

BOEING CO

FORM 10-K (Annual Report)

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Note 15 – Share-Based Compensation and Other Compensation Arrangements

Share-Based Compensation

Our 2003 Incentive Stock Plan, as amended on April 27, 2009, permits awards of incentive stock options, nonqualified stock options, restricted stock, stock units, Performance Shares, performance units and other incentives to our employees, officers, consultants and independent contractors. The aggregate number of shares of our stock available for issuance under the amended plan will not exceed 80,000,000 and no more than an aggregate of 16,000,000 shares are available for issuance as restricted stock awards.

Shares issued as a result of stock option exercises or conversion of stock unit awards will be funded out of treasury shares except to the extent there are insufficient treasury shares in which case new shares will be issued. We believe we currently have adequate treasury shares to meet any requirements to issue shares during 2010.

Share-based plans expense is primarily included in general and administrative expense since it is incentive compensation issued primarily to our executives. The share-based plans expense and related income tax benefit follow:

Years ended December 31,	2009	2008	2007
Stock options	\$111	\$119	\$ 79
Restricted stock units and other awards	55	25	36
ShareValue Trust	71	61	78
Performance Shares	1	4	94
Share-based plans expense	\$238	\$209	\$287
Income tax benefit	\$ 89	\$ 79	\$118

Stock Options

Options have been granted with an exercise price equal to the fair market value of our stock on the date of grant and expire ten years after the date of grant. For stock options issued prior to 2006, vesting is generally over a five-year service period with portions of a grant becoming exercisable at one year, three years and five years after the date of grant. In the event an employee has a termination of employment due to retirement, layoff, disability or death, the employee (or beneficiary) immediately vests in grants that have been outstanding for at least one year.

On February 23, 2009, February 25, 2008, and February 26, 2007, we granted to our executives 7,423,242, 6,411,300, and 5,334,700 options, respectively, with an exercise price equal to the fair market value of our stock on the date of grant. The stock options vest over a period of three years, with 34% vesting after the first year, 33% vesting after the second year and the remaining 33% vesting after the third year. The options expire 10 years after the date of grant. If an executive terminates employment for any reason, the non-vested portion of the stock option will not vest and all rights to the non-vested portion will terminate completely.

Stock option activity for the year ended December 31, 2009 is as follows:

<i>(Shares in thousands)</i>	Shares	Weighted Average Exercise Price	Weighted Average Contractual Life (years)	Aggregate Intrinsic Value <i>(in millions)</i>
Number of shares under option:				
Outstanding at beginning of year	20,577	\$ 73.42		
Granted	7,546	35.71		
Exercised	(253)	40.84		
Forfeited	(857)	62.00		
Expired	(676)	48.81		
Outstanding at end of year	26,337	\$ 63.93	7.09	\$ 179
Exercisable at end of year	13,940	\$ 70.33	5.61	\$ 47

The total intrinsic value of options exercised was \$2, \$22, and \$192 during the years ended December 31, 2009, 2008 and 2007, respectively. Cash received from options exercised for the years ended December 31, 2009, 2008 and 2007 was \$10, \$44, and \$209 with a related tax benefit of \$1, \$6, and \$65, respectively, derived from the compensation deductions resulting from these option exercises. At December 31, 2009, there was \$98 of total unrecognized compensation cost related to the Stock Option plan which is expected to be recognized over a weighted average period of 1.6 years. The total fair value of stock options vested during the years ended December 31, 2009, 2008 and 2007 was \$114, \$82, and \$43, respectively.

The fair values of options were estimated using the Black-Scholes option-pricing model with the following assumptions:

Grant Year	Grant Date	Expected Life	Expected Volatility	Dividend Yield	Risk Free Interest Rate	Weighted-Average Grant Date Fair Value
2009	2/23/09	6 years	39.0%	2.4%	2.03%	\$ 11.12
2008	2/25/08	6 years	28.8%	1.7%	3.20%	23.47
2007	2/26/07	6 years	28.4%	1.7%	4.62%	27.31

The expected volatility of the stock options is based on a combination of our historical stock volatility and the volatility levels implied on the grant date by actively traded option contracts on our common stock. We determined the expected term of the stock option grants to be 6 years, calculated using the "simplified" method in accordance with the SEC Staff Accounting Bulletin 107, *Valuation of Share-Based Payment Arrangements for Public Companies*. We used the "simplified" method since we changed the vesting terms, tax treatment and the recipients of our stock options beginning in 2006 such that we believe our historical data no longer provides a reasonable basis upon which to estimate expected term.

Restricted Stock Units and Other Awards

In 2009, we modified the components of our long-term incentive program while maintaining substantially the same total award value as in prior years. Prior to the modification, Performance Awards and options each comprised 50% of the total award value. Beginning in 2009, Performance Awards still represent 50% of the value and stock options and restricted stock units (RSUs) each represent 25% of the total value.

On February 23, 2009, we granted to our executives 2,144,501 RSUs as part of our long-term incentive program, with a fair value of \$35.57 per share. The RSUs vest on the third anniversary of the grant date. If an executive terminates employment because of retirement, involuntary layoff, disability, or death, the employee (or beneficiary) will immediately vest on a proration of stock units based on active employment during the three-year performance period. In all other cases, the RSUs will not vest and all rights to the stock units will terminate completely.

In addition to RSUs awarded under our long-term incentive program, we grant restricted stock to employees for various achievements, referred to as other stock award units. The fair values of all stock units are estimated using the average stock price on the date of grant. Stock units settle in common stock on a one-for-one basis and are not contingent upon stock price.

Stock unit activity for the year ended December 31, 2009 is as follows:

<i>(Units in thousands)</i>	Incentive Program Restricted Stock Units	Other Stock Award Units
Number of units:		
Outstanding at beginning of year	239	1,601
Granted	2,344	329
Dividends	61	57
Forfeited	(124)	(22)
Distributed	(134)	(391)
Outstanding at end of year	2,386	1,574
Unrecognized compensation cost at December 31, 2009	\$ 66	\$ 40
Weighted average remaining contractual life (years)	2.1	3.0

ShareValue Trust

The ShareValue Trust, established effective July 1, 1996, is a 14-year irrevocable trust that holds our common stock, receives dividends, and distributes to employees the appreciation in value above a 3% per annum threshold rate of return at the end of each period. The total compensation expense to be recognized over the life of the trust was determined using a binomial option-pricing model.

The ShareValue Trust is accounted for as a contra-equity account and stated at market value. Market value adjustments are offset to Additional paid-in capital. At December 31, 2009, there was \$36 of total unrecognized compensation cost related to the ShareValue Trust which is expected to be recognized during the six months ending June 30, 2010.

The Trust was split between two funds, "fund 1" and "fund 2", upon its initial funding. Based on the average stock price of \$66.15 as of June 30, 2008, the market value of fund 2 exceeded the threshold of \$1,028 by \$236. This excess was paid in Boeing common stock, except for partial shares and distributions to non-U.S. employees and beneficiaries of deceased participants, which was paid in cash.

At December 31, 2009 the Trust held 29,563,324 shares, of which 13,216,726 shares were included in fund 1. If on June 30, 2010, the market value of fund 1 exceeds the appreciation threshold stock price, the amount in excess of the threshold will be distributed to employees in shares of common stock. At December 31, 2009 the threshold price was \$85.46 per share. The Trust will terminate in 2010, and any undistributed shares will be transferred to us upon termination.

Performance Shares

Prior to 2006, Performance Shares were a significant component of our long-term incentive compensation. Performance Shares are stock units that are convertible to common stock, on a one-to-one basis, contingent upon stock price performance. If, at any time up to five years after award, the stock price reaches and maintains for 20 consecutive days a price equal to stated price growth targets, a stated percentage (up to 125%) of the Performance Shares awarded are vested and convertible to common stock.

Performance Shares activity for the year ended December 31, 2009 is as follows:

<i>(Shares in thousands)</i>	Shares
Number of Performance Shares:	
Outstanding at beginning of year	747
Dividend	29
Forfeited	(4)
Outstanding at end of year	772
Outstanding at end of year not contingent on future employment	439

The following table provides additional information regarding potentially convertible and converted or deferred Performance Shares.

Grant Date	Expiration Date	Weighted Average Grant Date Fair Value	Cumulative Vested at December 31,	Shares Convertible at December 31,	
<i>(Shares in thousands)</i>			2009	2009	2008
2/28/2005	2/28/2010	\$ 33.05	90%	772	747

Performance Shares granted in 2005 were measured on the date of grant using a Monte Carlo model. For years ended December 31, 2009, 2008 and 2007, we recorded \$0, \$0 and \$54, respectively, to accelerate the amortization of compensation cost for those Performance Shares converted to common stock or deferred as stock or cash at the employees' election.

Additionally, certain Performance Shares that have a cash settlement, are re-measured each balance sheet date using a Monte Carlo model and are recalculated as a liability. Liability awards vesting and transferred into deferred compensation plans totaled \$0, \$0 and \$48 for the years ended December 31, 2009, 2008 and 2007, respectively.

Other Compensation Arrangements

Performance Awards

Performance Awards are cash units that payout based on the achievement of long-term financial goals at the end of a three-year period. Each unit has an initial value of \$100 dollars. The amount payable at the end of the three-year performance period may be anywhere from \$0 to \$200 dollars per unit, depending on the Company's performance against plan for a three-year period. The Compensation Committee has the discretion to pay these awards in cash, stock, or a combination of both after the three-year performance period. Compensation expense, based on the estimated performance payout, is recognized ratably over the performance period.

During 2009, 2008 and 2007, we granted Performance Awards to our executives with the payout based on the achievement of financial goals for the three-year periods ending December 31, 2011, 2010 and 2009, respectively. The minimum payout amount is \$0 and the maximum amount we could be required to pay out for the 2009, 2008 and 2007 Performance Awards is \$304, \$289 and \$47.

During the first quarter of 2006, we granted Performance Awards to our executives with the payout based on the achievement of financial goals for the three-year period ending December 31, 2008. The payout for these awards of \$137 occurred in the first quarter of 2009.

Deferred Compensation

The Company has a deferred compensation plan which permits executives to defer receipt of a portion of their salary, bonus, and certain other incentive awards. Prior to May 1, 2006, employees who participated in the deferred compensation plan could choose to defer in either an interest earning account or a Boeing stock unit account. Effective May 1, 2006, participants can diversify deferred compensation among 19 investment funds including the interest earning account and the Boeing stock unit account.

Total expense/(income) related to deferred compensation was \$158, (\$223), and \$51 in 2009, 2008, and 2007, respectively. Additionally, for employees who elected to defer their compensation in stock units prior to January 1, 2006, the Company matched 25% of the deferral with additional stock units. Effective January 1, 2006, all matching contributions are settled in stock upon retirement. As of December 31, 2009 and 2008, the deferred compensation liability which is being marked to market was \$1,143 and \$1,074.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 33-25332, 33-31434, 33-43854, 33-58798, 33-52773, 333-03191, 333-16363, 333-26867, 333-32461, 333-32491, 333-32499, 333-32567, 333-35324, 333-41920, 333-47450, 333-54234, 333-73252, 333-107677, 333-140837, 333-156403, 333-160752 and 333-163637 on Form S-8 and Post-Effective Amendments to Registration Statement Nos. 333-03191, 333-35324, and 333-47450, on Form S-8, and Registration Statement Nos. 333-157790 and 333-163020 on Form S-3 of our reports dated February 8, 2010, relating to the financial statements and financial statement schedule of The Boeing Company, and the effectiveness of The Boeing Company's internal control over financial reporting appearing in the Annual Report on Form 10-K, for the year ended December 31, 2009.

/ s / D ELOITTE & T OUCHE LLP

Chicago, Illinois
February 8, 2010