Indictment Against Boeing Subsidiary Dismissed

Case Regarding McDonnell Douglas 1994 Tool Sale to China Dropped by Department of Justice

Civil Settlement Reached with Department of Commerce Confirms No Wrongdoing

Boeing confirmed today that the Department of Justice has dropped all criminal charges against its McDonnell Douglas subsidiary regarding the 1994 export of surplus machine tools and other equipment to China.

McDonnell Douglas, which merged with a Boeing subsidiary in 1997, has entered into a global settlement with the Department of Commerce resulting in the dismissal of all criminal charges. The settlement also will end the export denial policy issued by the Department of State pending resolution of this matter.

McDonnell Douglas sold the used equipment to China National Aero-Technology and Export Corporation (CATIC).

Under the agreement with the Department of Commerce, McDonnell Douglas will pay a civil fine of $2.12 million. The proposed charges against McDonnell Douglas would at most have alleged that - as the applicant and licensee - the company was strictly accountable for information provided and actions taken by the Chinese defendants in the case. The Chinese defendants previously pled no contest to one criminal charge and settled with the Department of Commerce by paying a fine and having restrictions placed on their export privileges for a period of time.

"Since the time of the indictment in 1999, McDonnell Douglas has worked with the government to develop the facts in this matter," said Larry McCracken, a company spokesman. "This work confirmed that McDonnell Douglas engaged in no wrongdoing and has led to this resolution which involves no criminal charges, dismissal of the indictment and a civil fine based only on McDonnell Douglas' strict liability for the actions of others. As we have stated on numerous occasions, we were the party that discovered the diversion of the machine tools, reported it to the United States government and then had the machine tools moved to an approved location before they were ever installed, operated or misused."

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