

December 31, 2014

Honorable Stephen W. Preston  
General Counsel and  
Designated Agency Ethics Official  
Office of the General Counsel  
1600 Defense Pentagon  
Department of Defense  
Washington, DC 20301

Dear Mr. Preston:

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 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.

Upon confirmation, I will resign from my positions with Stanford University, Markle Foundation, Box, Inc., and Palo Alto Networks, Inc. For a period of two years from the date of my appointment, I will not participate personally and substantially in any particular matter involving specific parties in which any of these entities is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d) and Section 3 of Executive Order 13490.

My spouse is employed by ABS Capital Partners, Inc. (ABS), a venture capital partnership. Although she is an investor in separate funds ABS has established, she has no equity interest in ABS. I will not participate personally and substantially in any particular matter that to my knowledge has a direct and predictable effect on my spouse's employment with, or compensation from, ABS, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1). I also will not participate personally and substantially in any particular matter involving specific parties in which I know ABS is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d).

Through her employment with ABS, my spouse serves as a member or partner of separate funds that ABS establishes to invest in small private companies with potential for growth. The fund agreements require my spouse to make capital commitments before the funds invest in the companies. She does not know what companies they will choose at the time that she makes these commitments, nor does she have any input into their decisions regarding purchases or sales of investments. After making her commitments, my spouse is contractually locked into the funds until they wind down. Shortly before investing in companies, the funds call her capital commitments and notify her of the anticipated investments. Upon my spouse's receipt of this notice, I will promptly notify the Standards of Conduct Office to determine if any company is on the DoD contractor list or poses a conflict of interest with my duties as Secretary. Any such entity will be added to my screening arrangement for as long as the fund holds the entity. Two current holdings of these funds, ISO Group and Athletes' Performance, are on the DoD contractor list and are included in my screening arrangement. Accordingly, for as long as my spouse owns these 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 either of these entities, 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). In addition, with regard to each of my spouse's funds, 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 that fund or its underlying assets, 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).

In order to comply with the requirements of the Senate Armed Services Committee with regard to the prohibition on holding stock in companies identified on the Department of Defense contractor list, with the exception of my spouse's ABS funds, neither my spouse nor I will maintain investments in any company identified in the contractor list during my appointment. In addition, if any other company in which my spouse or I invest later enters into a contract with the Department of Defense, I understand that we will be required to divest our interests in that company. I understand that we 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. I understand that we must divest such assets whether or not we receive a Certificate of Divestiture.

I understand that as an appointee I am required to sign the Ethics Pledge (Exec. Order No. 13490) 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 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,



Ashton B. Carter