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Boeing to Plead Guilty to Fraud for Violating Deal Over 737 Max Crashes

- Planemaker to install monitor, pay fine as part of DOJ pact
- Prosecutors had found company failed to comply with 2021 deal



WATCH: Boeing has agreed to plead guilty to criminal conspiracy to defraud the US. Danny Lee reports. *Source: Bloomberg*

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Boeing Co. will plead guilty to criminal conspiracy in connection with two fatal crashes of its 737 Max jetliner, an agreement that disgraces the storied US planemaker as a felon but avoids a bruising courtroom confrontation as it tries to rebound from multiple crises.

Under the agreement with US prosecutors, Boeing faces a criminal fine of as much as \$487.2 million – the maximum allowed by law – though the actual amount will be determined by a judge, according to the Justice Department. The DOJ asked the judge to credit Boeing for the prior fine it paid, which would bring the new penalty down to \$243.6 million, if approved.

The company will install a corporate monitor and be required to spend at least \$455 million to bolster its compliance and safety programs over the

next three years as part of the deal, which requires court approval. It would also be subject to a period of court-supervised probation.

What Happened to Boeing?



WATCH: What Happened to Boeing?

The Justice Department determined in May that Boeing breached a 2021 deferred-prosecution agreement tied to the crashes that was struck in the waning days of the Trump Administration. That followed the blowout of a fuselage panel on a 737 Max 9 on Jan. 5, just days before the deal was set to expire.

The guilty plea marks a low point in the company's century-long history after years of turmoil sparked by two crashes of its 737 Max aircraft in 2018 and 2019 that killed 346 people. The agreement also has the potential to complicate Boeing's interaction with the government as a major defense contractor and builder of the presidential aircraft, though the company is likely to seek a waiver or turnaround that allows it to keep doing business in those areas.

On the other hand, the deal stands to spare Boeing from the distraction of a criminal trial at a time when its finances are in disarray and its leadership is in limbo. The US company has been in crisis mode throughout the past six months after a near-catastrophic accident, which set off the chain reaction leading to the company's guilty plea.

The DOJ later concluded Boeing failed to meet a requirement of that deal to implement an effective compliance program to prevent and detect violations of US fraud laws.

Boeing was little changed in pre-market trading. The stock has lost 29% in value this year.

The US government and Boeing are still finalizing the pact and expect to file the final plea agreement by July 19.



Plastic covers the fuselage plug area of Alaska Airlines Flight 1282 Boeing 737-9 MAX on Jan. 7. *Source: NTSB*

As a result of the fuselage mishap, Boeing's executive suite has been thrown into turmoil as its board searches for a new chief executive officer to succeed Dave Calhoun at some point this year. The company's finances are also showing the strain of a slowdown in production in the aftermath of the January accident, as it works to bolster quality and retrain workers under close supervision by the US Federal Aviation Administration.

The company has said it would probably burn through about \$8 billion in cash during the first half of 2024.

In a brief statement, Boeing confirmed it had reached an agreement in principle on terms of a resolution with the Justice Department, subject to

approval of specific terms. The planemaker in June had told prosecutors that it disagreed with the finding that it had violated the earlier deal.



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As part of the 2021 deal, Boeing paid a criminal fine of \$243.6 million and admitted to deceiving the FAA about an obscure flight control system linked to the crashes. The company also pledged to improve its internal safety controls. In return, the government would withdraw a criminal charge against the company after three years.

'Extremely Disappointed'

That agreement was bitterly criticized by families of the crash victims, who were not consulted before it was unveiled. The families quickly filed a notice to object to the latest agreement as well. As part of the new plea deal, Boeing's board of directors will meet with the relatives of the crash victims – a request previously made by the families.

"We are extremely disappointed that DOJ is moving forward with this wholly inadequate plea deal despite the families' strong opposition to its terms," Erin Applebaum, a partner at Kreindler & Kreindler LLP who represents families of the crash victims, said in an emailed statement.

"While we're encouraged that Boeing will not be able to choose its own monitor, the deal is still nothing more than a slap on the wrist and will do nothing to effectuate meaningful change within the company," she said.

The agreement also stipulates that the government will select and oversee the corporate monitor, addressing a concern the families had raised about the monitor being entirely independent.

Boeing also faces investigations by the US Securities and Exchange Commission, Congress and a Seattle-area grand jury into the events that led to the accident in January aboard an Alaska Airlines plane.

“While many of us would have preferred a more vigorous prosecution, a guilty plea to a felony is a serious step up in accountability from the initial Deferred Prosecution Agreement with the Department of Justice,” said Mark Lindquist, another attorney for the victims’ families.

“Next steps for the company should include accepting full responsibility in the civil cases and full compliance with the conditions of the guilty plea,” he said in an emailed statement.

The case is US v. Boeing, 21-cr-005, US District Court, Northern District of Texas (Fort Worth).

– *With assistance from Siddharth Vikram Philip*

(Corrects reference to agreement in 14th paragraph, in a story originally published July 8.)

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