



Department of Justice

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FOR IMMEDIATE RELEASE

12/17/10

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**LOCKHEED MARTIN CORPORATION REACHES \$10.28 MILLION
SETTLEMENT WITH U.S.
TO RESOLVE FALSE CLAIMS ACT ALLEGATIONS**

ATLANTA, GA - The United States Attorney's Office today announced that Lockheed Martin Corporation (Lockheed Martin) has reached a \$10.28 million settlement with the United States to resolve allegations under the False Claims Act. The government alleges that from 1996 to 2000, Lockheed Martin's aircraft manufacturing division in Marietta, Georgia, inflated the overhead rates that it used to price and bill government contracts performed for the U.S. Air Force and U.S. Navy during this period. Lockheed Martin, headquartered in Bethesda, Maryland, is the world's largest defense contractor.

The settlement resolved the government's allegations that Lockheed Martin mischarged costs that were incurred in connection with a commercial contract between Lockheed Martin and "Alenia Aerospazio," an Italian aerospace company, to develop an aircraft designated as the "C27J," a light/medium tactical transport aircraft. Lockheed charged business development, proposal and other selling costs that were associated with the commercial contract to cost accounts that were charged to government contracts.

"Taxpayers have a right to expect defense contractors, like Lockheed Martin, to follow the rules and not to pass onto the government costs that should have been charged to their commercial ventures," said Tony West, Assistant Attorney General for the Civil Division.

"It is troubling that a large defense contractor with long-established contractual ties with the United States failed to follow basic accounting rules and submitted claims for costs for which reimbursement was not permitted," said Sally Quillian Yates, United States Attorney for the Northern District of Georgia. "Lockheed Martin's mischarging created a significant unintended subsidy for one of Lockheed Martin's commercial ventures, and that is unacceptable."

In Atlanta, John F. Kihn, Special Agent in Charge, Defense Criminal Investigative Service-Southeast Field Office, said, "The Pentagon's Defense Criminal Investigative

Service aggressively pursues all allegations of fraud perpetrated on the U.S. Department of Defense. Our agency remains focused on ensuring taxpayer dollars are not wasted or stolen, and on protecting America's warfighters."

This case is part of President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, working together, bring a powerful array of criminal and civil enforcement resources.

This civil investigation was conducted by Special Agents from the Defense Criminal Investigative Service and the Air Force Office of Special Investigations. Audit support was provided by the Defense Contract Audit Agency.

The settlement was negotiated by Russell B. Kinner, Senior Trial Counsel for the Department of Justice's Civil Division and by Assistant United States Attorney Mina Rhee, with the U.S. Attorney's Office for the Northern District of Georgia.

For further information please contact Sally Q. Yates, United States Attorney, or Charysse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is www.justice.gov/usao/gan.