

June 7, 2017

Ms. Ruth M.S. Vetter  
Alternate Designated Agency Ethics Official  
Office of the General Counsel  
Department of Defense  
Washington, DC 20301

Dear Ms. Vetter:

The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Deputy Secretary of Defense.

As required by 18 U.S.C. § 208(a), I will not participate personally and substantially in any particular matter in which I know that I have a financial interest directly and predictably affected by the matter, or in which I know that a person whose interests are imputed to me has a financial interest directly and predictably affected by the matter, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2). I understand that the interests of the following persons are imputed to me: any spouse or minor child of mine; any general partner of a partnership in which I am a limited or general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

Within 90 days of my confirmation, I will divest my interests in the entities listed in Attachment A. With regard to each of these entities, I will not participate personally and substantially in any particular matter that to my knowledge has a direct and predictable effect on the financial interests of the entity until I have divested it, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2).

Upon confirmation, I will resign from my position with the University of Washington. For a period of one year after my resignation from this entity, I will not participate personally and substantially in any particular matter involving specific parties in which I know that entity is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d).

My employment with the Boeing Company will end on June 7, 2017. I will not participate personally and substantially in any particular matter involving specific parties in which I know the Boeing Company is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d), in a writing that describes the circumstances necessitating the authorization.

Following my departure from the Boeing Company, I will receive a lump sum annual cash incentive payment, as well as a cash performance award payment, for the work I performed up to the date of my departure from the Boeing Company. These payments will be pro-rated based on service time. These payments will be made within 30 days of leaving the Boeing Company, and are consistent with payments made to other departing Boeing executives. The Boeing Company will use an objective formula to calculate these payments. If these payments are not made before I assume the duties of Deputy Secretary of Defense, they will be forfeited. I will also receive payment for accrued vacation that I have not used, consistent with company practice for departing employees. If I begin my service as Deputy Secretary of Defense prior to receiving this payment, I will not participate personally and substantially in any particular matter that to my knowledge has a direct and predictable effect on the ability or willingness of the Boeing Company to make this payment to me, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1).

I own shares of Boeing Company common stock. I also own vested and unvested Restricted Stock Units (RSUs) in the Boeing Company. Following the date my employment with the Boeing Company ends, unvested RSU awards will vest on a pro rata basis based on service time, pursuant to stated company policy. Unvested Supplemental RSUs and unvested Career Shares will vest in full. Performance Based Restricted Stock Units (PBRs) will vest pro rata based on service time, with payment awarded at target performance for the periods February 2015 – February 2018, February 2016 – February 2019, and February 2017 – February 2020. The Boeing Company will distribute all RSUs to me within 30 days of my separation from the Boeing Company. If the RSUs are not distributed to me before I assume the duties of Deputy Secretary of Defense, they will be forfeited. Within 90 days of my confirmation, I will divest all of my common stock in the Boeing Company. Until I have divested all of these financial interests, I will not participate personally and substantially in any particular matter that to my knowledge has a direct and predictable effect on the financial interests of the Boeing Company, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2).

I also own vested stock options for shares of Boeing Company common stock. I do not own unvested stock options. Within 90 days of my confirmation, I will divest my vested stock options in the Boeing Company. If I divest the stock options by exercising them, I will divest the resulting stock within 90 days of my confirmation. Until I have divested all of these financial interests, I will not participate personally and substantially in any particular matter that to my knowledge has a direct and predictable effect on the financial interests of the Boeing Company, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2).

I participate in the Boeing Company Deferred Compensation and Supplemental Benefit plans, which include Boeing stock. Upon my departure from the Boeing Company, I will receive lump sum payouts of these plans within 30 days of my separation. If these payments are not made before I assume the duties of Deputy Secretary of Defense, they will be forfeited.

As a retirement eligible executive of the Boeing Company, I am entitled to continued participation in retiree benefits, consisting of two defined benefit plans, health insurance and life insurance, charitable matching contributions for the rest of my life, and tax preparation services

for the 2017 tax year, consistent with the corporation's practice for departing executives. Therefore, I will not participate personally and substantially in any particular matter that to my knowledge has a direct and predictable effect on the ability or willingness of the Boeing Company to provide these contractual benefits, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1).

If I have a managed account or otherwise use the services of an investment professional during my appointment, I will ensure that the account manager or investment professional obtains my prior approval on a case-by-case basis for the purchase of any assets other than cash, cash equivalents, investment funds that qualify for the exemption at 5 C.F.R. § 2640.201(a), obligations of the United States, or municipal bonds.

I will meet in person with you during the first week of my service in the position of Deputy Secretary of Defense in order to complete the initial ethics briefing required under 5 C.F.R. § 2638.305. Within 90 days of my confirmation, I will document my compliance with this ethics agreement by notifying you in writing when I have completed the steps described in this ethics agreement.

I understand that as an appointee I will be required to sign the Ethics Pledge (Exec. Order No. 13770) and that I will be bound by the requirements and restrictions therein in addition to the commitments I have made in this ethics agreement.

I understand that I may be eligible to request a Certificate of Divestiture for qualifying assets and that a Certificate of Divestiture is effective only if obtained prior to divestiture. Regardless of whether I receive a Certificate of Divestiture, I will ensure that all divestitures discussed in this agreement occur within the agreed upon timeframes and that all proceeds are invested in non-conflicting assets.

I have been advised that this ethics agreement will be posted publicly, consistent with 5 U.S.C. § 552, on the website of the U.S. Office of Government Ethics with ethics agreements of other Presidential nominees who file public financial disclosure reports.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick M. Shanahan". The signature is fluid and cursive, with the first name "Patrick" being the most prominent.

Patrick M. Shanahan

**ATTACHMENT A**

- 1 AbbVie (ABBV)
- 2 Accenture (ACN)
- 3 Alfa Laval ADR (ALFVY)
- 4 Allele Inc (ALE)
- 5 Ashtead Group ADR (ASHTY)
- 6 Assa Abloy ADR (ASAZY)
- 7 Astrazeneca PLC (AZN)
- 8 Atlas Copco ADR (ATLKY)
- 9 Avery Dennison (AVY)
- 10 BAE Systems ADR (BAESY)
- 11 Baxter International (BAX)
- 12 Bayer ADR (BAYRY)
- 13 BBA Aviation ADR (BBAVY)
- 14 Berkshire Hathaway Class B (BRKB)
- 15 Boeing Company (BA) (including the Boeing  
Stock Fund)
- 16 BP PLC (BP)
- 17 CA Inc. (CA)
- 18 CACI International (CACI)
- 19 Coherent (COHR)
- 20 Compass Group ADR (CMPGY)
- 21 CSL LTD ADR (CSLLY)
- 22 Cummins Inc (CMI)
- 23 Dassault Systems ADR (DASTY)
- 24 Edison International (EIX)
- 25 Edwards Lifesciences (EW)
- 26 Electronics For Imaging (EFII)
- 27 Emcor (EME)
- 28 Emerson Electric (EMR)
- 29 Enersys (ENS)
- 30 Entergy Corp (ETR)
- 31 Fastenal (FAST)
- 32 Fresenius SE&KGAA ADR (FSNUY)
- 33 General Motors (GM)
- 34 GlaxoSmithKline (GSK)
- 35 Globus Medical (GMED)
- 36 Granite Construction (GVA)
- 37 Grifols SA ADR (GRFS)
- 38 Home Depot (HD)

39	Informa ADR (IFJPY)
40	Integra Lifesciences (IART)
41	Intel Corp (INTC)
42	International Business Machines (IBM)
43	Iridium Communications (IRDM)
44	KDDI Corp (KDDIY)
45	Komatsu ADR (KMTUY)
46	Korn/Ferry Intl (KFY)
47	L3 Technologies (LLL)
48	Linde AG ADR (LNEGY)
49	Matson (MATX)
50	Medtronic (MDT)
51	Mercury Systems (MRCY)
52	Merit Medical (MMSI)
53	Microsemi (MSCC)
54	Mitsui & Co ADR (MITSY)
55	Morgan Stanley (MS)
56	Motorola Solutions (MSI)
57	Nestle SA ADR (NSRGY)
58	Novartis AG (NVS)
59	Omnicell (OMCL)
60	Orbital ATK (OA)
61	Park24 Company LTD ADR (PKCOY)
62	Pfizer (PFE)
63	POSCO (PKX)
64	Procter & Gamble (PG)
65	Qualcomm Incorporated (QCOM)
66	Roche Holdings (RHHVF)
67	Roche Holdings Limited ADR (RHHBY)
68	Royal Dutch Shell (RDS/A)
69	Royal Dutch Shell ADR (RDSA)
70	SAP SE (SAP)
71	Shire ADR (SHPG)
72	Sinclair Broadcast (SBGI)
73	SK Telecom LTD (SKM)
74	Sonova Holdings ADR (SONVY)
75	Sony Corporation (SNE)
76	Stamps.com (STMP)
77	Sysco (SYY)
78	Sysmex ADR (SSMXY)
79	Total SA (TOT)

- 80 Total System Services (TSS)
- 81 Tyson Foods (TSN)
- 82 United Rentals (URI)
- 83 Valero Energy (VLO)
- 84 Verisk Analytics (VRSK)
- 85 Wolters Kluwer ADR (WTKWY)
- 86 Wolverine Worldwide (WWW)
- 87 WPP PLC ADR (WPPGY)