

August 16, 2005

Boeing World Headquarters
Attn: General Counsel's Office
100 North Riverside
Chicago, Illinois 60606

Dear General Counsel of Boeing:

The Project On Government Oversight (POGO) is overhauling and renewing its Federal Contractor Misconduct Database (www.pogo.org/db/index.cfm), a compilation of information from public resources regarding government contractors, including Boeing. I have enclosed the findings relevant to Boeing and am requesting verification or refutation of the data from you.

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. Please pay careful attention to instance #7; the case involved a joint settlement including Boeing and Hughes Aircraft. Since each the responsibility of each party cannot be ascertained given available resources, the total amount has been tentatively cut in half and applied to each contractor. If you could provide Boeing's correct share in the settlement it would be greatly appreciated.

Changes to the database include: the addition of more current instances, removal of Superfund cleanup costs, and removal of information that could not be verified with official documents. Additionally, pending cases will still be included, but this information will be kept separate from the resolved cases and will not be included in any totals.

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

Sincerely,

Kevin L. Phelps
Project Director

Enclosure

Instances of Misconduct

1.

Case Name- N/A

Date- Suspended from federal procurement July 24, 2003 and lifted March 4, 2005

Amount- N/A

Synopsis- Boeing Launch Services and Delta Program business units were suspended from federal procurement on July 24, 2003. "The suspensions were based upon a pending criminal investigation into Boeing's unlawful possession and use of competitor's proprietary documents in connection with the competition for a United States 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 in basis of the suspension. The Federal Acquisition Regulation ("FAR") 9.407 provides adequate bases for the suspension of Boeing.

Disposition- Suspension

Court Type- Administrative

Misconduct Type- Government Contract Fraud

Contracting Party- Government Defense

Documents-

The Boeing Company and the United States Department of the Air Force

http://www.af.mil/library/posture/Interim_Admin_Agreement.pdf

2.

Case Name- The United States of America v. Michael M. Sears

Date- 2/18/2005

Amount- Michael M. Sears was fined \$250,000

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 Air Force top 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, violating 18 U.S.C. § 208. Sears pleaded guilty to his charges and took full responsibility for his actions.

Disposition- Pleaded Guilty

Court Type- Criminal

Misconduct Type- Other

Contracting Party- N/A

Documents-

<http://pogo.org/p/contracts/ca-050204-druyun.html> US Attorney Press Release
<http://pogo.org/m/cp/cp-SearsFacts-02182005.wpd.pdf> Statement of Facts
<http://pogo.org/m/cp/cp-SearsStatement-02182005.pdf> Statement filed by Sears

3.

Case Name- United States of America v. Darleen A. Druyun

Date 10/1/2004

Amount- N/A

Synopsis- "The Air Force's former chief acquisition official, Darleen Druyun, was sentenced to nine months in federal prison today for her part in a conspiracy to assist Boeing Company in a tanker lease contract while negotiating a job with the defense contractor", in violation of 18 U.S.C. § 208. She pleaded guilty to her changes and took full responsibility for her actions

Disposition- Pleaded Guilty

Court Type- Criminal

Misconduct Type- Other

Contracting Party- N/A

Documents-

<http://www.pogo.org/p/contracts/ca-041001-druyun.html> Includes Plea Agreement and Statement of facts

Additional Probes of Druyun Contracts:

<http://pogo.org/m/dp/dp-C130J-GAORreport-02242005.pdf>

<http://pogo.org/m/cp/cp-Boeing-AP-02142005.pdf>

<http://pogo.org/m/cp/cp-02182005-GAO.pdf>

<http://pogo.org/m/cp/cp-02142005-druyun.pdf>

4.

Case Name- N/A

Date- 9/29/2004

Amount- \$6 Million

Synopsis- "ST. LOUIS -- The Boeing Co. and the U.S. government reached a \$6 million settlement Wednesday over claims the defense contractor 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. The case was settled under the False Claims Act.

Disposition- Settlement

Court Type- Civil

Misconduct Type- Government Contract Fraud

Contracting Party- Governmental Defense

Documents-

[http://www.safgc.hq.af.mil/docs/Fraud Facts Newsletter December 2004.pdf](http://www.safgc.hq.af.mil/docs/Fraud_Facts_Newsletter_December_2004.pdf) Fraud facts

5.

Case Name- Beck v. Boeing

Date- 7/16/04

Amount- between \$40.6 million and \$72.5 million

Synopsis- "Boeing... agreed to pay between \$40.6 million and \$72.5 million and change some of its practices to settle a gender discrimination case." About 28,000 current and former female workers accused Boeing of discrimination. Boeing has allegedly "denied an estimated 4,800 women employees at its Wichita plant equal pay, promotions and opportunities for overtime work based solely on gender" in violation of Equal Protection laws.

Disposition- Settlement

Court Type- Civil

Misconduct Type- Labor

Contracting Party- N/A

Documents-

http://www.boeing.com/news/releases/2004/q3/nr_040716a.html

Boeing Gender Discrimination Litigation

[http://www.hagens-](http://www.hagens-berman.com/frontend?command=PressRelease&task=viewPressReleaseDetail&iPressReleaseId=409)

[berman.com/frontend?command=PressRelease&task=viewPressReleaseDetail&iPressReleaseId=409](http://www.hagens-berman.com/frontend?command=PressRelease&task=viewPressReleaseDetail&iPressReleaseId=409)

6.

Case Name- US ex rel Broach v. Boeing

Date- 2/25/03

Amount- \$492,163

Synopsis:

Boeing paid \$492,163 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 (where the contract required certified welders) at Boeing's Ridley Park, Pennsylvania facility.

Disposition-Settlement

Court Type- Civil

Misconduct Type- Government Contract Fraud

Contracting Party- Government Defense

Documents to include:

-United States Attorney's Office Eastern District of Pennsylvania Press Release

<http://www.usdoj.gov/usao/pae/News/Pr/2003/apr/boeing.html>
-Settlement Agreement (PDF)
<http://www.usdoj.gov/usao/pae/News/Pr/2003/apr/boeing.pdf>

7.

Case Name- N/A
Date- 3/4/03
Amount- \$16 million

Synopsis- "Hughes Electronics Corp. and the Boeing Co. resolved civil charges of violating [the Arms Export Control Act] in the mid-1990s, agreeing to a \$32 million settlement and avoiding punitive trade restriction...The charges involve the transfer of rocket data to China in 1995 and 1996 by El Segundo-based Hughes Space & Communications, which Hughes Electronics sold to Boeing in October 2000."

Disposition- Settlement
Court Type- Civil
Misconduct Type- Import/Export
Contracting Party- N/A

Documents-
<http://www.state.gov/r/pa/prs/ps/2003/18275.htm>

8.

Case Name- EEOC v. Boeing
Date- 12/14/2001
Amount- \$89,000

Synopsis- Boeing settled an Equal Employment Opportunity Commission lawsuit for \$89,000 in which the EEOC alleged employees and applicants were excluded because they were perceived as being disabled, in violation of the Americans with Disabilities Act.

Disposition- Settlement
Court Type- Civil
Misconduct Type- Labor
Contracting Party- N/A

Documents-
EEOC statement
<http://www.eeoc.gov/press/7-8-99.html>

9.

Case Name- N/A

Date- 11/14/2001

Amount- \$2.2 million civil penalty

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 allegedly exported machine tools to China between the years of 1994 and 1995. "The Boeing Company, assumes responsibility and liability for all exports under the Commerce Department's jurisdiction made or to be made by McDonnell Douglas."

Disposition- Fine

Court Type- Administrative

Misconduct Type- Import/Export

Contracting Party- N/A

Documents-

<http://www.bxa.doc.gov/News/archive2001/McDonnellDouglasFined.htm>

10.

Case Name- Werbowski v. Boeing

Date- 9/21/2001

Amount- \$92.5 million

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."

Disposition- Settlement

Court Type- Civil

Misconduct Type- Securities

Contracting Party- N/A

Documents-

Boeing Settles Shareholder Class Action Suit

http://www.boeing.com/news/releases/2001/q3/nr_010921b.html

11.

Class Name- N/A

Date- 11/9/2000

Amount- \$2,025,000

Synopsis- Boeing and United Space Alliance 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 (ROSC)- 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."

Disposition- Settlement

Court Type- Civil

Misconduct Type- Government Contract Fraud

Contracting Party- Government Civilian

Documents-

NASA Space Shuttle Contractors Settle Fraud Allegations Boeing

<http://www.usdoj.gov/opa/pr/2000/November/657civ.htm>

12.

Case Name- US ex rel Roby v. Boeing

Date- 8/1/2000

Amount- \$54 million

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.

Disposition- Settlement

Court Type- Civil

Misconduct Type- Government Contract Fraud

Contracting Party- Government Defense

Documents-

Boeing to Pay U.S. for Selling Army Defective Helicopters

<http://www.usdoj.gov/opa/pr/2000/August/450civ.htm>

13.

Case Name- N/A

Date- 11/19/1999

Amount- \$4.5 million

Synopsis- Boeing paid a minimum of \$4.5 million in back pay and salary adjustments to female and minority employees. This resolves claims of pay disparities raised by the Department of Labor's Office of Federal Contract Compliance Programs, in violation of Executive Order 11246.

Disposition- Fine

Court Type- Administrative

Misconduct- Labor

Contracting Party- N/A

Documents to include-

<http://www.dol.gov/opa/media/press/opa/archive/opa99334.htm>

14.

Case Name- N/A

Date- 8/13/1998

Amount- \$1,850,000

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, in violation of the False Claims Act.

Disposition- Settlement

Court Type- Civil

Misconduct- Anti-Trust

Contracting Party- N/A

Documents-

A Closer Look at the Future Combat Systems Agreement with Boeing: A High Risk Program with a High Risk Agreement

<http://armed-services.senate.gov/statemnt/2005/March/Boehm%2003-16-05.pdf>

Harkin DeFazio Press Release

15.

Case Name- N/A

Date- 12/1/1997

Amount- \$2 million

Synopsis- According to a GAO report cited by Senator Harkin and Representative DeFazio,

McDonnell Douglas, a Boeing subsidiary reached a settlement for \$2 million for alleged procurement fraud, in violation of the False Claims Act.

Disposition- Settlement
Court Type- Civil
Misconduct- Government Contract Fraud
Contracting Party- N/A

Documents-

A Closer Look at the Future Combat Systems Agreement with Boeing: A High Risk Program with a High Risk Agreement

<http://armed-services.senate.gov/statemnt/2005/March/Boehm%2003-16-05.pdf>

Harkin DeFazio Press Release

16.

Case Name- US ex rel Oberman v. McDonnell Douglas

Date- 11/19/1997

Amount- \$2 million

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 used to manufacture aircraft under a military contract, which is a violation of the False Claims Act.

Disposition- Settlement
Court Type- Civil
Misconduct- Government Contract Fraud
Contracting Party- Government Defense

Documents-

MCDONNELL DOUGLAS SETTLES ALLEGATIONS OF MISCHARGING

<http://www.usdoj.gov/opa/pr/1997/November97/487civ.htm.html>

17.

Case Name- N/A

Date- 9/1/1997

Amount- \$6 million

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.”

Disposition- Settlement
Court Type- Administrative
Misconduct Type- Government Contract Fraud
Contracting Party- N/A

Documents-
<http://www.dodig.osd.mil/sar/972semi.pdf>

Pending Cases

1.
Race Discrimination Suit: http://www.hagens-berman.com/boeing_race_discrimination_lawsuit
2.
Lockheed Martin v. Boeing
Civil Suit regarding Boeing's possession and use of Lockheed Martin proprietary data.
<http://www.lockheedmartin.com/wms/findPage.do?dsp=fec&ci=11772&rsbci=0&fti=112&ti=0&sc=400>
3.
O'Connor v. Boeing
Alleges radioactive and chemical wastes are being discharged into the environment due to Boeing's negligence.
4.
In re Hanford Nuclear Reservation Litigation
The class action suit alleges Boeing (among others) didn't run the nuclear plant safely and failed to inform the public of health risks.