violation (Transfer of Rocket Data to China)

Date: 03/04/2003 (Date of Settlement)

Misconduct Type: Import/Export

Enforcement Agency: State Dept.

Contracting Party: International

Court Type: Civil

Amount: \$6,000,000

Disposition: Settlement

Synopsis: Hughes Electronics Corp. and Boeing resolved civil charges of violating the Arms Export Control Act, agreeing to a \$32 million settlement. The charges involved the transfer of rocket data to China in 1995 and 1996 by Hughes Space & Communications, which Hughes Electronics sold to Boeing in October 2000. Of the \$32 million fine, \$12 million was suspended "on the condition that over a five-year period, Boeing will apply \$6 million and Hughes will apply \$2 million to offset the costs associated with remedial compliance measures required in the consent agreement." The remaining \$4 million of the suspended amount was credited back to Boeing and Hughes for compliance-strengthening measures they had already undertaken. POGO is unable to determine Boeing's share of the unsuspended \$20 million civil penalty.

2. Beck v. Boeing (Gender Discrimination Class Action)

Date: 07/16/2004 (Date of Settlement)

Misconduct Type: Labor

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$40,600,000

Disposition: Settlement

Synopsis: Boeing agreed to pay between \$40.6 million and \$72.5 million and change its practices to settle a gender discrimination case. About 29,000 current and former female workers accused Boeing of discrimination. Boeing allegedly denied an estimated 4,800 women employees at its Wichita, Kansas plant equal pay, promotions and opportunities for overtime work based solely on gender, in violation of Equal Protection laws under the Fifth and Fourteenth Amendments to the U.S. Constitution.

3. Boeing Launch Services Suspension

Date: 07/24/2003 (Date of Suspension)

Misconduct Type: Ethics

Enforcement Agency: Defense – Air Force

Contracting Party: Defense - Air Force

Court Type: Administrative

Amount: \$0

Disposition: Suspend/Debar - Company

Synopsis: Boeing Launch Services and Delta Program business units were suspended from receiving new federal contracts from July 24, 2003 to March 4, 2005. The suspensions were

based on a pending criminal investigation into Boeing's unlawful possession and use of a competitor's proprietary documents in connection with the competition for a U.S. Air Force Evolved Expendable Launch Vehicle (EELV) contract, and the indictment of two former Boeing employees. A majority of the contracts assigned to Boeing were transferred to Lockheed on the basis of the suspension. The Federal Acquisition Regulation (FAR) 9.407 provides a basis for the suspension of the Boeing units. In June 2006, Boeing entered into a global settlement with the U.S. Department of Justice for \$615 million to resolve this and other pending investigations. See Boeing Company misconduct instance "Illegal Hiring of Government Officials and Improper Use of Proprietary Information."

4. Uncertified Welders (False Claims Act)

Date: 04/04/2003 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Army

Contracting Party: Defense - Army

Court Type: Civil

Amount: \$492,164

Disposition: Settlement

Synopsis: Boeing paid \$492,164 (\$474,164 in price adjustments and \$18,000 to the Department of Justice Working Capital Fund) to settle an alleged violation of the False Claims Act, 31 U.S.C. § 3729-3733, in which the company allegedly used uncertified welders for the construction of military aircraft parts at Boeing's Ridley Park, Pennsylvania facility.

5. Defective Pricing

Date: 08/13/1998 (Date of Settlement)

Misconduct Type: Defective Pricing

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: undisclosed/unknown

Amount: \$1,850,000

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, McDonnell Douglas, a Boeing subsidiary, reached a settlement for \$1,850,000 for alleged defective pricing.

6. Discriminatory Pay Disparities

Date: 11/19/1999 (Date of Fine)

Misconduct Type: Labor

Enforcement Agency: Labor

Contracting Party: None

Court Type: Civil

Amount: \$4,500,000

Disposition: Settlement

Synopsis: Boeing paid a minimum of \$4.5 million in back pay and salary adjustments to female and minority employees. This resolved claims of pay disparities raised by the Department of Labor's Office of Federal Contract Compliance Programs, in violation of Executive Order 11246, which forbids discrimination based on race or gender in federal contracting.

7. EEOC v. Boeing (Americans with Disabilities Act Discrimination)

Date: 12/14/2001 (Date of Settlement)

Misconduct Type: Labor

Enforcement Agency: EEOC

Contracting Party: None

Court Type: Civil

Amount: \$89,000

Disposition: Settlement

Synopsis: Boeing settled a lawsuit with the Equal Employment Opportunity Commission for \$89,000. The EEOC alleged employees and applicants were excluded by Boeing because they were perceived as being disabled or had a record of a disabling condition, in violation of the Americans with Disabilities Act.

8. 777 Aircraft Program (Unallowed Costs)

Date: 09/01/1997 (Date of Administrative Agreement)

Misconduct Type: Defective Pricing

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: Administrative

Amount: \$6,000,000

Disposition: Settlement

Synopsis: Boeing agreed to an administrative settlement of over \$6 million for including costs from the 777 commercial airline program in governmental general and administrative accounts. "Contractors are not permitted to include costs of commercial contracts either directly or indirectly in accounts for which the Government is charged."

9. Improper NASA Invoices

Date: 11/09/2000 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: NASA

Contracting Party: NASA

Court Type: Civil

Amount: Unknown

Disposition: Settlement

Synopsis: Boeing and United Space Alliance (a limited liability company jointly owned by Boeing and Lockheed Martin) agreed to pay a total of \$825,000 and to give up their rights to \$1.2 million in unpaid invoices to settle allegations of False Claims Acts violations, 31 U.S.C. §§ 3729-3733, submitted to the government between 1986 and 1992 under NASA's Space Shuttle

and Space Station Freedom programs. "In 1993, the United States sued Omniplan and secured a consent judgment, but the company went bankrupt before it was able to pay the full judgment. On January 11, 2000, the government filed a civil suit alleging that [Rockwell Space Operations Company (RSOC), later purchased by Boeing] violated the False Claims Act by knowingly submitting to NASA the improper Omniplan invoices. The complaint alleged that RSOC knew or should have known that the subcontractor's invoices contained false claims." See United Space Alliance misconduct instance "False Claims on Invoices."

10. Defense Services to Russia and Elsewhere (Arms Export Control Act Violation)

Date: 09/29/1998 (Date of Agreement)

Misconduct Type: Import/Export

Enforcement Agency: State Dept.

Contracting Party: None

Court Type: Administrative

Amount: \$10,000,000

Disposition: Administrative Agreement

Synopsis: It was alleged that Boeing violated the Arms Export Control Act, Pub. L. 90-629, and the International Traffic in Arms Regulations by exporting technical data and defense services to Russia, the Ukraine, Norway and Germany "without the required approvals from the Department [of State] and, in other circumstances, violated the terms and conditions of approvals that were provided by the Department." Boeing was ordered to pay a civil penalty of \$7.5 million and a suspended penalty of \$2.5 million to be applied to the costs of compliance measures over a three year period.

11. Wedgetail Project (Arms Export Control Act Violation)

Date: 03/30/2001 (Date of Agreement)

Misconduct Type: Import/Export

Enforcement Agency: State Dept.

Contracting Party: Defense - Air Force

Court Type: Administrative

Amount: \$4,200,000

Disposition: Administrative Agreement

Synopsis: "The Boeing Company was alleged to have violated the Arms Export Control Act, Pub. L. 90-629, and the International Traffic in Arms Regulations in connection with its involvement in the Wedgetail project... by violating the express terms and conditions of Department of State munitions license and other authorizations, by exporting defense articles and defense services without a munitions license or other authorization, and by omitting material facts from its applications for munitions licenses or other authorizations." Boeing was ordered to pay a \$3.8 million civil penalty and a suspended penalty of \$400,000 to be applied toward the cost of compliance and monitoring measures over a three year period.

12. Machine Tools Export Violation (China)

Date: 11/14/2001 (Date of Settlement)

Misconduct Type: Import/Export
Enforcement Agency: Commerce
Contracting Party: None
Court Type: Administrative
Amount: \$2,120,000
Disposition: Fine

Synopsis: "The Department of Commerce... imposed a \$2.12 million civil penalty against McDonnell Douglas [a subsidiary of Boeing]... as part of a settlement of charges that the company violated federal export control laws. The penalty is the maximum fine possible for the alleged violations." McDonnell Douglas was alleged to have exported machine tools to China between 1994 and 1995 by submitting license applications containing false and misleading statements. "The Boeing Company assumes responsibility and liability for all exports under the Commerce Department's jurisdiction made or to be made by McDonnell Douglas."

13. O'Connor v. Boeing

Date: 09/21/2005 (date of settlement)
Misconduct Type: Environment
Enforcement Agency: Non-Governmental
Contracting Party: None
Court Type: Civil
Amount: Undisclosed
Disposition: Settlement

Synopsis: Laurence O'Connor alleged radioactive and chemical wastes were being discharged into the environment due to Boeing's negligence. The case settled as the trial was about to start in September 2005. Both sides agreed to keep the settlement terms confidential.

14. Oberman v. McDonnell Douglas (C-17 overcharge)

Date: 11/19/1997 (Date of Settlement)
Misconduct Type: Cost/Labor Mischarge
Enforcement Agency: Defense – Air Force
Contracting Party: Defense - Air Force
Court Type: Civil
Amount: \$2,000,000
Disposition: Settlement

Synopsis: McDonnell Douglas Corp., a wholly owned subsidiary of The Boeing Company, paid the United States \$2 million to settle allegations it overcharged the government to repair equipment the company used to manufacture C-17 aircraft, which is an Air Force cargo plane, in violation of the False Claims Act, 31 U.S.C. §§ 3729-3733.

15. Roby v. Boeing (Defective Chinook Helicopters)

Date: 08/03/2000 (Date of Settlement Announcement)
Misconduct Type: Government Contract Fraud
Enforcement Agency: Defense – Army

Contracting Party: Defense - Army

Court Type: Civil

Amount: \$54,000,000

Disposition: Settlement

Synopsis: Boeing agreed to pay the United States up to \$54 million to settle two lawsuits that allege the Seattle-based manufacturer placed defective gears in CH-47D Chinook helicopters and then sold the aircraft to the United States Army, a violation of the False Claims Act, 31 U.S.C. §§ 3729-3733 .

16. Delivering Military Aircraft Containing Russian Titanium (Berry Amendment Violation)

Date: 09/29/2004 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Air Force

Contracting Party: Defense - Air Force

Court Type: Civil

Amount: \$7,400,000

Disposition: Settlement

Synopsis: Boeing and the U.S. government reached a settlement over claims Boeing delivered military aircraft containing parts made of Russian-melted titanium rather than U.S. product, in violation of the Berry Amendment, 10 U.S.C. § 2533(a), which provides that a contractor may not purchase foreign titanium with appropriated funds. In addition, Boeing agreed to deliver without charge aircraft parts worth more than \$1.4 million. The case was settled with the Department of Justice under the False Claims Act, 31 U.S.C. § 3729-3733.

17. United States of America v. Darleen A. Druyun

Date: 10/01/2004 (Date of Sentencing)

Misconduct Type: Ethics

Enforcement Agency: Defense – Air Force

Contracting Party: Defense - Air Force

Court Type: Criminal

Amount: \$5,000

Disposition: Pleaded Guilty

Synopsis: The Air Force's former chief acquisition official, Darleen Druyun, was sentenced to nine months in federal prison for her part in a conspiracy to assist Boeing in a tanker lease contract while negotiating a job with them, in violation of 18 U.S.C. § 208, which deals with personal financial conflicts of interest. She was also fined \$5,000 and ordered to perform 150 hours of community service. She pleaded guilty to her changes and took full responsibility for her actions. In June 2006, Boeing entered into a global settlement with the U.S. Department of Justice for \$615 million to resolve this and other pending investigations. See Boeing Company misconduct instances "Illegal Hiring of Government Officials and Improper Use of Proprietary Information" and "United States v. Michael M. Sears (Boeing CFO)."

18. United States v. Michael M. Sears (Boeing CFO)

Date: 02/18/2005 (Date of Sentencing)

Misconduct Type: Ethics

Enforcement Agency: Defense – Air Force

Contracting Party: Defense - Air Force

Court Type: Criminal

Amount: \$250,000

Disposition: Pleaded Guilty

Synopsis: Former Boeing CFO Michael Sears was sentenced to four months in prison, a \$250,000 fine and 200 hours of community service for his part in the illegal hiring of top Air Force acquisition official Darleen Druyun. Mr. Sears was convicted for aiding and abetting Darleen Druyun in negotiating employment with Boeing while she was negotiating for a \$20 billion lease of 100 Boeing KC-767A tanker aircraft, violating 18 U.S.C. § 208, which concerns acts affecting personal financial interest. Sears pleaded guilty to the charges and took full responsibility for his actions. In June 2006, Boeing entered into a global settlement with the U.S. Department of Justice for \$615 million to resolve this and other pending investigations. See Boeing Company misconduct instances "Illegal Hiring of Government Officials and Improper Use of Proprietary Information" and "United States of America v. Darleen A. Druyun."

19. Werbowski, et al. v. Boeing et al. (Securities Class Action)

Date: 09/21/2001 (Date of Settlement)

Misconduct Type: Securities

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$92,500,000

Disposition: Settlement

Synopsis: The original suit was filed in October 1997 following Boeing's announcement that it was implementing production recovery plans that involved temporarily shutting down the 747 and 737 Next Generation assembly lines, and that charges associated with these recovery plans and late delivery costs totaled approximately \$1.6 billion pre-tax for the third quarter of 1997. "The plaintiffs contended that Boeing withheld knowledge of the facts leading to these announcements. Boeing's stock price declined following the announcement of the third quarter charge. In their complaint, plaintiffs alleged that the defendants had violated the federal and state securities laws and the Washington Consumer Protection Act."

20. Violations of Anti-Trust Laws

Date: 12/05/1996 (Date of Administrative Agreement)

Misconduct Type: Antitrust

Enforcement Agency: FTC

Contracting Party: None

Court Type: Administrative

Amount: \$0

Disposition: Administrative Agreement

Synopsis: “The Boeing Company will settle Federal Trade Commission charges that its \$3.025 billion acquisition of Rockwell International Corporation's Aerospace and Defense business would violate antitrust laws. The FTC charged that the proposed deal would violate antitrust laws by reducing competition in two markets: high altitude endurance unmanned air vehicles and space launch vehicles, including the Department of Defense’s Evolved Expendable Launch Vehicle Program...The agreement to settle the charges would forbid Boeing from making any space launch vehicle manufacturer’s non-public information available to its launch vehicle division and would allow Boeing to use a competitor's proprietary, non-public information only in its capacity as a provider of launch vehicle propulsion systems.”

21. Radioactive and Toxic Contamination

Date: 01/11/2006 (Date of Settlement Notification)

Misconduct Type: Health

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: Undisclosed

Disposition: Settlement

Synopsis: In January 2006, a CBS News affiliate reported that Boeing agreed to pay \$30 million to settle claims that the nearly 100 neighbors of the Santa Susana Field nuclear research facility were sickened by decades of radioactive and toxic contamination. The settlement, which ended an eight-year legal battle, was supposed to remain confidential, but one of the plaintiffs divulged the terms to the local media. POGO was unable to independently confirm the settlement amount.

22. Illegal Hiring of Government Officials and Improper Use of Proprietary Information

Date: 05/15/2006 (Date of Settlement Agreement)

Misconduct Type: Ethics

Enforcement Agency: Multiple Agencies

Contracting Party: Multiple Agencies

Court Type: Civil

Amount: \$615,000,000

Disposition: Settlement

Synopsis: On May 15, 2006, Boeing and the U.S. Attorney’s Office “reached a tentative agreement in the investigation by the United States Attorney’s Office for the Eastern District of Virginia concerning Boeing's hiring of former Air Force acquisition official Darleen Druyun in 2002 and the investigation by the United States Attorney’s Office for the Central District of California regarding possession of a competitor's information in connection with launch service contracts with the Air Force under the Evolved Expendable Launch Vehicle Program and with a task order with NASA for 19 missions under its launch services contract...Under the proposed agreement, Boeing will pay a total of \$615 million. In addition to the \$50 million monetary penalty, Boeing will pay \$565 million to resolve potential civil claims asserted by the Department’s Civil Division.” Under the agreement, the U.S. Attorney's Office could levy another \$10 million penalty and seek to prosecute Boeing over the Druyun matter if, in the two years following the agreement, an executive management employee of Boeing commits certain

crimes and the company fails to report it to the Department of Justice. See Boeing Company misconduct instances "Boeing Launch Services Suspension," "United States of America v. Darleen A. Druyun," and "United States v. Michael M. Sears (Boeing CFO)."

23. KC-135 and RC-135 Aircraft Parts Overbilling

Date: 07/16/2007 (Date of Press Release)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Defense – General

Contracting Party: Defense - Air Force

Court Type: Civil

Amount: \$1,093,236

Disposition: Settlement

Synopsis: Boeing agreed to pay \$1,093,236 (a refund of the charges at issue plus interest) to settle allegations that it overbilled for materials used in installing new military aircraft engines. The settlement stems from an investigation into payment requests that Boeing made from 1998 to 2003, when Boeing allegedly double-billed for nuts, bolts, rivets and fasteners used in modernizing KC-135 Stratotankers and RC-135 reconnaissance aircraft.

24. Arms Export Control Act Violation (QRS-11 Gyrochip)

Date: 03/28/2006 (Date of Consent Agreement)

Misconduct Type: Import/Export

Enforcement Agency: State Dept.

Contracting Party: None

Court Type: Administrative

Amount: \$15,000,000

Disposition: Settlement

Synopsis: Boeing paid a \$15 million fine for a violation of the Arms Export Control Act involving unlicensed foreign sales of commercial airplanes containing the QRS-11 gyrochip (gyroscopic microchip), a component that has military applications. The State Department also imposed additional oversight and compliance requirements on Boeing because of three previous export violations (see Boeing instances "Arms Export Control Act Violation (Transfer of Rocket Data to China)," "Defense Services to Russia and Elsewhere (Arms Export Control Act Violation)," and "Wedgetail Project (Arms Export Control Act Violation)"). According to the State Department, between 2000 and 2003 Boeing sold to China and other countries 94 commercial jets with the gyrochip embedded in the flight boxes without obtaining an export license and in "blatant disregard" of State Department directives.

25. Aircraft Quality Control Problems

Date: 08/02/2000 (Date of Announcement)

Misconduct Type: Consumer Affairs

Enforcement Agency: Transportation

Contracting Party: None

Court Type: Administrative

Amount: \$1,241,000

Disposition: Fine

Synopsis: The Federal Aviation Administration proposed civil penalties against Boeing Commercial Airplane Group for not reporting quality control problems with its aircraft in 1997 and 1998. The fine covers two incidents, Boeing's failure to immediately report cracks on aircraft parts and failing to ensure its subcontractors adhered to Boeing's quality control policies and procedures.

26. Water Pollution (Simi Valley, CA)

Date: 09/11/2007 (Date of Announcement)

Misconduct Type: Environment

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Administrative

Amount: \$471,190

Disposition: Fine

Synopsis: The Los Angeles Regional Water Quality Control Board fined Boeing for 79 water pollution violations occurring between October 2004 and January 2006 at Boeing's Santa Susana Field Laboratory in Simi Valley, California. According to the Board, the violations involved wastewater and storm water runoff discharges containing elevated levels of chromium, dioxin, lead, mercury and other pollutants that entered Bell Creek, which is a tributary to the Los Angeles River, and the Arroyo Simi.

Pending Instances

United States ex rel. Smith, et al. v. Boeing (Using Defective Airplane Parts)

Date: 04/18/2006 (Date of Filing)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Multiple Agencies

Contracting Party: Multiple Agencies

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: Jeannine Prewitt, Taylor Smith and James Ailes, members of an internal Boeing procurement/quality assurance audit team, filed a whistle-blower lawsuit against Boeing and its subcontractor, AHF Ducommun. They claim Boeing and Ducommun sold 46 aircraft containing over 3,000 bogus, nonconforming and unapproved parts to the government, concealed this information and submitted false claims for payment, and then retaliated against them when they attempted to notify senior company officials and the government.

Pension and Benefit Plan Inquiry

Date: 10/21/2004 (Date of Information Request)

Misconduct Type: Labor

Enforcement Agency: SEC

Contracting Party: None

Court Type: Administrative

Amount: \$0

Disposition: Pending

Synopsis: On October 21, 2004, Boeing confirmed that it “received a request for information from the Securities and Exchange Commission (SEC) in connection with an inquiry related to accounting for pension and other post-retirement benefit plans...The SEC has stated that this inquiry should not be construed as an indication by the Commission or its staff that any violation of laws has occurred, nor should it be considered a reflection upon any person, entity or security.” As of March 2007, Boeing has not been notified by the SEC whether they have been cleared and the matter is officially closed or wrongdoing was found and the inquiry has moved on to the next investigative stage.

Oberts v. McDonnell Douglas Services/Boeing et al. (Responsibility for Medical Expenses)

Date: 01/18/2005 (Date of Opinion)

Misconduct Type: Labor

Enforcement Agency: Labor

Contracting Party: None

Court Type: Administrative

Amount: \$0

Disposition: Pending

Synopsis: Oberts “sustained a cervical spine injury during his employment with [McDonnell Douglas Services, a Boeing subsidiary] on October 28, 1997.” Pursuant to the Longshore and Harbor Workers’ Compensation Act, he sought benefits for his medical expenses. On January 18, 2005, the Department of Labor administrative law judge held MDS liable for Oberts' disability benefits. In February 2006, an administrative appeals court vacated the administrative law judge's awarding of benefits to Oberts. The case is currently on appeal.