

EXHIBIT 1

Air Force Times

May 22, 2006 Monday

Druyun still entitled to federal pension; Former Air Force official went to prison for favoring Boeing in contracts

BYLINE: By Laura M. Colarusso; Times staff writer

SECTION: NEWSLINES; Pg. 12

LENGTH: 480 words

Darleen Druyun, the former Air Force contracting official who went to prison for defrauding the government for her own gain, is receiving a federal pension.

Air Force officials and a spokesman for the Office of Personnel Management, the agency that oversees federal employees, confirmed that Druyun collects her government retirement benefits, although they declined to say how much she receives annually.

Druyun admitted to improperly favoring The Boeing Co. in four contracts she negotiated on behalf of the Air Force in exchange for personal favors, including a job for herself. She pleaded guilty in April 2004 to a fraud charge and served a nine-month prison sentence, which ended in September.

Unless an employee commits treason or another act that harms national security, it is not unusual for them to keep their pensions, said Air Force spokeswoman Jennifer Stephens. The system is set up that way to protect civil servants from the whims of political appointees.

"A retired federal employee will forfeit his or her retirement pay only if the forfeiture is authorized by law," Stephens said in a written statement. "The offenses to which Ms. Druyun pleaded guilty concern taking official actions that could impact personal financial interests and are not among the offenses listed" in U.S. law.

Druyun's actions led to congressional hearings, multiple investigations and calls for acquisition reform. Air Force, Pentagon and congressional officials have reviewed billions of dollars' worth of contracts handled by Druyun and have found anomalies in several that required further scrutiny.

Former top negotiator

Druyun worked as one of the service's top negotiators for more than a decade before she left in November 2002 to become deputy general manager for missile defense systems at Boeing.

She inflated the price of a now-defunct \$23 billion deal to lease aerial refueling tankers as a "parting gift to Boeing" because she wanted to curry favor with her future employer, a U.S. District Court document states.

The document also revealed that Druyun admitted giving Boeing a \$4 billion deal in 2001 to upgrade computer systems on the C-130 cargo aircraft because the company gave jobs to her daughter and future son-in-law. She told court officials that Boeing might not have won the contract in a fair competition.

In 2002, Druyun steered a \$100 million contract to Boeing for the restructuring of NATO's Airborne Early Warning and Control program.

As part of her plea agreement, she acknowledged that she "believed a lower amount to be an appropriate settlement and she did not act in the best interest of the United States and NATO," according to the document.

Two years earlier, she negotiated a contract clause worth \$412 million with Boeing for the C-17 cargo aircraft while she sought employment for her daughter's boyfriend.

LOAD-DATE: May 31, 2006

EXHIBIT 2

Los Angeles Times

February 15, 2005 Tuesday
Home Edition

Pentagon Probe Flags 8 Deals; A panel finds the pacts questionable in a review of contracts overseen by former official Druyun.

BYLINE: Peter Pae, Times Staff Writer

SECTION: BUSINESS; Business Desk; Part C; Pg. 1

LENGTH: 715 words

A Pentagon probe of more than 400 contracts overseen by disgraced Air Force official Darleen Druyun found eight deals that were questionable, including four awarded to Boeing Co., a top Defense Department official said Monday.

The special panel that reviewed the contracts didn't unearth any wrongdoing, though it did ask the Pentagon's inspector general to review the eight awards, which it described as deviating from "general contracting procedures."

"Some of these contract issues may have been OK and very innovative," said Michael Wynne, the Pentagon's acting acquisition chief. "Some could have been bad. We don't know ... because they seemed to be out of the normal process."

The panel's findings were presented to the Senate Armed Services Committee on Monday. Wynne provided a summary to reporters.

The Pentagon review was prompted by Druyun's admission last fall that she discussed taking a job with Boeing while she was negotiating a \$23-billion deal to buy aerial refueling tankers from the company. She also admitted that she favored Boeing on several other multibillion-dollar deals because the company had given her daughter and son-in-law jobs.

Wynne ordered a detailed review of Druyun's nine-year tenure as a key weapons buyer for the Air Force as rival defense companies filed protests over contracts that Druyun awarded to Boeing. The 35-member panel pored over 407 contracts that Druyun oversaw, handled or processed during her tenure, Wynne said.

The panel was led by the deputy director of the Defense Contracts Management Agency and Army and Navy officers, plus civilian counterparts at the Pentagon, Wynne said.

They looked for contracts that were "sped up, interrupted or unduly influenced" by Druyun, he said. The eight "questionable" contracts ranged in value from \$42 million to \$1.5 billion. Four were awarded to Chicago-based Boeing, two to Lockheed Martin Corp. and one each to Andersen Consulting and Systems & Electronics Inc.

The Boeing contracts included a \$1.5-billion maintenance contract for KC-135 aerial refueling tankers and a \$335-million deal to design a microwave sensor for a weather satellite.

Boeing and Lockheed said they would cooperate with any investigation.

Druyun retired from the Air Force in 2002 and accepted a \$250,000-a-year job with Boeing after having been recruited by then-Boeing Chief Financial Officer Michael Sears. Boeing fired Druyun and Sears after the company uncovered their improper job talks. Druyun is serving a nine-month sentence. Sears, who pleaded guilty to illegally offering a job to Druyun, is scheduled to be sentenced Friday. He isn't expected to implicate any other Boeing executives, sources said.

Boeing, the largest private employer in Southern California with 36,000 workers, could get good news later this week when the Government Accountability Office is expected to agree with the company that two military contracts being protested by competitors were awarded properly.

Analysts said the findings made public Monday might represent a boost for Boeing, which has been trying to emerge from the shadows of a series of ethics scandals. "This is as close as you'll get to a clean bill of health," said James McAleese, a defense contracts attorney.

Wynne said the panel found no evidence of foul play by any other Pentagon officials, nor did it turn up any anomalies involving Boeing former CFO Sears. "Beyond the hiring, we found no undue influence by Mr. Sears," he said.

Wynne suggested the questionable contracts might have occurred because Druyun was allowed to amass significant authority with little oversight as a result of high turnover and delays in congressional confirmations. This may have led to a little-noticed effort by her to speed up the acquisition process.

During her time at the Pentagon, Druyun was temporarily elevated to acquisition chief four times.

Moreover, Druyun advocated closer collaboration with defense contractors in developing weapons systems and suggested money-saving steps such as buying off-the-shelf commercial products.

In a briefing to Air Force officials in 2001, Druyun told of her views on reforming the Pentagon's cumbersome contract regulations. "The law is the law," she said, "but too often we are slaves to processes and rules we all know should be rewritten or discarded."

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EXHIBIT 3

Chicago Tribune

February 19, 2005, Saturday

Former Boeing finance chief gets 4-month sentence

BYLINE: By Stephen J. Hedges

LENGTH: 870 words

ALEXANDRIA, Va.--The former chief financial officer of Boeing Co. was sentenced Friday to four months in prison and fined \$ 250,000 for violating a federal conflict-of-interest law by arranging a job at the company for a Pentagon official who had influence over the company's defense contracts.

"You are a person who had everything," U.S. District Judge Gerald Bruce Lee told 57-year-old Michael Sears, once believed to be in line to become chief executive of Chicago-based Boeing. "And in the blink of an eye, you jeopardized everything."

Sears, dressed in a charcoal, chalk-striped suit, white shirt and blue tie, told Lee, "I take full responsibility for the bad decision I made on the 17th of October" 2002, the first day that he met with Air Force official Darleen Druyun to discuss a job at Boeing. "I know what I did was wrong. I would like to apologize to the Air Force, to the Department of Defense and the citizens of this country."

On Friday the U.S. Attorney's office here disclosed that the Pentagon is conducting a review of all instances in which senior Defense Department officials left government service to take jobs with defense contractors during the last four years.

The review, said Joseph McMillan, the special agent in charge of the Defense Criminal Investigative Service's Mid-Atlantic office, will seek to determine whether other defense officials failed to follow rules that require them to disclose job discussions with companies doing business with the Pentagon.

The review, McMillan said, was prompted by the circumstances surrounding Boeing's decision in late 2002 to hire Druyun, who had served as the Air Force's principal deputy assistant secretary for acquisition and management. Sears played an instrumental role in arranging the job for Druyun.

James Streicker, Sears' Chicago attorney, said he was "disappointed" with the sentence.

"I don't think he was scapegoated," Streicker said. "He made a mistake and is being punished for his mistake."

U.S. Atty. Paul McNulty said that Sears also must perform 200 hours of community service.

McNulty said the investigation into dealings between the Air Force and Boeing is continuing.

In a statement Friday, Doug Bain, Boeing's senior vice president and general counsel, said, "Today's action brings this matter one step closer to closure. The Boeing Co. has provided information every step of the way to support the government's ongoing review of Darleen Druyun-related procurements and to achieve our mutual goal to finally resolve this matter."

Sears pleaded guilty in November to negotiating a job at Boeing for Druyun during the fall of 2002, even though he knew that she had not removed herself from Air Force discussions involving Boeing's business, as required by Defense Department rules. That business included a \$ 23.5 billion proposal to lease 100 converted Boeing 767s aircraft to fly as Air Force refueling tankers.

The deal faltered after critics in Congress and watchdog groups questioned the exclusive arrangement with Boeing. The Defense Department has said that any new purchase would occur through a competitive bidding.

Druyun's prospects at Boeing were broached in August 2002, when during a visit to the company's headquarters she mentioned that she was considering her retirement from the government, said Assistant U.S. Atty. Robert Wiechering.

The job discussion began in earnest a month later, he said, when Druyun's daughter e-mailed Sears and suggested that her mother was in the job market.

Sears earlier had helped arrange a job at Boeing for Druyun's daughter, as well as for her daughter's boyfriend, at Druyun's request.

Druyun's daughter and Sears exchanged e-mails, and Sears eventually met with Druyun on Oct. 17, 2002, at the Orlando airport. Druyun told Sears about a potential job with rival defense contractor Lockheed Martin Corp., and the two then talked about a Boeing job that would pay her \$ 250,000 a year plus a signing bonus of up to \$ 50,000.

At sentencing, Ted Poulos, one of Sears' lawyers, called the Oct. 17 meeting, "one bad decision on the spur of the moment. He's lost millions and millions of dollars and has suffered grave shame and humiliation. He was at the very top."

On Oct. 18, 2002, Sears sent an e-mail summary of what he called his "non-meeting" with Druyun to other executives who were then members of Boeing's Office of the Chairman: Chief Executive Phil Condit; chief technology officer David Swain and Laurette Koellner, head of human resources. The e-mail also went to the head of Boeing's defense business, James Albaugh, according to prosecutors.

Druyun retired from the Air Force on Nov. 14, 2002, and joined Boeing in January 2003 as deputy general manager for missile defense systems. She and Sears were fired in November of that year for violating Boeing's ethics rules. Condit resigned in early December 2003.

Druyun was sentenced in October to nine months in prison, a term she is now serving. Sears was allowed to remain free until a date is set for his imprisonment.

To see more of the Chicago Tribune, or to subscribe to the newspaper, go to <http://www.chicagotribune.com>.

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EXHIBIT 4

GOVEXEC.COM

DAILY BRIEFING

October 1, 2004

Ex-Pentagon procurement executive gets jail time

By George Cahlink
gcahlink@govexec.com

Darleen Druyun, former No. 2 acquisition executive for the Air Force, was sentenced to nine months in prison on Friday for negotiating a job with Boeing at the same time she was involved in contracts with the company, the nation's second-largest Defense contractor.

Druyun, 56, will serve nine months at a minimum security prison and another seven months at a halfway house or on home detention. She also was fined \$5,000 and ordered to perform 150 hours of community service. Sentencing guidelines could have required Druyun to serve up to 16 months in prison.

Federal District Court Judge T.S. Ellis called the "stain of this offense very severe," particularly while the nation was at war. Ellis agreed to allow Druyun to serve her sentence in South Carolina, where she plans to retire with her husband.

As part of the [plea agreement](#), Druyun admitted that she did "favor the Boeing Company in certain negotiations as the result of her employment negotiations and other favors provided by Boeing to the defendant." Previously, Druyun had admitted to negotiating a post-government job with Boeing, but steadfastly maintained that she had never favored them at the negotiating table.

Prosecutors said Druyun admitted to favoring the defense contractor after failing a lie detector test this summer. She also confessed to altering a personal journal to make it appear that there were no conflicts with Boeing.

Druyun's plea agreement outlined four specific contract negotiations where she favored Boeing:

- Druyun agreed to a higher price than appropriate for a proposed deal to lease 100 tanker planes from Boeing, which she called "a parting gift" to her future employer. She also shared a competitor's proprietary data with Boeing.

- In 2002, Druyun awarded \$100 million to Boeing as part of a restructuring of the NATO Airborne Warning and Control System contract. She said the payment could have been lower, but she favored Boeing because her daughter and son-in-law worked there and she was considering work there as well.
- In 2001, Druyun oversaw a \$4 billion award to Boeing to modernize the avionics on C-130 J aircraft. She admitted she favored Boeing over four competitors because the company had given her son-in-law a job.
- In 2000, Druyun agreed to pay \$412 million to Boeing as a settlement over a clause in a C-17 aircraft contract. She admitted to favoring the payment because her son-in-law was seeking a job with Boeing.

Officials with the watchdog group Project for Government Oversight lauded the conviction.

"The Druyun case is offering an unusual view of just how cozy the Pentagon and defense contractors have become," said POGO Senior Defense Investigator Eric Miller. "Her supplemental plea filed with the federal court on Friday details an even sleazier story than we could have imagined."

"The Pentagon has been saying Ms. Druyun was a tough negotiator," Miller continued. "Ironically, while she was working for the Air Force, as we initially suspected, she was actually negotiating on behalf of Boeing."

The Defense Department and Air Force already are investigating several deals Druyun brokered, including the AWACS settlement, and lawmakers have put the tanker lease deal on hold. Druyun's admission is likely to lead to sweeping reviews of other Boeing contracts she oversaw over about a decade as one of the service's top weapon buyers.

This document is located at <http://www.govexec.com/dailyfed/1004/100104g1.htm>

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EXHIBIT 5

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA)
)
 v.) CRIMINAL NO. 04-150-A
)
DARLEEN A. DRUYUN,)
Defendant.)

SUPPLEMENTAL PLEA AGREEMENT

Paul J. McNulty, United States Attorney for the Eastern District of Virginia, Robert W. Wiechering, Assistant United States Attorney, the defendant, Darleen A. Druyun, and the defendant’s counsel have entered into a Supplemental Plea Agreement pursuant to paragraph 14 of the original plea agreement (hereinafter plea agreement) in criminal case 04-150-A. The terms of the Supplemental Agreement are as follows:

1. The defendant agrees and stipulates that she breached the plea agreement by not providing full, complete and truthful cooperation as required by paragraph 11 of the plea agreement. The Supplemental Statement of Facts filed with this Supplemental Plea Agreement outlines the nature of that breach and constitutes a stipulation of facts for purposes of Section 1B1.2(a) of the Sentencing Guidelines.

2. The defendant agrees that the United States is entitled to exercise it’s remedies for the defendant’s breach under the provisions of paragraph 13 of the plea agreement and as set forth in the Supplemental Plea Agreement.

3. Notwithstanding paragraph 10 of the plea agreement, the defendant agrees that the government may use information provided by her under the provisions of the plea agreement to enhance the defendant's guidelines range. Further, the defendant agrees to waive the provisions of the proffer agreement with the government dated November 25, 2003 and agrees to permit the government to use the information and statements provided by her to the government in this criminal case.

4. The parties agree to the preparation of a revised Presentence Report in this case and further agree to the following guideline calculation in this case:

- a. A base level of 6 under the provisions of § 2C1.3(a) and a 4-level increase for actual or planned harm to the government under the provisions of § 2C1.3(b).
- b. An increase of 2 levels in the offense level pursuant to the provisions of § 3C1.1 Obstructing or Impeding the Administration of Justice.
- c. No reduction for acceptance of responsibility under the provisions of § 3E.1.
- d. This results in an offense level total of 12, Criminal History Category I, and a sentencing range of 10-16 months. The defendant agrees that there exists no mitigating circumstances of a kind, or to a degree, not adequately taken into consideration by the Sentencing Commission in formulating the Guidelines that should result in a sentence different from the range determined by the court. Accordingly the defendant agrees not to seek or support any downward departure from the applicable guideline range.

5. Waiver of Right to Jury Trial on Sentencing Factors.

The defendant also waives the right to have facts that determine the offense level under the Sentencing Guidelines (including facts that support any specific offense characteristic or other enhancement or adjustment) (1) charged in the indictment, (2) proven to a jury, or (3) proven beyond a reasonable doubt. The defendant explicitly consents to be sentenced pursuant to the applicable Sentencing Guidelines, to have the sentence based on facts to be established by a preponderance of the evidence before the sentencing judge, and to allow the court to consider any reliable evidence without regard to its admissibility at trial. The defendant explicitly acknowledges that her plea to the charged offense authorizes the Court to impose any sentence that is authorized by the Sentencing Guidelines up to and including the maximum sentence set forth in the United States Code. The defendant also waives all challenges to the constitutionality of the Sentencing Guidelines.

6. In all other respects the plea agreement between the defendant and the United States remains in full force and effect.

Paul J. McNulty
United States Attorney

By: _____
[Robert W. Wiechering](#)
Assistant United States Attorney

APPROVED:

[John Klein](#)
Assistant United States Attorney
Supervisor Fraud Unit

Date of Approval:

_____ Defendant's Signature: I have read this Supplemental Plea Agreement and carefully reviewed every part of it with my attorney. I understand this agreement and voluntarily agree to it.

Date: _____
_____ Darleen A. Druyun
_____ Defendant

_____ Defense Counsel Signature: I am counsel for the defendant in this case. I have carefully reviewed every part of this plea agreement with the defendant. To my knowledge, the defendant's decision to enter into this agreement is an informed and voluntary one.

Date: _____
_____ John M. Dowd
_____ Counsel for the Defendant