SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement is entered into this 3rd day of December 2004, by and among (i) the United States of America, acting through the Department of Justice and on behalf of the United States Department of the Army (collectively, the "United States") and (ii) Lockheed Martin Missiles and Fire Control, a business unit of Lockheed Martin Corporation for itself and any of its parents, predecessors, successors, assigns, businesses, affiliates, subsidiaries, directors, officers, employees, agents, representatives, and shareholders (hereinafter, "Lockheed Martin"). The United States and Lockheed Martin are hereinafter all jointly referred to as the "Parties."

II. PREAMBLE

A. Lockheed Martin is a Maryland corporation with its headquarters located in Bethesda, Maryland.

B. In December 1999, the Defense Contract Audit Agency (the "DCAA") completed an audit (the "Audit Report") related to a Lockheed Martin disclosure of inadvertent mischarging on certain contracts between the United States and Lockheed Martin for both production and support of the Multiple Launch Rocket System.¹

C. Lockheed Martin has accepted some of the conclusions listed in the Audit Report but denies all allegations of fraud.

¹ The Audit Report is dated December 17, 1999 and officially identified as DCAA audit number 3311-99L17900003.
D. For the purposes of this Settlement Agreement, the “Covered Conduct” means the conduct, causes of action, claims, and allegations contained in, or devolving from the Audit Report.

E. The Parties wish to avoid the time, expense, and risk of litigation by reaching a settlement of the allegations contained in the Audit Report as described below.

F. This Settlement Agreement is made in compromise of disputed claims. Neither the Settlement Agreement, its execution, nor the performance of any obligations under it, including any payments, nor the fact of the settlement, is intended to be, or shall be understood as, an acknowledgment of responsibility, admission of liability or wrongdoing, or other expression reflecting upon the merits of the dispute by the United States or Lockheed Martin.

III. AGREEMENTS

In reliance on the foregoing Recitals, and in consideration of the mutual promises, covenants and obligations of this Settlement Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Within thirty (30) business days after the execution of this Settlement Agreement, Lockheed Martin shall pay to the United States the sum of $1,400,000.00 (one million, four hundred thousand dollars, and no cents) (the “Settlement Proceeds”). Payment shall be made by electronic funds transfer pursuant to written instructions to be provided by Michael F. Hertz or his designated representative.
2. Subject to the exceptions set forth below, in consideration of the obligations of Lockheed Martin set forth in this Settlement Agreement, and conditioned upon the payment in full by Lockheed Martin of the Settlement Proceeds, the United States hereby waives, releases, and forever discharges Lockheed Martin from any liability or claim the United States has under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Contract Disputes Act, 41 U.S.C. § 601 et seq.; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Truth in Negotiations Act, 10 U.S.C. § 2306a, or under common law, including, without limitation, payment by mistake, unjust enrichment, breach of contract, and fraud, for Covered Conduct.

3. The United States and Lockheed Martin agree that each will be responsible for its own attorneys’ fees and all costs arising out of and relating to this action.

4. The United States specifically does not release Lockheed Martin, or any other entity or individual under this Settlement Agreement from (a) any criminal, civil or administrative claims arising under Title 26, U.S. Code (Internal Revenue Code); (b) any claims of criminal liability of Lockheed Martin or any individual; (c) any administrative suspension or debarment action; (d) any liability for any express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services, provided by Lockheed Martin to the United States; (e) any liability to the United States (or its agencies) for any conduct other than the Covered Conduct; (f) any liability for failure to deliver goods or services due; and (g) any liabilities or obligations created by this Settlement Agreement or related to disputes and claims for the enforcement of this Settlement Agreement.
5. Each of the Parties agrees that each shall bear its own legal and other costs incurred in connection with this matter including the preparation and performance of this Settlement Agreement. Lockheed Martin agrees that all costs (as defined by Federal Acquisition Regulation ("FAR") 31.205-47) incurred by or on behalf of Lockheed Martin on or after July 20, 2000 in connection with (a) the matters covered by this Settlement Agreement; (b) the United States' audits and investigations of the matters covered by this Settlement Agreement; (c) Lockheed Martin's investigation and defense of the matters relating to the Covered Conduct; (d) the negotiation of this Settlement Agreement; and (e) the payments made to the United States pursuant to this Settlement Agreement shall be unallowable costs for government accounting purposes. Lockheed Martin shall reasonably estimate and separately account for all costs that are unallowable under this Settlement Agreement.

6. In consideration of the promises and obligations of this Settlement Agreement, Lockheed Martin fully and finally releases the United States, its agencies, employees, servants, and agents from any claims (including attorney's fees, costs, and expenses of any kind and however denominated) which Lockheed Martin has asserted, could have asserted, or may assert in the future against the United States, its agencies, employees, servants, and agents related to or arising from the Covered Conduct and the United States' investigation and prosecution thereof.

7. Within ten (10) business days following receipt of the Settlement Proceeds, the United States Attorney's Office for the Northern District of Alabama will close all
investigations open as of this date associated with Lockheed Martin's Multiple Launch Rocket Systems.

8. With regard to any investigations related to the Multiple Launch Rocket Systems, the undersigned investigating agencies on behalf of the United States Army will make all reasonable best efforts to complete their investigations within four (4) months. Regardless, within such time, such investigators will meet with designated representatives of Lockheed Martin to discuss the allegations and evidence, if any, related to the investigations. The parties will make reasonable best efforts to cooperate in the exchange of relevant non-privileged information related to the investigation prior to the meeting. To the extent possible, the meeting shall be attended by the cognizant Procuring Contracting Officer, Program Manager or his/her deputy, and Army Command counsel.

9. With regard to any new matters not discussed herein related to the Multiple Launch Rocket System that are not otherwise disposed of in accordance with normal contract negotiations, the undersigned investigating agencies parties agree to use all reasonable best efforts to utilize the procedures set forth in paragraph 8 above, prior to initiating a formal referral to the Department of Justice.

10. Nothing in this agreement is intended or shall be interpreted as altering or amending the prosecutorial discretion, procedures, regulations, or authority of the United States to investigate any matter.

11. Lockheed Martin represents that this Settlement Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.
12. Each person who signs this Settlement Agreement in a representative capacity warrants that he or she is duly authorized to do so. Further, each of the Parties (i) acknowledges that such party has been advised by competent legal counsel in connection with the execution of this Settlement Agreement and the accompanying releases, has read each and every paragraph of this Settlement Agreement, understands the respective rights and obligations set forth herein, and (ii) represents that the commitments, acknowledgment, representations, and promises set forth herein are freely and willingly undertaken and given.

13. This Settlement Agreement shall be governed and interpreted by the laws of the United States. The Parties agree that the exclusive jurisdiction and venue for any dispute arising between and among the Parties under this Settlement Agreement will be the United States District Court for the Northern District of Alabama.

14. This Settlement Agreement is effective on the date of signature of the last signatory to the Settlement Agreement.

15. This Settlement Agreement is binding on each and all of Lockheed Martin's successors, transferees, heirs, and assigns.

16. This document contains the full and complete agreement with respect to the matters covered herein. No modification of this Settlement Agreement shall be effective unless in writing and signed by the Parties.

17. This Settlement Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.

IN WITNESS WHEREOF, the Parties have executed the foregoing Settlement Agreement or counterparts thereof, intending to be bound.
UNITED STATES OF AMERICA

DATED: 22 DEC 2004

BY: Lloyd Peeples, III
Assistant U.S. Attorney
United States Attorney's Office
Northern District of Alabama
1801 Fourth Avenue North
Birmingham, AL 35203

DATED: January 3, 2005

BY: L. Marlene Cruze
US Army Aviation and Missile Command
Acquisition Center
Building 5303, 3rd Floor
Redstone Arsenal, AL 35898

DATED: 20 DEC 2004

BY: Kenneth Towe
Director – Finance, Tactical Missiles
Lockheed Martin Missiles and Fire Control

LOCKHEED MARTIN CORPORATION