

May 29, 2008

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, MD 20817

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (<http://www.contractormisconduct.org/>), a compilation of information from public resources regarding government contractors, including Lockheed Martin. On August 16, 2005, December 2, 2005 and October 31, 2006, we sent Lockheed Martin information regarding findings in POGO's database. As of today, we have not received a response from you. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to Lockheed Martin, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon
Investigator

Enclosure

Instances

1. Age Discrimination

Date: 11/21/1996 (Date of Settlement)

Misconduct Type: Labor

Enforcement Agency: EEOC

Contracting Party: None

Court Type: Civil

Amount: \$13,000,000

Disposition: Settlement

Synopsis: Lockheed settled allegations from the Equal Employment Opportunity Commission that Martin Marietta targeted older employees in layoffs, in violation of the Age Discrimination in Employment Act. "EEOC's suit, originally filed in May 1994, claimed that Martin targeted its employees age 40 and over for a series of massive layoffs and forced retirements over a five-year period. Under the terms of the settlement, which is in the form of a proposed consent decree, Martin will pay \$13 million to an estimated 2,000 former employees who were laid off between January 1, 1990, and December 31, 1994, from non-union jobs in Martin's Astronautics Group. Payments will also go to affected former workers in the Information and Communications System organization of the company's Information Systems Group working in Colorado."

2. United States ex rel. Beattie, et al. v COMSAT (Alleged Contract Fraud)

Date: 08/27/2001 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Navy

Contracting Party: Defense - Navy

Court Type: Civil

Amount: \$8,500,000

Disposition: Settlement

Synopsis: "ElectroMechanical Systems, Inc., along with its current and former corporate parents - COMSAT Corporation, CRSI, Inc. and Lockheed Martin Global Telecommunications, LLC - have agreed to pay the United States \$1 million to settle allegations related to contract fraud.... ElectroMechanical already paid \$7.5 million in criminal restitution in connection with the allegations that it lied about its costs when negotiating contracts for the repair and restoration of radar pedestals installed on U.S. warships....[ElectroMechanical] directed its employees to record time spent on other tasks to labor hour accounts assigned to Navy restoration contracts and destroyed records in order to mislead government auditors."

3. Cable & Computer Technology v. Lockheed Martin (Unfair Business Practices)

Date: 11/27/2002 (Date of Decision)

Misconduct Type: Non-governmental Contract Fraud

Enforcement Agency: Non-Governmental

Contracting Party: Non-Governmental

Court Type: Civil

Amount: \$12,800,000

Disposition: Judgment Against Defendant

Synopsis: Lockheed Sanders and Lockheed Martin Federal Systems paid damages related to bidding for a Boeing contract for breach of contract (in a teaming agreement with Cable &

Computer Technology) and violating Unfair Business Practices and the Cartwright Act. “A jury has determined that Sanders, a subsidiary of Lockheed, entered into a contract with CCT to team in making a bid to Boeing for the computer upgrade on the B-1B bomber project of the Air Force. That contract was no mere agreement to agree. It was found by the district court to have 'no missing terms.' In the course of the contract Sanders supplied information on CCT’s pricing to Owego, another Lockheed subsidiary also bidding on the Boeing project. Less than two weeks before the bid was due, Sanders broke its contract with CCT, leaving it without a partner or time to find one.” See 2002 U.S. App. LEXIS 24501

4. Campbell v. Lockheed Martin (Jet Navigation Contracts)

Date: 08/27/2003 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Air Force

Contracting Party: Defense - Air Force

Court Type: Civil

Amount: \$37,900,000

Disposition: Settlement

Synopsis: Lockheed settled a case involving violations of the Truth in Negotiations Act, 10 U.S.C. § 2306a, and the False Claims Act, 31 U.S.C. § 3729, et seq. “The qui tam suit accused Lockheed Martin of deliberately inflating the cost of four contracts for the purchase of navigation and targeting pods for military jets. Campbell’s complaint alleged that Lockheed Martin violated the Act by knowingly failing, among other things, to provide current, accurate and complete cost and pricing data to Air Force contract negotiators. Government contractors are required by the Truth in Negotiations Act to provide accurate and complete cost data to government contract negotiators.”

5. Contractor Kickbacks

Date: 11/21/1995 (Date of Settlement)

Misconduct Type: Ethics

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: undisclosed/unknown

Amount: \$146,000

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Lockheed paid \$146,000 to settle allegations of “contractor/subcontractor kickbacks” involving Lockheed Martin Aeronautical Systems.

6. Cost/Labor Mischarge (1996)

Date: 09/18/1996 (Date of Settlement)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: undisclosed/unknown

Amount: \$17,272

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Lockheed paid \$17,272 to settle allegations of “cost/labor mischarging” involving its subsidiary, Loral Federal Systems.

7. Defective Pricing (1996)

Date: 04/09/1996 (Date of Settlement)

Misconduct Type: Defective Pricing

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: undisclosed/unknown

Amount: \$1,172,062

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Lockheed paid \$1,172,062 to settle allegations of “defective pricing” involving its subsidiary, Martin Marietta Electronic Systems.

8. Defective Pricing (1998)

Date: 01/12/1998 (Date of Settlement)

Misconduct Type: Defective Pricing

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: undisclosed/unknown

Amount: \$7,870,177

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Lockheed Martin Control Systems Division paid \$7,870,177 to settle allegations of defective pricing.

9. Unlicensed Exports to South Korea

Date: 10/03/1997 (Date of Fine)

Misconduct Type: Import/Export

Enforcement Agency: Commerce

Contracting Party: International

Court Type: Administrative

Amount: \$45,000

Disposition: Fine

Synopsis: "The Commerce Department today imposed a \$45,000 civil penalty on Lockheed Martin Corporation (formerly Martin Marietta Corporation), to settle allegations that Martin Marietta exported graphic/epoxy prepreg material from the United States to South Korea, without obtaining the required validated export licenses" on nine occasions between March 11, 1992, and June 3, 1994.

10. Emissions Violations at the Idaho National Engineering and Environmental Laboratory

Date: 10/29/2001 (Date of Press Release)

Misconduct Type: Environment

Enforcement Agency: EPA

Contracting Party: Energy
Court Type: Administrative
Amount: \$130,176
Disposition: Fine

Synopsis: Lockheed was fined for violations of federal asbestos and CFC (chlorofluorocarbon) emission laws at the Idaho National Engineering and Environmental Laboratory (INEEL). "EPA found that at various times from June 15, 1997, to July 1, 2000, no records were kept of what service was performed and how much refrigerant was added to comfort cooling systems at the Idaho Nuclear Technical and Engineering Center (INTEC) at INEEL. In addition, EPA found that comfort cooling systems with annualized leak rates greater than 15% were not repaired within 30 days." See related Bechtel Corporation misconduct instance, "Violations of CFC and Asbestos Emissions Laws."

11. Groundwater Cleanup Violation (at the Burbank area of the San Fernando Valley Superfund Site)

Date: 05/02/2002 (Date of Fine)
Misconduct Type: Environment
Enforcement Agency: EPA
Contracting Party: EPA
Court Type: Administrative
Amount: \$1,300,000
Disposition: Fine

Synopsis: Lockheed was fined by the EPA for failing to operate a pump and treating groundwater cleanup system at less than full capacity. "Beginning in June 2000 Lockheed failed to operate the treatment system at the 9,000 gallons per minute rate set forth in a 1992 cleanup agreement between Lockheed and the EPA. The large capacity treatment system was built to remove TCE and PCE, hazardous chemicals, from the groundwater at the Burbank Superfund site."

12. Groundwater Treatment (Burbank, CA)

Date: 08/01/1996 (Date of Settlement)
Misconduct Type: Environment
Enforcement Agency: Non-Governmental
Contracting Party: None
Court Type: Civil
Amount: \$67,000,000
Disposition: Settlement

Synopsis: Lockheed paid approximately \$67 million to resolve claims by Burbank, CA residents regarding the treatment of local groundwater. "The settlement...resolved, without litigation, claims of personal injury and property damage asserted by the residents and alleged to be related to environmental contamination stemming from historical operations of the former facility. The Corporation settled the matter for business reasons after a lengthy mediation, without any admission of liability, notwithstanding its continuing position that the facility does not and has not posed a risk to the community."

13. Heiser v. Lockheed Martin (Inflated Costs in Contract for Flight Training Programs)

Date: 01/23/2003 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Air Force

Contracting Party: Defense - Air Force

Court Type: Civil

Amount: \$1,407,834

Disposition: Settlement

Synopsis: Lockheed settled allegations that its Loral Corp. subsidiary inflated costs in a contract with the Air Force, in violation of the False Claims Act, 31 U.S.C. § 3729, et seq. “In 1992, Loral contracted with the government to update flight training programs, including simulated programs for the F-15E Weapon System Trainer (WST) being developed by the Air Force. The lawsuit, which was unsealed today, alleges that Loral wrongfully inflated estimated costs it was required to disclose during contract negotiations, resulting in an inflated contract price and false claims for payment under the contract.”

14. Improper charges to the Navy (Trident Missile Program)

Date: 08/01/2002 (Date of Settlement)

Misconduct Type: Defective Pricing

Enforcement Agency: Defense – Navy

Contracting Party: Defense - Navy

Court Type: Civil

Amount: \$2,122,603

Disposition: Settlement

Synopsis: Lockheed Martin’s Tactical Systems Division settled a case involving allegations of false and fraudulent claims in a contract with the Navy, a violation of the False Claims Act, 31 U.S.C. § 3729, et seq. “The government contended that, while still a part of Unisys Corporation, the Tactical Systems Division began improperly charging the Strategic Systems Program of the Navy for bid and proposal costs on a series of defense contracts for services and materials for the Trident Missile Program during the period from 1988 through 1996.”

15. Korea Supply Company v. Lockheed Martin (Bribery)

Date: 03/03/2003 (Date of Opinion)

Misconduct Type: Ethics

Enforcement Agency: Non-Governmental

Contracting Party: International

Court Type: Civil

Amount: Undisclosed

Disposition: Settlement

Synopsis: It is alleged that, in 1996, Loral Corporation (later acquired by Lockheed Martin and renamed Lockheed Martin Tactical Systems, Inc.) had given bribes and sexual favors to South Korean officials to win a contract for an aircraft radar system. The Korea Supply Company, which represented a competing bidder, sued Lockheed in California under the California Unfair Competition Law (“UCL”), claiming it lost out on a multi-million dollar commission due to Lockheed Martin’s alleged illegal conduct. After seven years of litigation, the parties settled the case. The terms of the settlement are confidential.

16. Lockheed Engineering Sciences Corporation Case (False and Fraudulent Lease Cost Claims)

Date: 06/10/2003 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: NASA

Contracting Party: NASA

Court Type: Civil

Amount: \$7,100,000

Disposition: Settlement

Synopsis: Lockheed Martin settled alleged violations of the False Claims Act, 31 U.S.C. § 3729, et seq., and Federal Acquisition Regulations in a building lease agreement with NASA. “The dispute focused upon the government’s contention that as part of the costs included in the 10 year lease agreement negotiated in 1992, [Lockheed] included charges associated with promissory notes it held as interest bearing debt. This debt was concealed in the lease costs and charged to NASA during the course of the contract.”

17. Nuclear Safety Violations (Idaho National Engineering and Environmental Laboratory)

Date: 06/08/1998 (Date of Fine)

Misconduct Type: Labor

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$125,000

Disposition: Fine

Synopsis: Lockheed Martin Idaho Technologies Company was fined by the Department of Energy for violating nuclear safety regulations. “Workers removed a plastic cover that had become highly contaminated with the radioactive material. When the cover was moved for disposal, the radioactive europium powder spread and contaminated the entire facility. Exposures to six workers were about 10 millirem each, compared to a maximum annual limit of 5,000 millirem at all DOE sites.”

18. Nuclear Safety Violations (Oak Ridge, TN)

Date: 08/28/2000 (Date of Fine)

Misconduct Type: Labor

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$1,045,000

Disposition: Fine

Synopsis: Lockheed Martin Energy Systems was fined by the Department of Energy for multiple violations of nuclear safety requirements at its site in Oak Ridge, TN. These violations included: (1) The December 8, 1999, explosion of sodium potassium liquid metal in the Alpha 5 Facility that resulted in injury to 11 workers. The contractor failed to identify and mitigate the explosive hazards associated with this material, despite a number of opportunities to do so.; (2) Violations of criticality safety requirements and work process controls which resulted in a DOE-ordered operational stand down on November 5, 1999, and curtailment of fissile material movements in Building 9212 on December 14, 1999; (3) Significant deficiencies in the design,

procurement and fabrication of the Hydrogen Fluoride Supply System, a critical system required for resumption of enriched uranium operations. The investigation identified failures with virtually every phase of the project; and (4) Numerous examples of violations occurring during the period July 1998 to December 1999 involving failure to adhere to Operational Safety Requirements and other Authorization Basis requirements.

19. Nuclear Waste Storage Violation (Idaho National Engineering and Environmental Laboratory)

Date: 08/20/1999 (Date of Fine)

Misconduct Type: Environment

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$220,000

Disposition: Fine

Synopsis: Lockheed Martin Idaho Technologies Company was fined by the Department of Energy for violating nuclear waste storage regulations. "The violations at INEEL [Idaho National Engineering and Environmental Laboratory] involved procurement of waste containers and nuclear fuel storage buckets, along with other operational quality issues at INEEL nuclear facilities."

20. Price Inflation (NEXRAD Radar System)

Date: 03/26/1998 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Commerce

Contracting Party: Commerce

Court Type: Civil

Amount: Unknown

Disposition: Settlement

Synopsis: Lockheed and Unisys Corporation paid \$3.15 million to settle a case involving allegations that Unisys inflated the prices of spare parts sold to the Department of Commerce for its NEXRAD Doppler Radar System, in violation of the False Claims Act, 31 U.S.C. § 3729, et seq. "...the settlement resolves allegations that Unisys knew that prices it paid Concurrent Computer Corporation for the spare parts were inflated when it passed on those prices to the government. Unisys had obtained price discounts from Concurrent on other items Unisys was purchasing from Concurrent at Unisys' own expense in exchange for agreeing to pay Concurrent the inflated prices." Lockheed Martin succeeded Unisys on the contract between Commerce and Unisys for the NEXRAD system.

21. Procurement Fraud

Date: 12/20/1996 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – General

Contracting Party: Defense - General

Court Type: undisclosed/unknown

Amount: \$2,252,501

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Lockheed paid \$2,252,501 to settle allegations of “procurement fraud” involving Lockheed Martin predecessor company, Martin Marietta.

22. Radar Antenna Pricing (E-2C Hawkeye Aircraft)

Date: 10/18/1996 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Navy

Contracting Party: Defense - Navy

Court Type: Civil

Amount: \$500,000

Disposition: Settlement

Synopsis: Lockheed settled allegations that Randtron Systems (part of Lockheed Martin Tactical Systems) did not give pertinent information about radar antennae to the government that would have lowered their price, in violation of the Truth in Negotiations Act, 10 U.S.C. § 2306a, and the False Claims Act, 31 U.S.C. § 3729, et seq. “The government alleged that during negotiations for four production subcontracts from 1986 through 1988 Randtron failed to make required disclosures to Grumman and Department of Defense officials that it had substantial quantities of excess parts and materials left over from prior antenna production jobs that it intended to use in the contracts under negotiation. The government claimed that if Randtron had made such disclosures the Navy would have negotiated lower prices for the radar antennas.”

23. Radiation Exposure (Idaho National Engineering and Environmental Laboratory)

Date: 03/05/1997 (Date of Fine)

Misconduct Type: Labor

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$25,000

Disposition: Fine

Synopsis: The Department of Energy fined the Lockheed Martin Idaho Technologies Company for violating nuclear safety regulations. “The violations occurred in July 1996 when five workers in the INEEL [Idaho National Engineering and Environmental Laboratory] Waste Calcining Facility received unplanned internal radiation exposures. A worker cutting into a pipe caused airborne radiological contamination to be spread throughout the room. The workers, unaware of the airborne contamination and unprotected by respirators, remained in the contaminated environment for approximately 40 minutes.”

24. Reactor Safety Violations (Oak Ridge National Laboratory)

Date: 11/18/1998 (Date of Fine)

Misconduct Type: Environment

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$123,750

Disposition: Fine

Synopsis: Lockheed was fined for violating nuclear safety rules at Oak Ridge National Laboratory. "The penalty at Oak Ridge National Laboratory High Flux Isotope Reactor stems from the contractor's ongoing and repetitive failures to adhere to its established procedures that ensure that the reactor operates within appropriate safety margins. These ongoing violations were evidenced by a number of events between May 1997 and January 1998 -- leading to an unnecessary shutdown of the reactor for an extended period of time."

25. Real Estate Appraisal Scheme

Date: 07/14/1997 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Air Force

Contracting Party: Defense - Air Force

Court Type: undisclosed/unknown

Amount: \$202,500

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio (drawing from a Department of Defense Inspector General report of investigation), Lockheed paid \$202,500 to settle allegations that a Lockheed facilities manager was allegedly involved in a scheme with an independent real estate appraiser to over-appraise the value of Lockheed executives' homes during a relocation buyback program.

26. Rent Overcharge

Date: 03/31/2001 (Date of Settlement)

Misconduct Type: Defective Pricing

Enforcement Agency: Transportation

Contracting Party: Transportation

Court Type: Civil

Amount: \$10,500,000

Disposition: Settlement

Synopsis: Lockheed gave the FAA \$10.5 million in credit for future billing to settle a case involving overcharged rent. "An OIG investigation and audit by the Defense Contract Audit Agency disclosed that IBM's Federal Systems Division overcharged the FAA for rent on four office buildings in Rockville, MD, by approximately \$15 million. Lockheed-Martin (which acquired IBM's Federal Systems Division) agreed to credit the FAA with \$10,500,000, to be offset through future billings."

27. Rocket System Support Contract Mischarge

Date: 01/04/2005 (Date of Settlement)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Defense – Army

Contracting Party: Defense - Army

Court Type: Administrative

Amount: \$1,400,000

Disposition: Settlement

Synopsis: “Lockheed Martin Corporation agreed to pay the United States \$1.4 million dollars to resolve allegations of mischarging the United States Army Aviation and Missile Command. In 1999, Lockheed Martin voluntarily disclosed inadvertent mischarging between its production and support contracts for the Multiple Launch Rocket System. These contracts are administered by the Army in Huntsville, Alabama. A subsequent audit performed by the Defense Contract Audit Agency challenged the scope of the reported mischarging. Following a cooperative investigation, the parties participated in voluntary mediation and reached a compromise settlement of the disputed amount.”

28. Space Launch Information Transfer to China (Arms Export Violation)

Date: 06/13/2000 (Date of Settlement)

Misconduct Type: Import/Export

Enforcement Agency: State Dept.

Contracting Party: International

Court Type: Administrative

Amount: \$13,000,000

Disposition: Administrative Agreement

Synopsis: Lockheed settled a case involving the transfer of information about space launches to China, in violation of the Arms Export Control Act and the International Traffic in Arms Regulations. “The charges stem from a 1994 report Lockheed provided to Asia Satellite Telecommunications, a Hong Kong-based satellite company. The company is linked to two state-run Chinese firms. The technical report explained how to fix problems with a Chinese-made solid-fuel rocket motor used to position satellites in orbit.” As part of the settlement, Lockheed was fined \$13 million (\$5 million of which was suspended but applied toward the cost of remedial measures to be implemented over a four-year period).

29. Toxic Substances Control Act Violation (PCBs - 2005)

Date: 05/10/2005 (Date of Fine)

Misconduct Type: Environment

Enforcement Agency: EPA

Contracting Party: None

Court Type: Administrative

Amount: \$66,700

Disposition: Fine

Synopsis: The EPA imposed a penalty on Lockheed Martin for violating the Toxic Substances Control Act, 15 U.S.C. §§ 2601, et. seq., by having elevated levels of Polychlorinated Biphenyls (PCBs) present in its Akron Airdock facility.

30. Toxic Substances Control Act Violation (PCBs - 1998)

Date: 07/02/1998 (Date of Fine)

Misconduct Type: Environment

Enforcement Agency: EPA

Contracting Party: Energy

Court Type: Administrative

Amount: \$12,750

Disposition: Fine

Synopsis: Knolls Atomic Power Laboratory Inc., a Lockheed Martin Company under contract to strip PCB-contaminated paint from storage tanks at the Department of Energy facility in Windsor, Connecticut, was fined for violating the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., with regard to PCBs. KAPL failed “to ensure that EPA requirements were met for the use and disposal of personal protective equipment, and for failing to notify the EPA promptly of releases of PCBs.”

31. Hornet Aircraft Components (False Claims Act)

Date: 09/18/2002 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Navy

Contracting Party: Defense - Navy

Court Type: Civil

Amount: Unknown

Disposition: Settlement

Synopsis: Lockheed and BAE Systems settled allegations of violating the False Claims Act, 31 U.S.C. § 3729, et seq., in a contract to provide components for Hornet aircrafts. “The government alleged that from 1987 through 1994, GE and Martin Marietta manufactured and delivered for installation in Hornet aircraft more than 1,300 Accelerometer Sensor Assemblies that did not comply with electromagnetic interference contractual requirements.” Lockheed and BAE Systems agreed to pay \$6.2 million (POGO is unable to determine how much each contractor paid) to settle their civil liability. See BAE Systems misconduct instance, "Hornet Aircraft Components (False Claims Act)."

32. Aircraft Sale to Egypt (Foreign Corrupt Practices Act Violations)

Date: 08/01/1995 (Date of Guilty Pleas - approximate)

Misconduct Type: Import/Export

Enforcement Agency: Defense – General

Contracting Party: International

Court Type: Criminal

Amount: \$24,800,000

Disposition: Pleaded Guilty

Synopsis: Lockheed agreed to pay criminal and civil fines after pleading guilty to violating the Foreign Corrupt Practices Act, 5 U.S.C. §§ 78dd-1, et seq., by paying a consultant from a funding source that disallowed it. “The case focused on the 1989 contract between Lockheed and Egypt calling for the sale of three C-130 aircraft for approximately \$79 million. The investigation uncovered payments by Lockheed to its Egyptian consultant, Dr. Leila Takla, in exchange for her assistance in making the sale. The contract, which was funded by U.S. taxpayer money through the Defense Security Assistance Agency (DSAA) Foreign Military Financing (FMF) program, required Lockheed to certify that no consultant fees were being paid out of FMF grant money.”

33. Falsification of Testing Records (Idaho National Engineering and Environmental Laboratory)

Date: 09/21/1998 (Date of PNOV)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Energy

Contracting Party: Energy
Court Type: Administrative
Amount: \$55,000
Disposition: Fine

Synopsis: "In October 1997, two reactor operators at the Advanced Test Reactor Critical Facility in Idaho falsified records to indicate that the required testing of reactor safety systems had been performed, when in fact it had not. Additionally, the reactor supervisor, upon discovering that such testing had not been performed, failed to notify management representatives of the problem. The safety systems involved are relied on to automatically shutdown the reactor in an emergency. This enforcement action includes a \$55,000 fine. The contractor has taken disciplinary actions against the employees involved and has also undertaken formal measures to improve the conduct of operations at the site's nuclear facilities."

34. Radioactive Work Control Deficiencies (Sandia National Laboratories)

Date: 08/14/1997 (Date of PNOV)
Misconduct Type: Environment
Enforcement Agency: Energy
Contracting Party: Energy
Court Type: Administrative
Amount: \$56,250
Disposition: Fine

Synopsis: Incidents in August and December 1996 at the Sandia National Laboratories in New Mexico led to a Department of Energy investigation that concluded "that violations of the Occupational Radiation Protection Rule (10 CFR 835) occurred." A Preliminary Notice of Violation (PNOV) was issued to the Sandia Corporation, a Lockheed Martin subsidiary, on August 14, 1997 and the department assessed a \$56,250 civil penalty for the August violation, during which three workers were exposed to radiation.

35. Violations of the National Labor Relations Act (1991-1992 Strike)

Date: 02/12/1997 (Date of Settlement)
Misconduct Type: Labor
Enforcement Agency: NLRB
Contracting Party: None
Court Type: Administrative
Amount: \$4,350,000
Disposition: Settlement

Synopsis: "National Labor Relations Board General Counsel Fred Feinstein announced...the settlement by the Cincinnati Regional Office (Region 9) of litigation arising out of the 1991-1992 strike involving employees of Martin Marietta Energy Systems, Inc., now Lockheed Martin Energy Systems, Inc., in Piketon, Ohio. The settlement includes \$4.35 million in backpay and interest to be distributed to approximately 1,000 employees who are entitled to compensation under a Board order...Martin Marietta Energy Systems [was ordered] to reinstate unlawfully changed terms and conditions of employment and to pay employees for monetary losses."

36. Radiological Control Deficiencies (Sandia National Laboratories)

Date: 08/14/1996 (Date of PNOV)

Misconduct Type: Environment

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Administrative

Amount: \$5,000

Disposition: Fine

Synopsis: On August 14, 1996, the Department of Energy issued a Preliminary Notice of Violation to the Sandia Corporation, a Lockheed Martin subsidiary, for "a number of radiological control deficiencies associated with field radiography operations" at the Sandia National Laboratory. The civil penalty for these violations was \$5,000.

37. Violations of the Resource Conservation and Recovery Act (Sandia National Laboratories)

Date: 11/17/2005 (Date of Partial Order)

Misconduct Type: Environment

Enforcement Agency: State/Local

Contracting Party: Energy

Court Type: Administrative

Amount: \$270,000

Disposition: Settlement

Synopsis: "On July 2, 2004, the New Mexico Environment Department issued three administrative compliance orders to the DoE and Sandia Corporation. Sandia Corporation, a wholly-owned subsidiary of Lockheed Martin, is the management and operating contractor for Sandia National Laboratories pursuant to a contract with DoE, and is the co-operator of the facility. The orders allege violations of regulations under the Resource Conservation and Recovery Act pertaining to matters such as the accumulation of materials for re-use, record-keeping, waste characterization, and other management issues. The order seeks penalties totaling \$3.2 million for the alleged violations. Sandia and DoE are contesting the orders. On November 17, 2005, the parties entered into a Stipulated Partial Order resolving approximately half of the alleged violations for a total of approximately \$270,000. The other allegations remain unresolved and under discussion."

38. Contract Dispute (Idaho National Engineering and Environmental Laboratory)

Date: 10/29/2004 (Date of Judgment)

Misconduct Type: Poor Contract Performance

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Civil

Amount: \$66,000,000

Disposition: Judgment Against Defendant

Synopsis: On October 29, 2004, the U.S. District Court in Idaho issued a decision upholding the termination for default of Lockheed's Pit 9 contract and rejecting the Corporation's counterclaims. "The court concluded that the Corporation must repay \$54 million in progress payments, plus interest, and pay approximately \$12 million in decontamination and decommissioning costs." The lawsuit stemmed from a fixed-price contract that was awarded in 1994 for the design, construction and testing of remediation facilities and the remediation of waste found in Pit 9 at the Idaho National Engineering and Environmental Laboratory

reservation. In 1998, the management contractor for the Department of Energy terminated the Pit 9 contract for default. Ultimately, the company recorded an after-tax charge of \$117 million as a result of the decision.

39. Violations of Louisiana Environmental Quality Act

Date: 04/01/2005 (Date of Penalty Agreement)

Misconduct Type: Environment

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Administrative

Amount: \$4,500

Disposition: Settlement

Synopsis: On April 1, 2005, the Louisiana Department of Environmental Quality issued a penalty agreement for violations of the state's Environmental Quality Act. These violations included failure to submit reports by specified deadlines. Lockheed agreed to a settlement, without admission of liability, in the amount of \$4,500, \$3,000 of which will go towards beneficial environmental projects.

40. Flight Service Station Problems

Date: 06/05/2007 (Date of FAA Announcement)

Misconduct Type: Poor Contract Performance

Enforcement Agency: Transportation

Contracting Party: Transportation

Court Type: Administrative

Amount: \$3,000,000

Disposition: Administrative Agreement

Synopsis: The Federal Aviation Administration announced it withheld \$3 million in payments to Flight Service Station contractor Lockheed Martin in the first quarter because of poor performance under a contract to provide preflight briefings to small plane pilots. Lockheed took over the 58 FSS facilities under a \$1.7 billion contract in October 2005. Since the beginning of 2007, pilots have complained about being on hold for extended times while waiting for preflight briefings on weather and other flight conditions. More penalties might be in store for Lockheed in the second quarter, when pilot complaints sharply increased.

41. Federal Election Law Violation

Date: 08/21/2006 (Date of FEC Announcement)

Misconduct Type: Ethics

Enforcement Agency: FEC

Contracting Party: None

Court Type: Administrative

Amount: \$27,000

Disposition: Fine

Synopsis: The Federal Election Commission imposed a civil penalty of \$27,000 on Lockheed Martin Employee's PAC for failing to accurately account for and report disbursements and failing to disclose receipts. The committee failed to accurately disclose operating expenditures as a result of an embezzlement scheme perpetrated by Kenneth Phelps, a deputy manager and

treasurer for the PAC. Phelps pleaded guilty in July 2007 to wire fraud and making false statements to the FEC. He admitted that from about January 2002 until December 2003, he took approximately \$160,000 in Lockheed PAC checks and wrote the checks to himself instead of to federal political candidates or campaigns and deposited those checks into his personal bank account. In October 2007, Phelps was sentenced to 16 months in prison and ordered to pay \$163,116 in restitution and a special assessment of \$2,400. Lockheed's PAC, which collects donations from employees, is among the most active defense contractor political action committees. See related misconduct instance, "Embezzlement of PAC Funds."

42. Self-Reported F-35 Overbilling

Date: 08/09/2007 (Date of Announcement)

Misconduct Type: Cost/Labor Mischarge

Enforcement Agency: Non-Governmental

Contracting Party: Defense - General

Court Type: N/A

Amount: \$265,000,000

Disposition: Restitution

Synopsis: Lockheed Martin announced it would refund the Department of Defense roughly \$265 million for inadvertently overbilling on the F-35 Joint Strike Fighter development program.

Lockheed Martin discovered an accounting error during a routine audit earlier that week and immediately notified the government. The billing error, which dated back to 2002, was caused by a coding error in Lockheed's billing system involving invoices from subcontractors Northrop Grumman and BAE Systems, neither of which was at fault for the error.

43. Embezzlement of PAC Funds

Date: 10/23/2007 (Date of Sentencing)

Misconduct Type: Ethics

Enforcement Agency: FEC

Contracting Party: None

Court Type: Criminal

Amount: \$165,516

Disposition: Pleaded Guilty

Synopsis: Kenneth D. Phelps III, the former deputy manager and treasurer for Lockheed Martin Employee's PAC, pleaded guilty to wire fraud and making false statements to the Federal Election Commission. He admitted that from about January 2002 until December 2003, he took approximately \$160,000 in Lockheed PAC checks and wrote the checks to himself instead of to federal political candidates or campaigns and deposited those checks into his personal bank account. In October 2007, Phelps was sentenced to 16 months in prison and ordered to pay \$163,116 in restitution and a special assessment of \$2,400. In August 2006, the FEC imposed a civil penalty of \$27,000 on the Lockheed Martin PAC for failing to accurately account for and report disbursements and failing to disclose receipts, oversights that were caused by Phelps' conduct. See related Lockheed Martin misconduct instance, "Federal Election Law Violation."

44. Racial Discrimination and Retaliation

Date: 01/02/2008 (Date of Consent Decree)

Misconduct Type: Labor

Enforcement Agency: EEOC

Contracting Party: None

Court Type: Civil

Amount: \$2,500,000

Disposition: Settlement

Synopsis: Lockheed Martin Corp. paid \$2.5 million to settle a discrimination and retaliation lawsuit filed by former employee Charles Daniels, who alleged he was harassed because of his race and received death threats after filing complaints. According to the U.S. Equal Employment Opportunity Commission, Daniels was "subjected to a racially hostile work environment at several job sites nationwide." Under the settlement, Lockheed Martin also agreed to fire the harassers and make improvements in its harassment and discrimination policies.

45. Age Discrimination and Retaliation

Date: 04/07/2008 (Date of Announcement)

Misconduct Type: Labor

Enforcement Agency: EEOC

Contracting Party: None

Court Type: Civil

Amount: \$904,000

Disposition: Settlement

Synopsis: Lockheed Martin Global Telecommunications, Inc. settled an age discrimination lawsuit with the Equal Employment Opportunity Commission (EEOC), agreeing to pay \$773,000 in back pay to eight employees. The EEOC claimed Lockheed Martin violated the Age Discrimination in Employment Act (ADEA) when it fired the employees, who were between the ages of 47 and 65, during a reduction in force implemented in the COMSAT Mobile Communications Division in October 2000. In 2007, Lockheed Martin paid \$131,000 in damages to two employees to settle retaliation claims brought in the lawsuit.

46. Titan IV Rocket Billing Problems

Date: 05/12/2008 (Date of Announcement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – General

Contracting Party: Defense - Air Force

Court Type: Civil

Amount: \$10,500,000

Disposition: Settlement

Synopsis: Lockheed Martin Space Systems Company agreed to pay \$10.5 million to settle a civil investigation into billing problems with its Titan IV rocket. According to Lockheed, the company voluntarily disclosed errors in billing requests from 1998 to 2001 after they were discovered during an internal review. The government alleges Lockheed obtained excessive interim payments, known as progress payments, by manipulating its billings.

Pending Instances

Adkins v. Divested Atomic Corp. (Toxic Contamination)

Date: 06/24/2006

Misconduct Type: Environment

Enforcement Agency: Non-Governmental

Contracting Party: Energy

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: This case against Lockheed Martin Energy Systems, Goodyear, and other companies alleges their negligence in properly disposing of radioactive and hazardous waste. "The plaintiffs allege, on behalf of themselves and a putative class of all persons who were residents, property owners or lessees of property subject to alleged windborne particulates and water run off from the DOE Plant, that DAC [Divested Atomic Corporation] (and, therefore, the Company) and LMES [Lockheed Martin Energy Systems] in their operation of the Portsmouth DOE Plant (i) negligently contaminated, and are strictly liable for contaminating, the plaintiffs and their property with allegedly toxic substances, (ii) have in the past maintained, and are continuing to maintain, a private nuisance, (iii) have committed, and continue to commit, trespass, and (iv) violated the Comprehensive Environmental Response, Compensation and Liability Act of 1980."

United States ex rel. Yannacopoulos v. General Dynamics et al.

Date: 07/07/2003 (Date of Service of Complaint)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Non-Governmental

Contracting Party: Defense - Air Force

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: "On July 7, 2003, the company was served with a complaint that was filed in the United States District Court for the Northern District of Illinois as a qui tam action under the civil False Claims Act...Relator is Dimitri Yannacopoulos, a former consultant to the company. The complaint alleges various violations of the False Claims Act in connection with the sale of F-16 aircraft to Greece by the company's former Fort Worth Division and its successor, Lockheed Martin Corporation (Lockheed). (Lockheed purchased the Fort Worth Division in 1993.) Lockheed is also named as a defendant."

RCRA and False Claims Act Violations at Paducah Gaseous Diffusion Plant

Date: 08/28/2003 (Date of DOJ Intervention)

Misconduct Type: Environment

Enforcement Agency: Energy

Contracting Party: Energy

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: "On August 28, 2003, the Department of Justice (the DoJ) filed complaints in partial intervention in two lawsuits filed under the qui tam provisions of the Civil False Claims Act in the United States District Court for the Western District of Kentucky, United States ex rel. Natural Resources Defense Council, et al v. Lockheed Martin Corporation, et al, and United States ex rel. John D. Tillson v. Lockheed Martin Energy Systems, Inc., et al. [Both cases were joined in 2004.] The DoJ alleges that we committed violations of the Resource Conservation and

Recovery Act at the Paducah Gaseous Diffusion Plant by not properly handling, storing, and transporting hazardous waste and that we violated the False Claims Act by misleading Department of Energy officials and state regulators about the nature and extent of environmental noncompliance at the plant. We dispute the allegations and are defending against them.” A trial is currently scheduled for February 2010.

Ernest v. Lockheed Martin (Unlawful Termination)

Date: 10/01/2007 (Date of Filing)

Misconduct Type: Labor

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: Joseph “Max” Ernest, a Navy reservist who was laid off from his job at Lockheed Martin after serving in Iraq, filed a federal lawsuit claiming his termination violated the Uniformed Services Employment and Reemployment Rights Act (USERRA) and Colorado law. Ernest was working as a counterintelligence/counter-terrorism and law enforcement analyst for Lockheed Martin when, in March 2006, he was put on active duty for 11 months, including a nine-month deployment to Baghdad.

Becker v. Tools & Metals Inc. (Mischarging the Government)

Date: 11/19/2007 (Date of Announcement)

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Air Force

Contracting Party: Defense - Air Force

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: In November 2007, the United States intervened in a False Claims Act lawsuit alleging the mischarging of millions of dollars by Lockheed Martin Corp.; Lockheed’s vendor, Tools & Metals Inc. (TMI); former TMI president and CEO Todd Loftis and former TMI officer and director Linda Loehr. In 1998, TMI won a contract from Lockheed Martin Aeronautics to supply Lockheed with perishable tools for the manufacturing of F-16 and F-22 fighter aircraft. The suit alleges that Loftis and TMI caused false claims to be submitted by Lockheed to the Department of Defense from January 1998 to February 2006. Lockheed is alleged to be independently liable for TMI’s actions due to its reckless oversight of TMI. Loehr is alleged to have recklessly failed to carry out her responsibilities as an officer and director of TMI. In December 2005, Loftis pleaded guilty to one count of conspiracy to defraud the United States in connection with TMI’s alleged mischarging and is now serving a seven year sentence.