



Department of Justice

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Boeing Company to Pay U.S. \$25 Million to Resolve Allegations Related to Defective Work on KC-10 Aerial Refueling Aircraft

WASHINGTON – The Boeing Company will pay the United States \$25 million to resolve allegations that the company performed defective work on the entire KC-10 Extender fleet, the Justice Department announced today. The KC-10 Extender is a mainstay of the Air Force's aerial refueling fleet in the Iraq and Afghanistan war theaters.

The lawsuit alleged that Boeing defectively installed insulation blanket kits in KC-10 aircraft while performing depot maintenance at the Boeing Aerospace Support Center in San Antonio, Texas. The settlement also settles allegations that Boeing overcharged the government for installation of the blanket kits.

The blanket kit is a critical component in the KC-10 Extender and consists of several thousand blankets resembling the insulation installed in the walls of a house. These blankets are installed on all inside surfaces of the aircraft and serve the critical functions of providing a thermal barrier to maintain temperature inside the aircraft during flight, reducing noise in the aircraft and providing a vapor barrier to reduce corrosion caused by moisture buildup on the inside surface of the skin of the aircraft.

The case was originally filed in U.S. District Court for the Western District of Texas by two former Boeing employees, Anthony Rico and Fernando de la Garza, under the *qui tam* or whistleblower provisions of the False Claims Act. Under the *qui tam* statute, a private party, known as a "relator," can file an action on behalf of the United States and receive a portion of the recovery. Mr. Rico and Mr. de la Garza will receive \$2,625,000 as their share of the proceeds of the settlement.

During the investigation of the allegations of faulty installation, the government also found that Boeing overcharged for the installation. Auditors found that Boeing inflated estimates of the number of hours needed to perform the blanket kit work and charged an excessive hourly rate for the work.

"Companies that do business with the United States must deal honestly with the government," said Tony West, Assistant Attorney General for the Justice Department's Civil Division. "The Department of Justice will vigorously pursue cases under the False Claims Act against those contractors who provide shoddy work."

The \$25 million settlement consists of a cash payment by Boeing of \$18,400,000 and \$6,600,000 worth of repair work to be done at the aircraft manufacturer's expense on the defective blankets. The settlement resolves Boeing's potential liability under the False Claims Act.

"Defense contractors will be held to high standards, particularly when their work could potentially impede mission critical functions of our armed forces," said John E. Murphy, Acting U.S. Attorney for the Western District of Texas. "The pursuit and favorable settlement of this civil litigation demonstrates that the Department of Justice will work closely with investigative agencies in order to enforce these standards."

The settlement negotiations were conducted by the U.S. Attorney's office in San Antonio and the Department's Civil Division. The allegations were investigated by the Defense Criminal Investigative Service, the Air Force Office of Special Investigations and the Defense Contract Audit Agency.

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