WASHINGTON, D.C. - Lockheed Martin Corporation will pay $1,407,834 to settle allegations that Lockheed's predecessor, Loral Corporation, defrauded the government on a Department of the Air Force contract, the Justice Department announced today.

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.

"Today's settlement demonstrates the Justice Department's determination to recover funds inappropriately billed on U.S. defense contracts," said Robert D. McCallum, Jr, Assistant Attorney General for the Department's Civil Division.

The civil settlement resolves allegations arising from a lawsuit filed under the qui tam or whistleblower provisions of the False Claims Act, a federal law that allows private individuals, known as relators, to sue on behalf of the government. The suit was filed in the United States District Court for the Southern District of Ohio in Cincinnati by a former Loral employee, Glen Heiser, who was involved with reviewing the Loral estimates, and who first noticed the alleged estimate discrepancies.

Under the False Claims Act, a whistleblower can receive between 15 and 25 percent of the government's recovery in a case that the government joins. Under the agreement announced today, Mr. Heiser will receive $274,527.63.

The investigation was conducted by the United States Attorney's Office for the Southern District of Ohio, the Defense Criminal Investigative Service in Cleveland, Ohio, and the Civil Division of the Department of Justice.

The lawsuit is filed as U.S. ex rel. Glen Heiser v. Lockheed Martin Corp, C-1-97-767 (S.D. Ohio).

###