

NOV 20 2006

Honorable William J. Haynes II
General Counsel and
Designated Agency Ethics Official
Office of the General Counsel
Department of Defense
1600 Defense Pentagon
Washington, DC 20301-1600

RE: Actions to Avoid Potential Conflicts of Interest

Dear Mr. Haynes:

Upon confirmation by the United States Senate to the position of Secretary of Defense, I will take the following actions to avoid potential conflicts of interest or the appearance of conflicts of interest.

DIVESTITURE

Within 90 days of my appointment, I will divest my stock in the following company that may do business with the Department of Defense in the near future:

NACCO Industries, Inc.

If applicable, I will request a Certificate of Divestiture from the U.S. Office of Government Ethics. Until divestiture is complete, I will not participate personally and substantially in any particular matter that would have a direct and predictable effect on the financial interests of NACCO. In addition, if any other company in which I am invested enters into a contract with the Department of Defense, I understand that I will be required to divest that interest. I will consult with you before divesting any interest to discuss whether I may be eligible for a Certificate of Divestiture.

STOCK OPTIONS

I currently have stock options with the following companies: Parker Drilling and Brinker International. Upon my resignation from positions in each of these companies, I will forfeit my unvested stock options in each company.

OTHER POSITIONS HELD OUTSIDE THE U.S. GOVERNMENT

After confirmation, but not later than 30 days after appointment, I will resign from my positions with the following entities:

<u>Entity</u>	<u>Position</u>
Committee on Scientific Communication and National Security	Co-Chair
Texas A&M University	President
Fidelity Investments	Chairman, Board of Trustees
NACCO Industries	Member, Board of Directors
Brinker International, Inc.	Member, Board of Directors
Parker Drilling Company	Member, Board of Directors
American Council on Education	Member, Board of Directors
National Association of State Universities and Land-Grant Colleges	Member, Board of Directors
United Way of Brazos Valley	Member, Board of Directors
Boy Scouts of America	Member, Board of Directors
National Eagle Scout Association	President
The Mitchell Group, Inc.	Consultant
Washington Speaker's Bureau	Speaker

Consistent with 18 U.S.C. 208, until my resignation from these organizations is effective, I will not participate personally and substantially in any particular matter that would have a direct and predictable effect on the financial interests of any of the following entities from which I have not yet resigned: Texas A&M University; Fidelity Investments; NACCO Industries; Brinker International, Inc.; Parker Drilling Company; American Council on Education; National Association of State Universities and Land-Grant Colleges; United Way of Brazos Valley; Boy Scouts of America; the National Eagle Scout Association; and the Mitchell Group. In addition, I will not accept compensation from any of these entities for any services rendered on or after the date of my appointment. Until I receive any outstanding payments from these entities for services provided, I will not participate personally and substantially in any particular matter that would have a direct and predictable effect on the ability or willingness of any of these entities to make such a payment to me, 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 will retain my position as a member of BLO Family Properties, LLC, which is an unpaid position. As required by 18 U.S.C. 208(a), I will not participate personally and substantially in any particular matter that would have a direct and predictable effect on the financial interests of BLO Family Properties, LLC, unless I first obtain a written waiver, pursuant to section 208(b)(1), or qualify for a regulatory exemption, pursuant to section 208(b)(2).

As defined in 5 C.F.R. 2635.502(b)(1)(iv), I will have a "covered relationship" with Texas A&M University where I am currently the President. Therefore, for a period of one year from the date of my resignation from Texas A&M University, I will not participate personally and substantially in any particular matter involving specific parties in which Texas A&M University is a party or represents a party, unless I am authorized under 5 C.F.R. 2635.502(d).

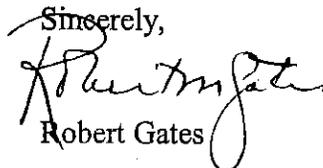
As defined by section 2635.502(b)(1)(iv) of title 5 of the Code of Federal Regulations, I will also have "covered relationships" with Fidelity Investments, NACCO Industries, Brinker International, Inc., Parker Drilling Company, American Council on Education, National Association of State Universities and Land-Grant Colleges, United Way of Brazos Valley, Boy Scouts of America, the National Eagle Scout Association, the Mitchell Group, Temple Inland, National Pest Management and Mellon Financial for one year following the last date of service with each of these organizations. Therefore, for a period of one year from the date of my resignation from each of these organizations, where circumstances would cause a reasonable person with knowledge of the relevant facts to question my impartiality, I will not participate personally and substantially in any particular matter involving specific parties in which any of the entities listed in this paragraph is a party or represents a party, unless I am authorized under 5 C.F.R. 2635.502(d).

TEXAS A& M 457(f) PLAN

As set out in the letter signed by the Chairman and Ranking Member of the Senate Committee on Armed Services dated September 23, 2005, I agree that prior to acting in any particular matter that is likely to have a direct, predictable, and substantial effect on the financial interest of Texas A&M, I will consult with my Designated Agency Ethics Official, and will not act in the matter unless that official determines that the interest of the Government in my participation outweighs any appearance of impropriety, and issues a written determination authorizing my participation. I understand that such an authorization does not constitute a waiver of 18 U.S.C. 208 and does not affect the applicability of that section.

OTHER

I am aware of the requirements of the Federal criminal statute, 18 U.S.C. 208, concerning my financial interests and financial interests imputed to me, as well as the executive branch impartiality regulations contained in Subpart E of 5 C.F.R. part 2635. I understand that I am personally responsible for being aware of my financial interests. Further, should I have any questions as to the application of any of the conflict of interest statutes or regulations to a specific asset or situation, I recognize the need to immediately seek advice from you.

Sincerely,

Robert Gates