

NEWS RELEASE



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San Diego, California***

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For Immediate Release

NEWS RELEASE SUMMARY - March 1, 2005

United States Attorney Carol C. Lam and United States Department of Justice, Criminal Division, Fraud Section Chief Joshua R. Hochberg jointly announced that The Titan Corporation (“Titan”), a San Diego, California-based military intelligence and communications company, pled guilty today to a three-count Information charging it with one felony count of Bribery under the Foreign Corrupt Practices Act (“FCPA”), in violation of Title 15, United States Code, Section 78dd-1, one felony count of Falsification of Books and Records under the FCPA, in violation of Title 15, United States Code, Sections 78m(b)(2)(A) and 78m(b)(5), and one felony count of Aiding or Assisting in the Filing of a False Tax Return, in violation of Title 26, United States Code, Section 7206(2). Titan entered its guilty plea, pursuant to a plea agreement with the United States, in Federal District Court in San Diego before the Honorable Roger T. Benitez, United States District Court Judge. In the same proceeding, Judge Benitez sentenced Titan to pay a criminal fine of \$13,000,000 on the FCPA anti-bribery count, and ordered the company to serve 3 years of supervised probation on each of the 3 counts, to run concurrently. As a condition of probation, Judge Benitez ordered

Titan to institute a strict compliance program and internal controls designed to prevent future FCPA violations.

The FCPA requires issuers of publicly-traded securities to refrain from making corrupt payments to foreign government officials and candidates for foreign political office, and to implement policies and practices that reduce the risk that employees and agents will engage in bribery. The instant charges stem from Titan's corrupt payment of more than \$2 million, through an agent in the Republic of Benin, towards the election campaign of Benin's then-incumbent President. The Information does not allege that the then-incumbent President of Benin knew of the corrupt payments, and no criminal charges have been brought against him.

According to the Information, beginning in or about 1998, Titan and its subsidiaries embarked on a project with the African nation of Benin to build and operate a wireless telephone network in that country. Part of Titan's compensation for this project included a management fee worth millions of dollars. In order to secure and keep this business, Titan engaged the services of an agent who claimed to have close ties to the then-President of Benin. Beginning in 1999, without performing adequate due diligence to determine if its agent was complying with the FCPA, Titan began paying this agent hundreds of thousands of dollars for "consulting" services that were never properly documented or shown to have been performed.

As recounted in the Information, in or about January 2001, Titan began making improper payments to the Benin agent for the purpose of influencing the upcoming presidential election in Benin. Specifically, employees and agents of Titan agreed to pay millions of dollars to the Benin agent with the intent of supporting the then-incumbent President of Benin's reelection campaign, under the guise of making "social payments" towards the betterment of the people of Benin. At the request of Titan, the Benin agent submitted false invoices to Titan totaling over \$2 million for these funds, and Titan paid the bribes to the Benin agent in several installments between January 2001 and May 2001.

The Information alleges that Titan's illegal payments further violated the FCPA's prohibition on the falsification of books, records, and accounts of publicly-traded companies. Titan had a duty under federal securities law to make and keep books, records and accounts which accurately and fairly reflected the

transactions and disposition of its assets. By using false invoices to conceal its improper payments in Benin, Titan knowingly falsified its books, records, and accounts. In addition, as outlined in the Information, Titan violated federal tax laws by claiming the bribes as deductible business expenses on its federal income tax return.

Pursuant to the plea agreement, Titan and the government had agreed to recommend that Titan pay a \$13 million criminal fine in this case. Titan has also agreed to pay \$15.4 million in disgorgement and prejudgment interest in a parallel civil case to be filed today by the United States Securities and Exchange Commission in Federal District Court in Washington, D.C. The combined civil/criminal penalty of \$28 million imposed on Titan is the largest FCPA civil/criminal penalty to date for a public company.

In announcing today's guilty plea and sentencing, United States Attorney Lam said, "Titan's payment of the largest combined FCPA criminal and civil penalty in history demonstrates both the severity and scope of the misconduct in this case. All United States companies should take note that attempting to bribe foreign officials is criminal conduct and will be appropriately prosecuted." United States Attorney Lam noted that the criminal investigation into the bribery allegations outlined in the Information continues.

San Diego Federal Bureau of Investigation Special Agent in Charge Daniel R. Dzwilewski noted, "Titan admitted corruptly making payments intended to influence the outcome of the election in Benin. Titan's egregious acts warranted the use of this particular measure and should send a clear message that corporations will be held accountable both criminally and civilly for their actions, not only within the confines of the United States, but also their dealings in foreign countries."

Rick W. Gwin, Special Agent in Charge, Defense Criminal Investigative Service, stated, "Titan is a major Department of Defense contractor, and is commonly referred to as a 'Top 100 Defense Contractor,' with annual sales to the Department of Defense of over \$1 billion. This plea demonstrates the Department of Defense's commitment to ensuring that its contracting parties play by the rules."

Denise L. Rubin, IRS Criminal Investigation Special Agent in Charge for San Diego, stated, "The IRS expects the same level of honesty from corporations as from individuals. Tax laws apply to all entities and

this investigation underscores the commitment of the IRS Criminal Investigation Division to combat corporate fraud."

The case is the result of a joint investigation by the Federal Bureau of Investigation, San Diego Division; the Internal Revenue Service, Criminal Investigation; and the Defense Criminal Investigative Service, which is the investigative service arm of the Department of Defense Inspector General's Office. These agencies and the Department of Justice worked cooperatively with a parallel civil investigation being conducted by the United States Securities and Exchange Commission, Division of Enforcement.

The Department of Justice's investigation is continuing.

DEFENDANT

Titan Corporation San Diego, California

SUMMARY OF CHARGES

- Count 1: Foreign Corrupt Practices Act (15 U.S.C. § 78dd-1)
Maximum fine of the greater of \$2,000,000, or twice the gross pecuniary gain derived from the offense; a maximum term of probation of up to five years; a mandatory special assessment of \$400 per count.
- Count 2: Falsifying Books & Records (15 U.S.C. § 78m(b)(2)(A))
Maximum fine of the greater of \$25,000,000, or twice the gross pecuniary gain derived from the offense; a maximum term of probation of up to five years; a mandatory special assessment of \$400 per count.
- Count 3: Aid or Assist in Filing of False Return (26 U.S.C. § 7206(2))
Maximum fine of the greater of \$500,000 and the costs of prosecution; a maximum term of probation of up to five years; a mandatory special assessment of \$400 per count.

AGENCIES

Federal Bureau of Investigation, San Diego Division
Internal Revenue Service, Criminal Investigation
Department of Defense Inspector General's Office, Defense Criminal Investigative Service
U.S. Securities and Exchange Commission, Division of Enforcement