

BOEING CO  
Form DEF 14A  
March 23, 2007  
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**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**THE BOEING COMPANY**

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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March 23, 2007

Dear Shareholder:

I am pleased to invite you to attend The Boeing Company's 2007 Annual Meeting of Shareholders, which will be held on Monday, April 30, 2007, beginning at 10:00 a.m., Central time, in Chicago, Illinois. We will meet at The Field Museum, which is located at 1400 South Lake Shore Drive in Chicago.

Activities at the Annual Meeting will be limited to the items of business listed in the Notice of Annual Meeting of Shareholders. The following items of business will be presented:

- (1) election of eleven directors;
- (2) advisory vote on the appointment of the Company's independent auditors; and
- (3) vote on nine shareholder proposals, if they are presented.

Your Board of Directors recommends a vote for the election of the nominees for director and approval of an advisory vote on the appointment of the Company's independent auditors. The Board recommends a vote against each of the shareholder proposals. We will also report on the activities of the Company. You will have an opportunity to submit questions or comments on matters of interest to shareholders generally.

Your vote is important. Whether or not you plan to attend the Annual Meeting in person, I urge you to complete the proxy card and return it promptly.

Very truly yours,

W. James McNerney, Jr.

*Chairman of the Board, President and Chief Executive Officer*

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**THE BOEING COMPANY**

**Boeing Corporate Headquarters**

**100 North Riverside Plaza, Chicago, Illinois 60606**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

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**TIME** Monday, April 30, 2007, 10:00 a.m., Central time. Registration will begin at 8:30 a.m. The Annual Meeting will begin at 10:00 a.m. and conclude at 12:00 p.m.

**PLACE** The Field Museum, 1400 South Lake Shore Drive, Chicago, Illinois 60605-2496.

**AGENDA**

1. Elect eleven persons to the Board of Directors for one-year terms expiring in 2008.
2. Cast an advisory vote on the appointment of Deloitte & Touche LLP as independent auditors.
3. Vote on shareholder proposal on disclosure of foreign military sales.
4. Vote on shareholder proposal on human rights policies.
5. Vote on shareholder proposal on disclosure of charitable contributions.
6. Vote on shareholder proposal on disclosure of political contributions.
7. Vote on shareholder proposal on separating the roles of CEO and chairman.
8. Vote on shareholder proposal on shareholder rights plans.
9. Vote on shareholder proposal on advisory vote on compensation discussion and analysis.
10. Vote on shareholder proposal on performance-based stock options.
11. Vote on shareholder proposal on recouping unearned management bonuses.
12. Transact any other business properly brought before the meeting.

**RECORD DATE** You can vote if you were a shareholder at the close of business on March 1, 2007.

**MEETING ADMISSION** *Registered Shareholders.* An admission ticket is attached to your proxy card. If you received proxy materials via the Internet, you may print an admission ticket from the Internet voting site. **Please bring the admission ticket with you to the meeting.**

*Beneficial Shareholders.* Shareholders whose stock is held by a broker or bank (often referred to as holding in street name ) should come to the beneficial shareholders table. *In order to be admitted, beneficial shareholders must bring account statements or letters from their brokers or banks showing that they owned Boeing stock as of March 1, 2007. In order to vote at the meeting, beneficial shareholders must bring legal proxies, which they can obtain only from their brokers or banks.*

In all cases, shareholders must bring photo identification to the meeting for admission.

**VOTING BY** *Registered Shareholders and Participants in Savings Plans.* Please vote:

**PROXY**

1. By Toll-Free Telephone: Call 1-800-652-VOTE (8683) to vote by phone;
2. By Internet: Go to [www.investorvote.com](http://www.investorvote.com) to vote on the Internet; or
3. By Mail: Mark, sign, date and promptly mail the enclosed proxy card in the postage-paid envelope. Any proxy may be revoked at any time prior to its exercise at the meeting.

*Beneficial Shareholders.* If your shares are held in the name of a broker, bank or other holder of record, follow the voting instructions you receive from the holder of record to vote your shares.

This proxy statement is issued in connection with the solicitation of a proxy on the enclosed form by the Board of Directors of The Boeing Company for use at the Company's 2007 Annual Meeting of Shareholders. We will begin distributing this proxy statement, a form of proxy and the 2006 Annual Report on or about March 23, 2007.

By Order of the Board of Directors

James C. Johnson

*Corporate Secretary*

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**THE BOEING COMPANY**  
**PROXY STATEMENT**  
**ANNUAL MEETING OF SHAREHOLDERS**  
**Monday, April 30, 2007**

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**PROXIES AND VOTING AT THE MEETING**

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Holders of Boeing stock at the close of business on March 1, 2007 are entitled to receive Notice of the Annual Meeting and to vote their shares at the Annual Meeting. As of that date, there were approximately 789,112,281 shares of common stock outstanding and approximately 758,246,634 of those shares were eligible to vote. (The shares held in the ShareValue Trust for the Company's ShareValue Plan are not entitled to vote, and shares issued in exchange for shares of Rockwell International Corporation or McDonnell Douglas Corporation that have not been exchanged are not eligible to vote.) There were 178,871 registered shareholders on the record date, and approximately 713,311 beneficial shareholders whose shares were held in street name through a broker or bank.

Shares represented by a properly executed proxy will be voted at the Annual Meeting and, when instructions are given by the shareholder, will be voted in accordance with those instructions. If a proxy is executed and returned but no instructions are given, the shares will be voted according to the recommendations of the Board of Directors. The Board recommends a vote FOR Items 1 and 2 and AGAINST Items 3 through 11.

The Board of Directors is not aware of any business that may properly be brought before the Annual Meeting other than those matters described in this proxy statement. However, the enclosed proxy card gives discretionary authority to persons named on the proxy card to vote the shares in their best judgment if any matters other than those shown on the proxy card are properly brought before the Annual Meeting.

**How to Vote**

Your vote is important and we appreciate your prompt attention to it. Registered shareholders can vote by telephone, the Internet or mail, as described below. If you are a beneficial shareholder, please refer to your proxy card or the information forwarded by your broker, bank or other holder of record to see what options are available to you.

Registered shareholders and savings plan participants may cast their vote by:

- (1) Signing, dating and promptly mailing the proxy card in the enclosed postage-paid envelope;
- (2) Accessing the Internet website **www.investorvote.com** and voting by following the instructions provided on the website; or
- (3) Calling 1-800-652-VOTE (8683) and voting by following the instructions provided on the phone line.

In order to vote via telephone or on the Internet, please have in front of you either your proxy card or, if you have consented to receive your materials electronically, your e-mail notification advising that materials are available online. A phone number and a website are contained on each of the documents. Upon entering either the phone number or the Internet address, you will be instructed on how to proceed.

Proxy cards will be sent to those persons having interests in Boeing stock through participation in the stock funds of the following Company benefit plans ( Plans ):



1. *The Boeing Company Voluntary Investment Plan*
2. *BAO Voluntary Savings Plan*
3. *Employee Payroll Stock Ownership Plan of McDonnell Douglas Corporation*

The Plans listed above are sponsored by Boeing and its subsidiaries for their employees.

Shares of Boeing stock held in the Plans ( Plan Shares ) are registered in the names of the trustee. The participants do not have actual ownership of the Plan Shares and may not vote the Plan Shares directly at the Annual Meeting. However, Plan participants are allocated interests in the shares and may instruct the trustee how to vote such

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interests. The number of shares of Boeing stock shown on your proxy card includes all registered shares and Plan Shares. Plan Shares can be voted only by submitting proxy instructions, whether by telephone, the Internet or mailing in the printed proxy card; they cannot be voted at the Annual Meeting and prior voting instructions cannot be revoked at the Annual Meeting. If you are a Plan participant, your proxy instructions must be received by the Plan trustee no later than midnight, Eastern time, on April 25, 2007.

The trustee will cast Plan Share votes according to the participants' instructions. If no instructions are received, the trustee will vote the participants' Plan Shares in accordance with the terms of the Plans, which means shares will be voted in the same manner and proportion as the shares with respect to which voting instructions have been received, unless contrary to applicable law.

## **Revocation of Proxies**

A registered shareholder may revoke a properly executed proxy at any time before its exercise by:

Delivering timely written notice of revocation to the Corporate Secretary;

Timely delivery of another proxy that is dated later than the original proxy;

Attending the Annual Meeting and giving notice of revocation to an Inspector of Election; or

Attending the Annual Meeting and voting by ballot.

Beneficial shareholders cannot revoke their proxies in person at the Annual Meeting because the actual shareholders of record, brokers or banks, will not be present. Beneficial shareholders wishing to change their votes after returning voting instructions to their brokers or banks should contact the brokers or banks directly.

## **Vote Required**

### *Vote Required for Quorum and Director Elections*

The presence at the Annual Meeting, in person or by duly authorized proxy, of the holders of one-third of the outstanding shares of stock entitled to vote constitutes a quorum for the transaction of business. Each share of Boeing stock entitles the holder to one vote on each matter presented for shareholder action. In February 2007, the Board of Directors amended the Company's By-Laws and Corporate Governance Principles to adopt a majority vote standard in uncontested director elections. Because the Company did not receive advance notice under its By-Laws of any shareholder nominees for directors, the 2007 election of directors is an uncontested election. To be elected in an uncontested election, a director nominee must receive more For votes than Against votes. Abstentions will have no effect on the election of directors since only votes For or Against a nominee will be counted.

### *Effect of an Incumbent Director Not Receiving the Required Vote*

Boeing is a Delaware corporation and, under Delaware law, if an incumbent director is not elected, that director remains in office until the director's successor is duly elected and qualified or until the director's death, resignation or retirement. To address this potential outcome, in February 2007, the Board also adopted a director resignation and recusal policy in the Company's Corporate Governance Principles.

Under this policy, the Board of Directors will nominate for directors only those incumbent candidates who tender, in advance, irrevocable resignations, and the Board has obtained such conditional resignations from the nominees in this year's proxy statement. The irrevocable resignations will be effective upon the failure to receive the required vote at any annual meeting at which they are nominated for re-election and Board acceptance of the resignation. The Governance, Organization and Nominating Committee will recommend to the Board whether to accept or reject the tendered resignation. The Board will publicly disclose its decision within 90 days following certification of the shareholder vote. In addition, the director whose resignation is under consideration will not participate in the recommendation of the Governance, Organization and Nominating Committee with respect to the resignation. If the Board does not accept the resignation, the director will continue to serve until the

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next annual meeting and until his or her successor is duly elected, or until his or her earlier resignation or removal. If the Board accepts the resignation, then the Board, in its sole discretion, may fill any resulting vacancy or may decrease the size of the Board.

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### *Vote Required for Other Proposals*

With respect to each of the proposals other than the election of directors (i.e., Items 2-11), shareholders may vote in favor of the proposal or against the proposal, or abstain from voting. The affirmative vote of the majority of shares present in person or by proxy and entitled to vote at the Annual Meeting is required under Delaware law for approval of Items 2-11.

**A shareholder who signs and submits a ballot or proxy is present, so an abstention will have the same effect as a vote against Items 2-11.**

Under the rules of the New York Stock Exchange ( NYSE ), if your broker holds your shares in its name, the broker is permitted to vote your shares on the election of directors and Item 2, even if it does not receive voting instructions from you. Items 3-11 are non-discretionary, meaning that brokers who hold shares for the accounts of their clients and who have not received instructions from their clients do not have discretion to vote on those items. When a broker votes a client's shares on some but not all of the proposals at the Annual Meeting, the missing votes are referred to as broker non-votes. Those shares will be included in determining the presence of a quorum at the Annual Meeting but are not considered present for purposes of voting on the non-discretionary items.

### **Expenses of Solicitation**

All expenses for soliciting proxies will be paid by the Company, which has retained Georgeson Inc. ( Georgeson ), 17 State Street, New York, New York 10004, to aid in the solicitation of proxies, for fees of approximately \$15,000, plus additional expenses of approximately \$110,000. Proxies may be solicited by personal interview, mail and telephone. Georgeson has contacted brokerage houses, other custodians and nominees to ask whether other persons are the beneficial owners of the shares they hold in street name and, if that is the case, will supply additional copies of the proxy materials for distribution to such beneficial owners. The Company will reimburse such parties for their reasonable expenses in sending proxy materials to the beneficial owners of the shares.

### **Voting Results**

The Company will announce preliminary voting results at the Annual Meeting. Final official results will be printed in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2007 (available at [www.sec.gov](http://www.sec.gov) and [www.boeing.com](http://www.boeing.com)).

**No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting.**

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**ITEM 1. ELECTION OF DIRECTORS**

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**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**

**A VOTE FOR ALL NOMINEES.**

The Board of Directors of the Company, pursuant to the By-Laws, has determined that the number of directors of the Company will be eleven.

Pursuant to the By-Laws, each director is elected annually to a one-year term. Directors in this uncontested election will be elected if the director receives more For votes than Against votes. Each nominee elected as a director will continue in office until his or her successor has been elected, or until his or her death, resignation or retirement. Each nonemployee director must retire at the annual meeting following his or her 72nd birthday. If any nominee is unable to serve, proxies will be voted for the election of such person as shall be designated by the Board of Directors unless the Board chooses to reduce the number of directors serving on the Board.

The Board of Directors has proposed the eleven nominees listed below for election as directors at the Annual Meeting with one-year terms expiring in 2008. Except as otherwise specified in a proxy, proxies will be voted for these nominees.

The Governance, Organization and Nominating Committee of the Board of Directors identifies and recommends to the Board the nominees to fill any vacancies on the Board and nominees to be proposed by the Board as candidates for election as directors. The Committee frequently works with a third-party search firm to identify potential candidates to sit on the Board of Directors. Mr. Arthur D. Collins, Jr., the Company's newest director, met the Committee's candidate criteria and was interviewed by representatives of the Company and the Board after Mr. Collins was identified as a potential candidate by a third-party search firm. Based on these interviews, Mr. Collins was selected by the Committee and approved by the Board. Mr. Collins was named a director by the Board effective February 27, 2007, and he is standing for election for the first time. As discussed in further detail below on page 9, the Board has determined that each of the nominees for director meets the criteria for independence prescribed by the NYSE listing standards and has either no relationships with the Company (other than being a director and shareholder of the Company) or only immaterial relationships with the Company, except for W. James McNerney, Jr. who is not an independent director because he is President and Chief Executive Officer of the Company.

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**NOMINEES FOR DIRECTOR**


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Name	Principal Occupation or Employment/Other Business Affiliations	Age	Director Since
John H. Biggs	<i>Former Chairman and Chief Executive Officer, Teachers Insurance and Annuity Association-College Retirement Equities Fund ( TIAA-CREF )</i> . Mr. Biggs served as Chairman and Chief Executive Officer of TIAA-CREF (national teachers pension fund) from January 1993 until November 2002. Mr. Biggs is on the board of the following public company in addition to The Boeing Company: JP Morgan Chase & Co. He is also a director of the National Bureau of Economic Research, a trustee of Washington University in St. Louis and is a member of the Advisory Council of the Public Company Accounting Oversight Board. Mr. Biggs is Chair of the Audit Committee and a member of the Finance Committee.	70	1997
John E. Bryson	<i>Chairman of the Board, President and Chief Executive Officer, Edison International</i> . Mr. Bryson has served as Chairman of the Board, President and Chief Executive Officer of Edison International (electric power generator and distributor), the parent company of Southern California Edison, since 1990. Mr. Bryson is on the board of the following public company in addition to The Boeing Company and Edison International: The Walt Disney Company. Mr. Bryson is a member of the Compensation Committee and the Governance, Organization and Nominating Committee.	63	1995
Arthur D. Collins, Jr.	<i>Chairman of the Board and Chief Executive Officer, Medtronic, Inc.</i> Mr. Collins has served as Chairman of the Board and Chief Executive Officer of Medtronic, Inc. (medical device and technology company) since April 2002. At Medtronic, Mr. Collins was also President and Chief Executive Officer from May 2001 to April 2002, President and Chief Operating Officer from August 1996 to April 2001, Chief Operating Officer from January 1994 to August 1996, and Executive Vice President of Medtronic and President of Medtronic International from June 1992 to January 1994. He was Corporate Vice President of Abbott Laboratories (health care products) from October 1989 to May 1992 and Divisional Vice President of that company from May 1984 to October 1989. Mr. Collins is on the board of the following public company in addition to The Boeing Company and Medtronic: U.S. Bancorp. He is also on the boards of Cargill, Inc., a private company, and The Institute of Health Technology Studies. He is also a member of the Board of Overseers of The Wharton School at the University of Pennsylvania. Mr. Collins is a member of the Audit Committee and the Finance Committee.	59	2007
Linda Z. Cook	<i>Executive Director Gas &amp; Power, Royal Dutch Shell plc</i> . Ms. Cook was appointed Executive Director in October 2004, and Managing Director, Royal Dutch Petroleum Company, CEO Shell Gas & Power (integrated petroleum), in August 2004. Previously, she served as President and Chief Executive Officer and a member of the Board of Directors of Shell Canada Limited from August 2003 until August 2004. She served as Chief Executive Officer for Shell Gas & Power from January 2000 through July 2003. Ms. Cook is a member of the Society of Petroleum Engineers and the China Development Forum. Ms. Cook is not on the board of any public company in addition to The Boeing Company and Royal Dutch Shell plc. Ms. Cook is a member of the Audit Committee and the Finance Committee.	48	2003

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Name	Principal Occupation or Employment/Other Business Affiliations	Age	Director Since
William M. Daley	<b>Chairman of Midwest Region for JPMorgan Chase &amp; Co.</b> Mr. Daley has served as Chairman of Midwest Region for JPMorgan Chase & Co. (banking and financial services) and on its Executive Committee and International Council since May 2004. He served as the U.S. Secretary of Commerce from January 1997 to June 2000. Mr. Daley served as President, SBC Communications, Inc. (diversified telecommunications) from December 2001 to May 2004. He was Vice Chairman of Evercore Capital Partners L.P. from January to November 2001. From June to December 2000, Mr. Daley served as Chairman of Vice President Albert Gore's 2000 presidential election campaign. Mr. Daley is on the boards of the following public companies in addition to The Boeing Company: Abbott Laboratories and Boston Properties, Inc. Mr. Daley is a member of the Finance Committee and the Special Programs Committee.	58	2006
Kenneth M. Duberstein	<b>Chairman and Chief Executive Officer, The Duberstein Group.</b> Mr. Duberstein has served as Chairman and Chief Executive Officer of The Duberstein Group (consulting firm) since 1989. He was White House Chief of Staff in 1988 and 1989. Mr. Duberstein is on the boards of the following public companies in addition to The Boeing Company: ConocoPhillips, Mack-Cali Realty Corporation and St. Paul Travelers Companies. Mr. Duberstein is the Lead Director, Chair of the Compensation Committee and a member of the Governance, Organization and Nominating Committee.	62	1997
John F. McDonnell	<b>Retired Chairman, McDonnell Douglas Corporation.</b> Mr. McDonnell served as Chairman of McDonnell Douglas Corporation (aerospace) from 1988 until its merger with Boeing in 1997, and as its Chief Executive Officer from 1988 to 1994. Mr. McDonnell is not on the board of any public company in addition to The Boeing Company. He is also a director of BJC Healthcare, Chairman of the board of Barnes-Jewish Hospital and Vice Chairman of the board of Washington University. Mr. McDonnell is a member of the Compensation Committee and the Governance, Organization and Nominating Committee.	69	1997
W. James McNerney, Jr.	<b>Chairman, President and Chief Executive Officer, The Boeing Company.</b> Mr. McNerney has served as Chairman and Chief Executive Officer of The Boeing Company since July 1, 2005. Previously, he served four and a half years as Chairman and Chief Executive Officer of 3M Company (diversified technology). Beginning in 1982, he served in management positions at General Electric Company, his most recent being President and Chief Executive Officer of GE Aircraft Engines from 1997 to 2000. Mr. McNerney is on the board of the following public company in addition to The Boeing Company: The Procter & Gamble Company. He is also a member of various business and educational organizations. Mr. McNerney is the Interim Chair of the Special Programs Committee.	57	2001

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Name	Principal Occupation or Employment/Other Business Affiliations	Age	Director Since
Richard D. Nanula	<b>Chief Financial Officer, Amgen, Inc.</b> Mr. Nanula has served as Chief Financial Officer of Amgen, Inc. (biotechnology) since August 2001 and as Executive Vice President since May 2001. He is a member of Amgen's executive committee. Mr. Nanula served as Chairman and Chief Executive Officer at Broadband Sports Inc. (Internet media company) from 1999 until 2001. He served as President and Chief Operating Officer for Starwood Hotels and Resorts in New York from 1998 to 1999. He held a variety of executive positions at The Walt Disney Company from 1986 to 1998, including Senior Executive Vice President, Chief Financial Officer and President of Disney Stores Worldwide. Mr. Nanula is not on the board of any public company in addition to The Boeing Company. Mr. Nanula is a member of the Audit Committee, the Finance Committee and the Special Programs Committee.	46	2005
Rozanne L. Ridgway	<b>Former Assistant Secretary of State for Europe and Canada.</b> Ms. Ridgway served 32 years with the U.S. State Department, including service as Ambassador to the German Democratic Republic and to Finland, and, from 1985 until her retirement in 1989, as Assistant Secretary of State for Europe and Canada. Ms. Ridgway is on the boards of the following public companies in addition to The Boeing Company: 3M Company, Emerson Electric Company, Manpower Inc. and Sara Lee Corporation. She is also a director/trustee in three funds in the American Funds complex. Ms. Ridgway is the Chair of the Governance, Organization and Nominating Committee and a member of the Compensation Committee.	71	1992
Mike S. Zafirovski	<b>Director, President and Chief Executive Officer, Nortel Networks Corporation.</b> Mr. Zafirovski has served as Director, President and Chief Executive Officer of Nortel Networks Corporation (telecommunications) since November 2005. Previously, Mr. Zafirovski was Director, President and Chief Operating Officer of Motorola, Inc. (global communications) from July 2002 to January 2005, and remained a consultant to and a director of Motorola until May 2005. He served as Executive Vice President and President of the Personal Communications Sector of Motorola, Inc. from June 2000 to July 2002. Prior to joining Motorola, Mr. Zafirovski spent 24 years with General Electric Company, where he served in management positions, his most recent being President and CEO of GE Lighting from July 1999 to May 2000. Mr. Zafirovski is not on the board of any public company in addition to The Boeing Company and Nortel Networks Corporation. Mr. Zafirovski is Chair of the Finance Committee and a member of the Audit Committee.	53	2004



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**BOARD MEMBERSHIP AND DIRECTOR INDEPENDENCE**

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The Company's business affairs are managed under the direction of the Board of Directors. Directors meet their responsibilities by participating in meetings of the Board and Board committees on which they sit, through communications with our Chief Executive Officer and other officers, by reviewing materials provided to them, and by visiting our offices and plants.

During 2006, the Board of Directors met eight times, having six regular meetings and two special meetings. Directors as a group attended 94% of the Board meetings. The committees of the Board held a total of 34 meetings. Directors as a group attended 96% of the committee meetings. Each director attended at least 76% of the meetings of the Board and the committees on which he or she served. Each director is expected to attend the Company's annual meeting of shareholders. Last year, all but one of the directors attended the annual meeting of shareholders.

The Board of Directors has adopted the Director Independence Standards set forth below to assist in determining whether a director does not have material relationships with the Company and thereby qualifies as independent. Shareholders may also access a copy of these standards on the Company's website at [www.boeing.com/corp\\_gov/index.html](http://www.boeing.com/corp_gov/index.html). The Director Independence Standards are based on the NYSE independent director listing standards. The Company's Corporate Governance Principles require that at least 75% of the Board be independent under the NYSE listing standards or be non-employee directors.

To be considered independent the Board of Directors must make an affirmative determination, by a resolution of the Board as a whole, that the director being reviewed has no material relationship with the Company other than as a director, either directly or indirectly (such as a partner, shareholder or executive officer of another entity that has a relationship with the Company). In each case, the Board broadly considers all relevant facts and circumstances.

A director will not be deemed to be independent if:

- (a) the director is, or in the last three years was, employed by the Company or any of its direct or indirect subsidiaries;
- (b) an immediate family member of the director is, or in the last three years was, employed by the Company as an executive officer;
- (c) the director, or an immediate family member, is a current partner of a firm that is the Company's internal or external auditor or within the last three years (but no longer) was a partner or employee of such a firm and personally worked on the Company's audit within that time;
- (d) the director is a current employee of the Company's internal or external auditor;
- (e) an immediate family member of the director is a current employee of the Company's internal or external auditor and that person participates in the firm's audit, assurance or tax compliance (but not tax planning) practice;
- (f) a director, or an immediate family member, received more than \$100,000 over a twelve-month period in direct compensation from the Company within the last three years, other than director and committee fees and pensions or other forms of deferred compensation, so long as such compensation is not contingent on continued service;
- (g) a director is, or within the last three years was, employed as an executive officer of another company where any of the Company's current executives serve or served on that company's compensation committee;
- (h) an immediate family member of the director is, or within the last three years was, employed as an executive officer of another company where any of the Company's current executives serve or served on that company's compensation committee;
- (i) a director is an executive officer or an employee of a company that makes payments to or receives payments from the Company for property or services in an amount that exceeds in any of the last three fiscal years \$1 million or 2% of that company's consolidated gross revenues, whichever is greater; or



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(j) an immediate family member is an executive officer of a company that makes payments to or receives payments from the Company for property or services in an amount that exceeds in any of the last three fiscal years \$1 million or 2% of that company's consolidated gross revenues, whichever is greater.

An immediate family member includes a director's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone (other than domestic employees) who shares such director's home; however, it does not include stepchildren who do not share a stepparent's home or the in-laws of such stepchildren.

The Board of Directors has determined that the following relationships are not considered to be material and would not impair a director's independence:

(a) a director serves as an employee of an organization that has purchased property or services from the Company, or provided property or services for the Company, if (i) payments for such property or services have not exceeded the greater of \$1 million or 1% of that organization's, or the Company's, consolidated gross revenues in each of the past three fiscal years and are not expected to exceed this threshold in 2007 and (ii) the director is not compensated directly or indirectly as a result of this relationship other than that the payments add to the revenue of either the organization or the Company, or

(b) a director's service as an executive officer of a not-for-profit organization if, within the preceding three years, the Company's charitable contributions to the organization in any single fiscal year, in the aggregate, have not exceeded the greater of \$1 million or 2% of that organization's consolidated gross revenues.

Whether directors meet these categorical independence standards will be reviewed and will be made public annually prior to their standing for re-election to the Board of Directors. The mere ownership of a significant amount of stock is not in and of itself a bar to an independence determination but rather one factor to consider.

The Board of Directors has reviewed the relationships between the Company and each of its directors and has determined that John H. Biggs, John E. Bryson, Arthur D. Collins, Jr., Linda Z. Cook, William M. Daley, Kenneth M. Duberstein, John F. McDonnell, Richard D. Nanula, Rozanne L. Ridgway and Mike S. Zafirovski are independent under the NYSE independent director listing standards and the Company's Director Independence Standards and have either no relationships with the Company (other than being a director and shareholder of the Company) or only immaterial relationships with the Company. W. James McNerney, Jr. is not an independent director because he is President and Chief Executive Officer of the Company. The Company transacts business with the companies that employ Mr. Bryson, Mr. Collins, Ms. Cook, Mr. Daley, Mr. Nanula and Mr. Zafirovski in amounts that fall below the categorical independence standards described above.

**Table of Contents****COMMITTEE MEMBERSHIP**

Pursuant to the By-Laws, the Board of Directors has established the following standing committees: Audit, Compensation, Governance, Organization and Nominating, Finance, and Special Programs. All the members of each of these standing committees other than the Special Programs Committee meet the criteria for independence prescribed by the NYSE. Membership of the standing committees is determined at the organizational meeting of the Board in conjunction with the annual meeting. Adjustments to committee assignments may be made as of that date or such other date as the Board deems appropriate.

Membership of each committee is as follows, with committee chairpersons listed first.

<b>Audit</b>	<b>Compensation</b>	<b>Governance, Organization and Nominating</b>
John H. Biggs Arthur D. Collins, Jr. Linda Z. Cook Richard D. Nanula Mike S. Zafirovski	Kenneth M. Duberstein John E. Bryson John F. McDonnell Rozanne L. Ridgway	Rozanne L. Ridgway John E. Bryson Kenneth M. Duberstein John F. McDonnell

**Finance****Special Programs**

Mike S. Zafirovski  
John H. Biggs  
Arthur D. Collins, Jr.  
Linda Z. Cook  
William M. Daley  
Richard D. Nanula

W. James McNerney, Jr.  
William M. Daley  
Richard D. Nanula

The Board of Directors has adopted a written charter for each committee. Shareholders may access a copy of each committee's charter on the Company's website at [www.boeing.com/corp\\_gov/index.html](http://www.boeing.com/corp_gov/index.html). A summary of the duties and responsibilities of each committee is set forth below.

**Audit Committee****11 meetings in 2006**

The primary purposes of the Audit Committee are to assist the Board of Directors in oversight of (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the Company's internal audit function and the independent auditor. The Audit Committee has the authority to make inquiries and obtain information from management to support the Board's oversight of the Company's ethics and compliance program and to obtain advice and assistance from outside legal, accounting or other advisors as deemed necessary to perform its duties and responsibilities.

The charter of the Audit Committee requires that the Committee be comprised of at least three directors, all of whom are not employed by the Company and meet the applicable independence and financial literacy requirements of the Securities and Exchange Commission (SEC) and the NYSE. At least one member must be an audit committee financial expert and have accounting or related financial management expertise as required by the SEC and the NYSE, respectively. The Board of Directors has determined that Mr. Biggs and Mr. Nanula are audit committee financial experts and have accounting or related financial management expertise and, furthermore, that each committee member is independent

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and financially literate. The Audit Committee meets regularly in executive session. The Company's Senior Vice President, Office of Internal Governance and Senior Vice President, General Counsel attend all meetings of the Audit Committee. The Audit Committee may invite to its meetings any other member of management, including the Chief Executive Officer, and such other persons as it deems appropriate in order to carry out its duties and responsibilities. In addition, all members of the Audit Committee must be available to meet with the Company's Senior Vice President, Office of Internal Governance, Senior Vice President, General Counsel, and Vice President, Corporate Audit outside of regularly scheduled meetings, as needed.

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The Audit Committee:

Appoints, retains, compensates, evaluates and terminates, if necessary, the independent auditor subject to ratification by the Board of Directors;

Reviews and pre-approves both audit and non-audit services provided by the independent auditor;

Reviews and advises on the selection and removal of the internal auditor;

Reviews and recommends changes to and approves the internal audit charter;

Reviews, on an annual basis, a formal written statement prepared by the independent auditor describing internal quality control procedures and any material issues raised by the most recent review or peer review of the firm and delineating all relationships relevant to audit independence between the independent auditor and the Company;

Discusses with management or the independent auditors, as appropriate, the matters required to be discussed by the Statement on Auditing Standards No. 61 and the Sarbanes-Oxley Act of 2002 relating to the conduct of the audit or quarterly review;

Reviews with the independent auditors, internal auditors and members of senior management the adequacy and effectiveness of the Company's financial controls and financial reporting procedures;

Meets periodically or at least annually with management, the senior internal auditing executive and the independent auditors in separate executive sessions;

Meets to review and discusses with financial management and independent auditors, prior to filing, the Company's quarterly and annual reports filed with the SEC and certifications required by the Sarbanes-Oxley Act of 2002 and relevant reports rendered by the independent auditors;

Reviews earnings press releases with management and financial information and earnings guidance provided to analysts and ratings agencies;

Prepares a report for inclusion in the annual proxy statement;

Receives reports on the Company's compliance risk management process, audit activities and trends, and pending internal investigations of alleged or potential significant violations of law, regulation or Company policies;

Reviews management's assessment of compliance with laws, regulations and Company policies relative to payments to individuals or organizations retained as foreign sales consultants;

Meets with the Office of Internal Governance to review the Company's ethics and business conduct program and Company compliance with the principles of the Defense Industry Initiative on Business Ethics and Conduct;

Reviews significant pending and threatened litigation, the status of advancement of expenses to employees involved in Company-related legal proceedings, and related indemnification;

Presents to the Board such comments and recommendations as the Audit Committee deems appropriate and performs such other duties as may be assigned by the Board or deemed appropriate by the Committee within the context of the Audit Committee's charter;

Sets clear hiring policies compliant with laws and regulations for employees and former employees of the independent auditor;

Establishes and maintains procedures for receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters;

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Establishes and maintains procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters;

Conducts an annual self-evaluation;

Reports at least annually to the Board regarding the implementation and effectiveness of the Company's ethics and compliance program; and

Reports annually to the Board regarding execution of the Audit Committee's duties and responsibilities.

## **Compensation Committee**

**7 meetings in 2006**

The charter of the Compensation Committee requires that the Committee be comprised of at least three directors, all of whom meet the independence requirements of the NYSE. In addition, the Company's Corporate Governance Principles require that members of the Committee not be employed by the Company. The Committee is currently comprised of four directors, all of whom are nonemployees and independent directors.

The Compensation Committee of the Board of Directors acts on behalf of the Board to establish and oversee the Company's executive and equity compensation programs in a manner that serves the interests of Boeing and its shareholders. Specifically, the Compensation Committee:

As a Committee or together with other independent directors, annually reviews and approves the individual elements of total compensation for the CEO and other corporate officers. The elements subject to this annual review are salary, incentive awards, equity-based awards and any other long-term incentive awards;

Annually and as appropriate, reviews employment and severance agreements, change-in-control provisions affecting compensation, and special or supplemental arrangements such as supplemental retirement benefits and perquisites for the CEO and other corporate officers;

Periodically reviews all incentive compensation plans and other equity-based plans. The Committee makes changes to such plans when authorized to do so and reports these changes to the Board. Where it is not authorized to make such changes, it recommends changes or new plans (plan amendments) to the Board;

Administers the Company's incentive compensation and other equity-based plans;

Reviews and approves corporate goals and objectives relevant to the CEO's compensation and approves the compensation based on achievement of the goals;

Reviews and discusses with management the Compensation Discussion and Analysis (which is prepared by management), and prepares a Compensation Committee Report; and

Conducts an annual self-evaluation.

The Compensation Committee has a charter that details the scope of authority, composition and procedures of the Committee. The Committee's charter allows it to delegate its authority to subcommittees of the Committee. The Committee may also delegate to the Company's CEO or any other executive officer the authority to grant equity awards to employees of the Company who are not directors or officers of the Company.

### *Role of Executive Officers and the Compensation Consultant*

The following summarizes the role of executive officers and the compensation consultant in determining and recommending the executive compensation program.

### Executive Officers

Management provides perspectives of the business and people needs of the Company, which are applied in considering the pay benchmarking conducted by the compensation consultant;

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The CEO presents recommended pay adjustments for the other Named Executive Officers ( NEOs ) and other executive officers. The Committee develops pay recommendations for the CEO position; and



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Management develops recommendations for the design of pay programs applicable to the NEOs and other executives.

The Compensation Committee may invite to its meetings any member of management, including the CEO, and such other persons as it deems appropriate in order to carry out its duties and responsibilities. Depending on the nature of the topics, among the executive officers who, at the request of the Committee, may attend Committee meetings are the:

CEO, who typically attends all meetings (excluding executive sessions, which are attended by only independent members of the Board and their advisors);

Senior Vice President Human Resources and Administration, who is responsible for leading many of the discussions regarding the Company's pay programs; and

Corporate Secretary, who is responsible for recording the minutes at the meetings and attends all meetings (excluding executive sessions).

### Compensation Consultant

The Committee has engaged Towers Perrin to serve as its independent compensation consultant. At the request and direction of the Committee, Towers Perrin assists with the following:

Benchmarks pay practices among the peer group and provides a broader market perspective;

Assesses the design of individual pay elements and the total pay program relative to the Company's objectives, market practices and other factors;

Assists the Committee in reviewing recommendations prepared by management; and

Provides the Committee with an independent perspective and, as appropriate, specific recommendations on program design.

Towers Perrin does not set pay; rather it provides guidance, based on market practices and its experience and understanding of the Company's needs and objectives.

### *Process and Meetings*

The Committee has an annual meeting calendar to guide its review, analysis and administration of the executive compensation program. Key process steps that are followed by the Committee include:

Directing the compensation consultant regarding its role, scope and process in assisting the Committee for a particular meeting;

Discussing and confirming the meeting agenda several weeks prior to each meeting;

Receiving meeting materials generally one week prior to the meeting; and

Discussing and analyzing any recommended changes, as proposed by management or, if directed by the Committee, the compensation consultant.

The Compensation Committee meets in executive session (without any members of management and with and without the independent compensation consultant) as it deems necessary or appropriate.

### **Governance, Organization and Nominating Committee**

**6 meetings in 2006**

The charter of the Governance, Organization and Nominating Committee requires that the Committee be comprised of at least three members, all of whom meet the independence requirements of the NYSE. The Committee may invite to its meetings any member of management, including the CEO, and such other persons as it deems



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appropriate in order to carry out its duties and responsibilities. The Committee meets in executive session as it deems necessary or appropriate. The Governance, Organization and Nominating Committee:

Reviews and makes recommendations to the Board of Directors with respect to the responsibilities and functions of the Board and Board committees;

Makes recommendations to the Board concerning the organization, structure, size and composition of the Board;

Makes recommendations concerning the compensation and benefits of directors;

Considers the names and qualifications of any candidates for the Board submitted by shareholders in accordance with the procedures set forth in the Company's By-Laws;

Develops and recommends to the Board an annual self-evaluation process for the Board;

Formulates corporate governance guidelines for approval by the Board and reviews the guidelines on a regular basis;

Makes recommendations to the Board concerning candidates for election as CEO and other corporate officers;

Conducts an annual self-evaluation;

Monitors and reviews at least annually the performance of the CEO and the Company's plans for senior management succession;

Reviews and monitors the orientation and continuing education of Board members in light of the policy set forth in the Company's Corporate Governance Principles; and

Considers possible conflicts of interest of Board members and corporate officers, including review and approval of transactions of the Company in excess of \$120,000 in which a director, executive officer or an immediate family member of a director or executive officer has an interest.

In addition to the above, the Governance, Organization and Nominating Committee is responsible for making recommendations to the Board of Directors concerning nominees for election as directors and nominees for Board vacancies. To fulfill this role, the Committee reviews the organization, structure, size and composition of the Board to determine the qualifications and areas of expertise needed to further enhance the composition of the Board. When assessing a director candidate's qualifications, the Committee will consider issues of expertise (including international experience and industry background), independence, integrity, diversity and age, as well as skills relating to operations, manufacturing, finance, marketing, technology and public policy. This is further described in the Company's Corporate Governance Principles and the Committee's charter. The Committee has not established specific minimum eligibility requirements for candidates other than integrity, the commitment to act in the best interests of all shareholders, requirements relating to age and ensuring that a substantial majority of the Board remains independent.

The Governance, Organization and Nominating Committee utilizes the services of search firms to help identify candidates for director who meet the qualifications outlined above. The search firm screens the candidates, conducts reference checks, prepares a biography of each candidate for the Committee to review and helps set up interviews.

The Governance, Organization and Nominating Committee will consider qualified candidates for director properly submitted by the Company's shareholders. The Committee evaluates the qualifications of candidates properly submitted by shareholders on the same basis as those of other director candidates. Shareholders can suggest qualified candidates for director by writing to the Office of the Corporate Secretary, Boeing Corporate Headquarters, 100 North Riverside Plaza, 311A1, MC 5003-1001, Chicago, Illinois 60606-1596. Submissions should follow the procedures, including timing, set forth in the Company's By-Laws and as described under Submission of Shareholder Proposals for 2008 on page 73.

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### *Role of the Compensation Consultant*

The Governance, Organization and Nominating Committee has engaged Towers Perrin to serve as its independent compensation consultant with respect to the compensation and benefits of directors. At the request and direction of the Committee, Towers Perrin assists with the following:

Benchmarks director pay practices among the peer group and provides a broader market perspective;

Assesses the design of individual director pay elements and the total director pay program relative to the Company's objectives, market practices and other factors; and

Provides the Committee with an independent perspective and, as appropriate, specific recommendations on director compensation program design.

Towers Perrin does not set director pay; rather it provides guidance, based on market practices and its experience and understanding of the Company's needs and objectives. The CEO and Senior Vice President Human Resources and Administration may attend Committee meetings where director compensation is discussed.

### **Finance Committee**

**6 meetings in 2006**

The charter of the Finance Committee requires that the Committee be comprised of at least three members who are not members of management. The Finance Committee:

Reviews and makes recommendations concerning proposed dividend actions, stock splits and repurchases, and issuance of debt or equity securities;

Reviews strategic plans and transactions, including mergers, acquisitions, divestitures, joint ventures and other equity investments;

Reviews customer financing activities, business and related customer finance business and funding plans of the Company and its subsidiaries;

Reviews the Company's significant financial exposures and contingent liabilities;

Reviews the overall Company risk management program and major insurance programs;

Reviews the Company's credit agreements and short-term investment policies; and

Reviews the investment policies, administration and performance of the trust investments of the Company's employee benefit plans.

### **Special Programs Committee**

**4 meetings in 2006**

The charter of the Special Programs Committee requires that the Committee be comprised of three or more directors. The Special Programs Committee reviews on a periodic basis those Company programs that the U.S. government has designated as classified for purposes of national security. Due to the amount of time necessary to obtain required government clearances, the Committee may operate with fewer than three members.

### **Governance Materials Available on the Boeing Website**

Our Corporate Governance Principles are reviewed regularly and revised in response to changing regulatory requirements, evolving best practices and the concerns of our shareholders. Our Corporate Governance Principles are posted on the Corporate Governance section of our website at [www.boeing.com/corp\\_gov/](http://www.boeing.com/corp_gov/).

In addition to our Corporate Governance Principles, other information relating to corporate governance at Boeing is available on the Corporate Governance section of our website, including:

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Biographies for each of the members of our Board of Directors;

A description of the Lead Director's duties and responsibilities;

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The Board's Director Independence Standards;

The charters of each of the Board committees;

The Company's Codes of Business Conduct for Directors, for all Employees and for Finance Employees;

The Company's Certificate of Incorporation and By-Laws;

Information about how shareholders can communicate with the Board of Directors and the Chair of the Audit Committee; and

Information regarding securities transactions by directors and officers.

In addition, a copy of our Corporate Philanthropy Report, detailing the Company's philanthropic activities and contributions in 2006, is available on the Global Corporate Citizenship section of our website at [www.boeing.com/companyoffices/aboutus/community/index.html](http://www.boeing.com/companyoffices/aboutus/community/index.html). A copy of our Ethical Business Conduct Guidelines, which includes a description of our policy regarding political contributions, is available on the Ethics section of our website at [www.boeing.com/companyoffices/aboutus/ethics/ethics\\_booklet.pdf](http://www.boeing.com/companyoffices/aboutus/ethics/ethics_booklet.pdf).

We will provide any of the foregoing information in print without charge upon written request to the Office of the Corporate Secretary, Boeing Corporate Headquarters, 100 North Riverside Plaza, 311A1, MC 5003-1001, Chicago, Illinois 60606-1596.

**Table of Contents****DIRECTOR COMPENSATION****2006 DIRECTOR COMPENSATION TABLE**

The following table sets forth information regarding compensation for each of the Company's nonemployee directors for 2006. The Company's nonemployee director compensation program is comprised of cash (board and committee annual retainer fees) and equity (deferred stock unit awards). Directors who are employees of the Company do not participate in the Company's compensation program for nonemployee directors.

<b>Name</b>	<b>Fees Earned or Paid in Cash \$(8)</b>	<b>Stock Awards \$(9)</b>	<b>Option Awards \$(10)</b>	<b>All Other Compensation \$(11)</b>	<b>Total (\$)</b>
John H. Biggs(1)	\$ 70,000	\$ 130,000	\$ 0	\$ 25,000	\$ 225,000
John E. Bryson	60,000	130,000	0	25,000	215,000
Arthur D. Collins, Jr.(2)	0	0	0	0	0
Linda Z. Cook	60,000	130,000	8,688	0	198,688
William M. Daley(3)	50,589	109,610	0	0	160,199
Kenneth M. Duberstein(4)	85,000	130,000	25,821	50,000	290,821
John F. McDonnell	60,000	130,000	0	25,000	215,000
Richard D. Nanula	60,000	130,000	0	0	190,000
Rozanne L. Ridgway(5)	65,000	130,000	0	0	195,000
Mike S. Zafirovski(6)	65,000	130,000	0	0	195,000
John M. Shalikhvili(7)	32,500	65,000	0	0	97,500

(1) Audit Committee Chair.

(2) Mr. Collins joined the Board on February 27, 2007 and therefore did not receive compensation from the Company for 2006.

(3) Mr. Daley joined the Board on February 26, 2006.

(4) Lead Director and Compensation Committee Chair.

(5) Governance, Organization and Nominating Committee Chair.

(6) Finance Committee Chair.

(7) General Shalikhvili retired on May 1, 2006.

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- (8) The amount reported in the Fees Earned or Paid in Cash column reflects total cash compensation paid to each director in 2006 and includes amounts deferred at the director's election.
- (9) The amount reported in the Stock Awards column for each director reflects the compensation costs for financial reporting purposes for the year under Financial Accounting Standards Board Statement of Financial Accounting Standard No. 123 (revised 2004), *Share-Based Payment* ( FAS 123R ) for the retainer stock units awarded to each director in 2006. The FAS 123R fair value for these awards is equal to the Fair Market Value of the underlying Boeing stock on the date of grant. The Fair Market Value for a single trading day is the mean of the high and low per share trading prices for Boeing stock as reported by *The Wall Street Journal* for the New York Stock Exchange Composite Transactions. As of December 31, 2006, the following directors had the following aggregate number of deferred stock units accumulated in their deferral accounts for all years of service as a director, from deferrals of cash compensation and awards of retainer stock units, including additional deferred stock units credited as a result of dividend equivalents earned with respect to the deferred stock units: John H. Biggs, 25,116 units; John E. Bryson, 24,101 units; Linda Z. Cook, 8,859 units; William M.



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Daley, 1,955 units; Kenneth M. Duberstein, 25,857 units; John F. McDonnell, 14,145 units; Richard D. Nanula, 4,706 units; Rozanne L. Ridgway, 31,902 units; Mike S. Zafirovski, 6,021 units; and John M. Shalikashvili, 10,141 units.

- (10) The amount reported in the Option Awards column reflects the compensation costs for financial reporting purposes for the year under FAS 123R, rather than an amount paid to or realized by the director, for outstanding stock options held by the director that were granted in prior years. The award of stock options as an element of nonemployee director compensation was discontinued after 2004. The compensation costs for outstanding options held by directors other than Ms. Cook and Mr. Duberstein were reflected in prior year financial statements in accordance with FAS 123R because those directors were retirement-eligible (they were at least 62 years old and had at least one year of service with the Company). Assumptions used in the calculation of the compensation costs are included in Note 16 of the Company's audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 filed with the SEC on February 16, 2007 (the 2006 Form 10-K). As of December 31, 2006, the following directors had the following aggregate number of outstanding stock options: John H. Biggs, 17,400; John E. Bryson, 16,800; Linda Z. Cook, 3,000; Kenneth M. Duberstein, 17,400; John F. McDonnell, 17,400; and Rozanne L. Ridgway, 19,200.
- (11) The amount reported in the All Other Compensation column for each director reflects the following amounts in gift matching under the Board Member Leadership Gift Match Program, which matches dollar-for-dollar certain charitable contributions made by directors, with a maximum match of \$25,000 per director on an annual basis: Mr. Biggs, \$25,000; Mr. Bryson, \$25,000; Mr. Duberstein, \$50,000; and Mr. McDonnell, \$25,000. The amounts for Messrs. Bryson and McDonnell and \$25,000 of the amount for Mr. Duberstein reflect Company matches for gifts that were made by the director in 2005 but, due to administrative processing time, were paid by the Company in 2006.

**Cash Compensation**

In 2006, nonemployee directors received a cash Annual Board Retainer Fee of \$60,000 per year. The Lead Director received an additional annual retainer fee of \$15,000. Nonemployee directors who served as chairs of the Audit Committee and the Compensation Committee received an additional annual retainer fee of \$10,000, and nonemployee directors who served as chairs of the Governance, Organization and Nominating Committee, the Finance Committee and the Special Programs Committee received an additional retainer fee of \$5,000. The Company does not pay additional fees for attending Board or committee meetings. All retainer fees are paid quarterly, on the first day of January, April, July and October. The Company reimburses nonemployee directors for actual travel and out-of-pocket expenses incurred in connection with their services.

On August 28, 2006, the Governance, Organization and Nominating Committee completed a review of compensation for nonemployee directors. In performing this review, the Committee worked with an independent executive compensation consultant for advice and perspective regarding peer group practices (using the same companies that were used to benchmark executive compensation) and broader market trends. As a result of this review, the Committee recommended and the Board of Directors adopted an increase in the cash Annual Board Retainer Fee for nonemployee directors to \$75,000 per year, effective January 1, 2007. Additional retainer fees for the Lead Director and for committee chair positions and the other elements of the nonemployee director compensation program described below will remain the same in 2007 as they were in 2006.

**Deferred Compensation**

Nonemployee directors may defer all or part of their cash compensation into an interest-bearing cash-based account or as deferred stock units (an unfunded stock unit account) under the Company's Deferred Compensation Plan for Directors. The number of units is calculated by dividing the amount of the deferred fees by the Fair Market Value of Boeing stock on each of the four quarterly dates on which the Annual Board Retainer Fee is paid. Directors do not have the right to vote or transfer deferred stock units. Deferred stock units earn the equivalent of dividends, which are credited as additional deferred stock units and will be distributed as shares of Boeing stock after retirement or other termination of Board service. For the 2006 deferrals, the Fair Market Value on each of January 3, April 3, July 3 and October 2, 2006 was \$69.97, \$78.57, \$81.31 and \$79.56, respectively, and directors deferred cash compensation into deferred stock units as follows: John E. Bryson, \$60,000 for 778 units; Linda Z. Cook, \$60,000 for 778 units; William M. Daley, \$45,000 for 564 units; Kenneth M. Duberstein, \$85,000 for 1,095 units; Richard D. Nanula, \$60,000 for 778 units; Rozanne L. Ridgway, \$65,000 for 843 units; John M. Shalikashvili, \$8,125 for 110 units; and Mike S. Zafirovski, \$65,000 for 843 units.

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**Stock-Based Compensation**

Each nonemployee director who continues to serve as a director following each annual meeting is granted a retainer stock unit award, with the number of units equal to the number of shares of Boeing stock that could be purchased with an aggregate of \$130,000. The number of retainer stock units awarded is based on the Fair Market Value of Boeing stock on each of the four quarterly dates on which the Annual Board Retainer Fee is paid. For 2006, a total of 1,686 retainer stock units were awarded to each director, except William M. Daley, who received 1,376 units after joining the Board of Directors on February 26, 2006, and John M. Shalikhvili, who received 878 units before retiring on May 1, 2006. The retainer stock units are credited to the director's account (an unfunded stock unit account) in the Company's Deferred Compensation Plan for Directors and are immediately vested. Directors do not have the right to vote or transfer retainer stock units. Retainer stock units earn the equivalent of dividends, which are credited as additional retainer stock units. Retainer stock units will be distributed as shares of Boeing stock after retirement or other termination of Board service.

Before 2005, nonemployee directors received annual option grants, with an exercise price equal to the average of the Fair Market Values for the fifth through ninth business days following the date of grant, which was the date of the Annual Meeting for years prior to 2005. The options have a term of ten years and generally become exercisable in installments of one, three and five years after the date of grant. If a director's service is terminated due to retirement, disability or death, exercisability of the options will be accelerated.

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**2006 AUDIT COMMITTEE REPORT**

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The Audit Committee of the Board of Directors serves as the representative of the Board for general oversight of the Company's financial accounting and reporting, systems of internal control, audit process, and monitoring compliance with laws and regulations and standards of business conduct. The Board has adopted a written charter for the Audit Committee. Management of the Company has responsibility for preparing financial statements of the Company as well as for the Company's financial reporting process. Deloitte & Touche LLP, acting as independent auditor, is responsible for expressing an opinion on the conformity of the Company's audited financial statements with generally accepted accounting principles in the United States.

In this context, the Audit Committee hereby reports as follows:

- (1) The Audit Committee has reviewed and discussed the audited financial statements for fiscal year 2006 with the Company's management.
- (2) The Audit Committee has discussed with the independent auditors the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, *Communication with Audit Committees*.
- (3) The Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with the independent auditors, the independent auditors' independence.
- (4) Based on the review and discussion referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of Directors of the Company, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the Securities and Exchange Commission.

Each member of the Audit Committee meets the independence and financial literacy requirements of the SEC and the NYSE. Mr. Biggs and Mr. Nanula are the audit committee financial experts under SEC rules and have accounting or related financial management expertise and are independent under applicable NYSE listing standards.

Mr. Collins does not appear as a signatory to the Audit Committee Report because he was not a member of the committee in 2006.

*Audit Committee*

John H. Biggs, Chair

Linda Z. Cook

Richard D. Nanula

Mike S. Zafirovski

**Table of Contents****INDEPENDENT AUDITORS FEES REPORT**

The aggregate fees billed by Deloitte & Touche LLP, our independent auditors, in fiscal years 2006 and 2005 were as follows:

Services Rendered	Fees	
	2006	2005
Audit Fees(1)	\$ 31.5 million	\$ 28.3 million
Audit-Related Fees(2)	\$ 0.7 million	\$ 0.3 million
Total Audit and Audit-Related Fees	\$ 32.2 million	\$ 28.6 million
Tax Fees(3)	\$ 2.0 million	\$ 2.5 million

- (1) For professional services rendered for the audits of our 2006 and 2005 annual financial statements, and the reviews of the financial statements included in our Forms 10-Q for fiscal years 2006 and 2005. Includes fees for issuance of consents related to SEC filings and other statutory audits of \$2.2 million for 2006 and \$1.8 million for 2005.
- (2) For audits of employee benefit plans that file financial statements on Form 11-K with the SEC, accounting consultations, and audit procedures related to an asset divestiture.
- (3) For 2006 and 2005 tax services for non-U.S. tax compliance and planning, expatriate tax software and tax compliance, and other tax planning and preparation fees.

All of the above services (audit, audit-related and tax) are pre-approved by the Audit Committee (the Committee).

In addition, fees totaling \$1.3 million and \$1.4 million for fiscal years 2006 and 2005, respectively, have been paid to Deloitte & Touche LLP for employee benefit plan fees charged directly to the plan. Employee benefit plan fees charged directly to the plan do not require pre-approval of the Committee but were pre-approved in 2006.

The Committee has considered whether the provision of non-audit services is compatible with maintaining the independence of our independent auditors.

The Committee has adopted a policy governing its pre-approval of audit and non-audit services to be provided by the Company's independent auditor, Deloitte & Touche LLP, in order to facilitate compliance with the requirements of the Sarbanes-Oxley Act of 2002. Permitted audit services may include, among other things, audit, review or attest services required under the securities laws, opinions on the Company's financial statements and internal control systems and processes, comfort letters, and other services performed to fulfill the independent auditors' responsibility under generally accepted auditing standards. Permitted non-audit services may include, among other things, consultations and tax services.

Pursuant to this policy, the Office of the Corporate Controller will obtain the Committee's pre-approval of audit and non-audit services to be provided by the independent auditor on an annual basis. Committee pre-approval is also required for additional audit and/or non-audit services outside the scope of previously approved services in the event the fees for such additional services are equal to or greater than \$250,000. On a quarterly basis, the Office of the Corporate Controller will provide written updates to the Committee showing audit and non-audit services, the amount of audit and non-audit service fees incurred to date, and the estimated cost to complete such services.

**Table of Contents****SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth information regarding beneficial ownership of Boeing stock, as of February 28, 2007, of each director, the Company's Named Executive Officers, and directors and executive officers as a group, and also sets forth stock units and interests held pursuant to the Company's compensation and benefit plans or pursuant to a contract or arrangement. While these interests may not be transferred, some are vested.

All numbers are rounded to the nearest whole share. No family relationship existed among any of the directors or executive officers of the Company.

Directors and Nominees	Shares		Total(3)
	Beneficially		
	Owned(1)	Stock Units and Interests(2)	
John H. Biggs	49,130(4)(5)	25,480(6)	74,610
John E. Bryson	20,520(4)(7)	24,674(6)	45,194
Arthur D. Collins, Jr.*	0	0	0
Linda Z. Cook	1,700(4)	9,432(6)	11,132
William M. Daley	1,250(4)	2,528(6)	3,778
Kenneth M. Duberstein	20,780(4)	26,500(6)	47,280
John F. McDonnell	9,659,942(4)(8)	14,508(6)	9,674,450
Richard D. Nanula	2,000(4)(9)	5,280(6)	7,280
Rozanne L. Ridgway	25,441(4)	32,490(6)	57,931
Mike S. Zafirovski	0	6,608(6)	6,608
Named Executive Officers	Shares Beneficially Owned (1)	Stock Units and Interests (2)	Total (3)
W. James McNerney, Jr.**	440,979(4)	11,878(6)	452,857
James A. Bell	75,596(4)	46,528	122,124
James F. Albaugh	133,026(4)	130,505	263,531
Laurette T. Koellner	18,414(4)	118,938	137,352
Richard D. Stephens	18,542(4)	57,918	76,460
Alan R. Mulally***	166,868(4)	21,173	188,041
All directors and all executive officers as a group (25 persons)	10,789,496	973,979	11,763,475

\* Mr. Collins joined the Board on February 27, 2007, and did not own Boeing stock as of February 28, 2007.

\*\* Also serves as a director.

\*\*\* Mr. Mulally ceased to be an executive officer of the Company on September 5, 2006. His retirement pursuant to the Company's retirement policy was effective October 1, 2006.

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- (1) Consists of the aggregate total of shares of common stock held by the named individual either directly or indirectly, including 401(k) plan holdings, Employee Payroll Stock Ownership Plan of McDonnell Douglas Corporation ( PAYSOP ) shares and options exercisable within 60 days.
- (2) Consists of the aggregate total of any restricted stock units, Boeing Stock Units ( BSUs ), Career Shares, Matching Deferred Stock Units ( MDSUs ), retainer stock units or deferred stock units.
- (3) All persons listed as directors and nominees or Named Executive Officers own less than 1% of the Company s outstanding common shares as of February 28, 2007 except:

	<b>% of</b>
	<b>Outstanding</b>
	<b>Shares</b>
John F. McDonnell	1.22%
All directors and officers as a group (25 persons)	1.49%

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- (4) This includes the following shares with respect to which the following persons have the right to acquire beneficial ownership within 60 days of the date of this table by exercise of stock options.

	<b>Number of Shares Issuable</b>
James F. Albaugh	25,792
James A. Bell	29,440
John H. Biggs	14,520
John E. Bryson	13,920
Linda Z. Cook	1,200
William M. Daley	0
Kenneth M. Duberstein	14,520
Laurette T. Koellner	6,800
John F. McDonnell	14,520
W. James McNerney, Jr.	93,480
Alan R. Mulally	147,781
Richard D. Nanula	0
Rozanne L. Ridgway	13,920
Richard D. Stephens	9,520

- (5) This includes 30,000 shares held in the J. H. Biggs Revocable Trust, 2,710 shares held in the Biggs Family Charitable Foundation and 340 shares held in two trusts established for family members.
- (6) These numbers represent deferred stock units held under the Deferred Compensation Plan for Directors. All nonemployee directors receive part of their Board compensation in retainer stock units. In addition, they may choose to defer all or part of their cash compensation in the form of deferred stock units. See Director Compensation beginning on page 17.
- (7) This includes 1,600 shares held in trust for a member of Mr. Bryson's family.
- (8) Of the total shares shown, 3,814,648 shares are held in trusts of which Mr. McDonnell or his wife is a trustee for the benefit of members of the McDonnell family. Also included are 5,014,368 shares of Boeing stock held in two trusts of which Mr. McDonnell and his brother are co-trustees.
- (9) Represents shares held in a trust for Mr. Nanula's family.

**Table of Contents****SECURITY OWNERSHIP OF MORE THAN 5% SHAREHOLDERS**

The following table sets forth information regarding beneficial ownership of the owners of more than 5% of the outstanding Boeing stock as of December 31, 2006.

<b>Name/Address</b>	<b>Shares Beneficially Owned</b>	<b>Percent of Stock Outstanding</b>
State Street Bank and Trust Company ( State Street ) 225 Franklin Street Boston, Massachusetts 02110	85,293,207(1)	10.8%
AXA Assurances I.A.R.D. Mutuelle 1290 Avenue of the Americas New York, New York 10104	46,602,830(2)	5.9%

(1) Information is based on a Schedule 13G filed by State Street on February 12, 2007, as amended. State Street reports that on December 31, 2006, it had sole power to vote or direct the vote of 27,703,135 shares and sole power to dispose of or direct the disposition of no shares. It also reports that it shared voting power over 57,590,072 shares and shared dispositive power over 85,293,207 shares. State Street is the Trustee of the Company's Voluntary Investment Plan, a 401(k) retirement savings plan ( VIP ), the Company's BAO Voluntary Savings Plan ( BAO VSP ) and the PAYSOP. It has informed the Company that the shared voting and dispositive amounts reported include 56,622,460 shares held in the VIP trust, 175,112 shares held in the BAO VSP trust and 792,500 shares held in the PAYSOP trust, on December 31, 2006. The Trustee has dispositive power for the shares in the VIP trust, the BAO VSP trust and the PAYSOP trust to the extent necessary to follow valid instructions from participants regarding withdrawals, transfers or loans from such plans. Participants in the VIP, the BAO VSP and the PAYSOP may direct the Trustee how to vote their proportionate interest in those shares. Unallocated shares and allocated shares for which written instructions are not timely received by the Trustee are voted by the Trustee in the same manner and proportion as the allocated shares in the VIP stock fund, the BAO VSP stock fund and the PAYSOP stock fund for which voting instructions are timely received, unless contrary to applicable law.

(2) Information is based on a Sched