FOR IMMEDIATE RELEASE:

June 10, 2003

Kesha Handy
P. O. Box 61129 Houston, TX 77208
Phone: 713/567-9335 Fax: 713/718-3390
E-Mail: usatty.tx@usdoj.gov

LOCKHEED MARTIN PAYS NASA $7.1 MILLION SETTLEMENT

(Houston, Texas) United States Attorney Michael Shelby announced today that Lockheed Martin, the government's largest contractor, has paid $7.1 million to the United States to settle a dispute regarding reimbursements of alleged false and fraudulent claims sought through contracts with the National Aeronautics and Space Administration [NASA].

This substantial settlement brings to an end a nine-year investigation conducted by agents of the NASA Office of Inspector General into allegations that payments made by NASA to Lockheed Engineering Sciences Corporation (LESC), Lockheed Martin's predecessor, were based upon false and fraudulent lease cost claims. Lockheed Engineering Sciences Corporation [LESC] held a $1.14 billion contract to support the shuttle mission at the Johnson Space Center. The contract included a 10 year lease (1992 - 2002) of two buildings, Lockheed Martin Plaza #1 and #2.

The dispute focused upon the government's contention that as part of the costs included in the 10 year lease agreement negotiated in 1992, LESC 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. Such costs are prohibited under Federal Acquisition Regulations, as determined by the Defense Contract Audit Agency. Today's agreement settles the dispute.

Commenting on today's agreement, United States Attorney Michael Shelby said, "Our goal has always been to protect the fiscal integrity of NASA and to ensure that the government is not overcharged for services related to our nation's space program. Today's settlement returns to the taxpayer all of the excessive costs and fees charged by Lockheed Martin in connection with these leases during the past 10 years."

Robert Cobb, NASA Inspector General, said "I am appreciative of the dogged work by the United States Attorney's Office and our special agents in rooting out the mischarging in a series of complex real estate and accounting transactions. When taxpayer funds are being
misused, those responsible will be held accountable."

The investigation into the false or fraudulent lease cost claims was part of an ongoing investigation initiated in December 1994 following the disclosure by LESC that John J. McGurr, their former Director of Contracts Administration, had embezzled more than $600,000 in funds paid by NASA under an existing contract. As a result of the criminal investigation, John J. McGurr was indicted in 1997. McGurr pled guilty to money laundering, fraud against the United States and tax evasion, and was sentenced in January 1998 to serve 41 months in federal prison on each of the three counts of conviction. The sentences were to be served concurrently.

The investigation resulting in today’s settlement agreement was conducted by the NASA Office of Inspector General, the Defense Criminal Investigative Service, the United States Postal Inspection Service, and the Defense Contract Audit Agency, and litigated by Assistant United States Attorneys Cedric L. Joubert and Jill O. Venezia.