The Boeing Company
1200 Wilson Blvd.
Arlington, VA 22209-1989

June 24, 2009

The Honorable Mike Crapo
239 Dirksen Senate Office Building
Washington, DC 20510

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Dear Senator Crapo:

Thank you for your letter that raises important questions regarding the use of over-the-counter ("OTC") derivatives. The Boeing Company is appreciative of your recognition of the need for companies to continue to have the ability to negotiate customized contracts in the OTC markets.

The Boeing Company has a need for OTC derivatives in order to create stable and predictable values for over twenty currencies and a variety of commodities. Such contracts are specifically tailored to our individual needs. The flexibility provided by OTC derivatives continues to help The Boeing Company compete globally.

With this general background, please find below our responses to the specific questions you have asked.

1. **How does your company use customized over-the-counter derivatives to help stabilize prices and mitigate risk?**

   The Boeing Company ("Boeing") uses over-the-counter derivatives primarily to stabilize production and operating costs. We procure parts globally for the manufacture of our products, some of the procurement contracts are priced in foreign currencies. We use OTC derivatives to minimize the variability of the U.S. dollar cost of these foreign currency denominated procurement contracts. We also have exposure to variable priced commodities such as electricity, jet fuel, and aluminum and we anticipate using OTC derivatives to minimize the impact of commodities on our production and operating costs.

2. **What are the possible effects of severely restricting access to customized over-the-counter derivatives on your ability to manage risk and on the prices you charge your customers?**

   By restricting access to customized OTC derivatives, there are a variety of impacts that may occur. The most significant impact being that Boeing is unable to manage its variable cost structure which would require us to pad the sales price of our products to absorb the variable costs. The padding of the sales price would significantly reduce Boeing's competitiveness of our commercial as well as our defense business. This could lead to significant job losses at Boeing, which could impact nearly every state. Another significant impact on Boeing would be the requirement to post cash collateral. As recently as February, Boeing would have had to post $150M collateral; the posting of such significant collateral could significantly impact our business operations as is not available for our day to day business needs.

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3. **What safeguards are in place to ensure that your derivatives portfolio is a tool for hedging risk, rather than a source of risk for your company?**

The Boeing Company has an explicit policy which prohibits speculative trading; derivatives may only be used to hedge risk. We also have a multi-tiered approval process which requires business unit approval up to the Controller level and Corporate Treasury approval prior to entering into any derivative contracts.

Should you require additional information, please do not hesitate to contact me in the future.

Sincerely,

Randall Durling

Randall Durling,
Director-International Finance