

United States Senate

WASHINGTON, DC 20510

June 29, 2006

The Honorable Alberto Gonzales
Attorney General
Department of Justice
Main Justice Building, Room 5111
Pennsylvania Ave., NW
Washington, D.C. 20530

Dear General Gonzales:

We write to you regarding the Department of Justice's ("Justice Department") proposed global settlement of several matters relating to the Boeing Company ("settling company"). We understand that this settlement, which is close to being finalized and valued at \$615 million, will resolve all civil and criminal claims arising from (1) the settling company's improper hiring of a former Air Force official in connection with the Air Force's multibillion acquisition of tanker aircraft and (2) its apparent theft of Lockheed Martin proprietary data that it used to win contracts for Air Force and NASA rockets.

We are very concerned about the possibility that this settlement may be structured in a way that allows for payments made by the settling company to be tax deductible, thereby leaving the American taxpayer to effectively subsidize its misconduct. In addition, we are concerned about the possibility that the settlement may allow the settling company to pass the cost of its misconduct, or a significant portion of it, on to its insurers.

In our view, this would be unacceptable. Congress has pressed hard for real change in defense acquisition and corporate ethics. We are not interested in settlements that are designed to look good in newspaper headlines but fail to bring real accountability.

Accordingly, we ask you to consider (1) the tax treatment of payments the settling company will be required to make under this agreement and (2) what third parties might ultimately be required to make those payments. In particular, we are interested in what deductibility under this settlement will mean in terms of loss of revenue to the Treasury and what portion of this settlement will be payable by the settling firm's insurers.

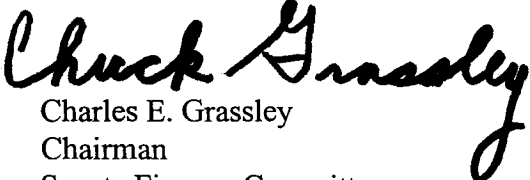
In our view, a failure to consider properly the tax treatment and the ultimate payor of this settlement is contrary to the interests of the American people. It is essential that the Justice Department not act as an indifferent or unwitting partner to any settling firm attempting to minimize its settlement costs through the tax code or the law on indemnification.

Given the policy implications of this settlement, and other similar settlements, hearings may be warranted. To help us to determine the appropriateness of such hearings, please provide us by (whichever is sooner) Wednesday, July 12, 2006, or before the settlement is executed, your analysis regarding the general tax treatment of the settlement and whether or not these costs may be borne by insurers of the settling firm.

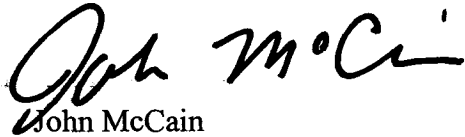
The Justice Department has said much about the need for change and reform in defense acquisition and ethics in Corporate America. Now is the opportunity to show the American people action that assures that those responsible will bear the full burden of their misconduct. Artfully crafted settlements of corporate wrongdoing that have the costs paid for by somebody else, will only convince us, and more importantly the American people, that words are all there is.

Thank you for your prompt consideration of this matter.

Cordially yours,



Charles E. Grassley
Chairman
Senate Finance Committee



John McCain
Chairman
AirLand Subcommittee,
Senate Armed Services Committee



John Warner
Chairman
Senate Armed Services Committee