

SETTLEMENT AGREEMENT

Parties

1. This Settlement Agreement ("Agreement") is entered into this 14th day of May 1997 by and between the United States of America ("United States"), acting through the United States Department of Justice; Laird A. Willis (Relator); Danny G. McDonald (Relator) (hereinafter collectively "Relators"); and Hughes Aircraft Company ("HAC") and Hughes Aircraft Mississippi, Inc. ("HAMI") their past, present, and future officers, directors, employees, agents, subsidiaries, shareholders and affiliates (hereinafter collectively "Hughes").

Recitals

2. This Agreement arises from the claims presented in United States ex. rel. Laird A. Willis v. Hughes Aircraft Co., et al., Civil Action No. 393-cv-693BN (S.D. Miss.) and United States ex. rel. Danny G. McDonald v. Hughes Aircraft Co., et al., Civil Action No. 3:94-cv-445LN (S.D. Miss.). These cases seek damages under the False Claims Act, 31 U.S.C. § 3729-33 in connection with the production and delivery by Hughes of Advance Capacity (ADCAP) Mark 48 torpedoes to the United States Navy. The United States has intervened in a certain number of the claims alleged in the Relators' complaints, namely those listed in ¶¶ 32-44 of Relator Laird Willis' initial complaint concerning the defendants' alleged improper use of substandard fasteners, and those listed in ¶¶ 45-48 of Relator Danny G. McDonald's initial complaint concerning the defendant's alleged unauthorized avoidance of government source inspections on certain power supplies.

3. The Parties desire a final negotiated settlement and compromise of all claims and causes of action alleged in the Relators' complaints as to which the United States has intervened.

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Accordingly, in consideration of the mutually negotiated promises, covenants and obligations in this Agreement, the Parties agree and covenant as follows.

TERMS AND CONDITIONS

4. In reaching this Agreement, the Parties make no admissions of liability, legal fault or responsibility.

5. Within 10 business days following the complete execution of this Agreement, Hughes will pay the United States the sum of Five Hundred Thousand Dollars (\$500,000). This payment shall be made by cashier's or certified check drawn to the order of the Treasurer of the United States and shall be delivered to the following:

Director
Commercial Litigation Branch
Civil Division
U.S. Department of Justice
950 Pennsylvania Ave., N.W.
Room 3746
Washington, D.C. 20530

6. The United States shall pay the Relators jointly the sum of One Hundred Thousand Dollars (\$100,000), an amount equal to 20 percent of the proceeds of this settlement. Each Relator hereby acknowledges and agrees that such payment will be complete payment of the award due to him under the provisions of 31 U.S.C. Section 3730 (d). The Relators hereby consent to dismiss with prejudice all of the counts and allegations in their respective complaints as to which the United States has intervened, and further agree that the terms of this Settlement

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Agreement are fair, reasonable, and adequate. The Relators hereby waive, release, and discharge the United States from any further claim for an award or portion of the proceeds of this Settlement and from any other liability arising from the filing of this action. All attorney fees (including those fees provided by the Civil False Claims Act) and costs incurred to the date of this agreement relating to the claims made in the Relators' complaints (United States ex. rel. Laird A. Willis v Hughes Aircraft Co., et. al. Civil Action No. 393-cv-693BN (S. D. Miss) and United States ex. rel. Danny G. McDonald v Hughes Aircraft Co., et. al. Civil action 394-cv-445LN (S. D. Miss.) for which the United States has intervened, shall be considered to have been included in this settlement amount.

7. Within ten (10) days of final resolution of the claims set forth in the Relators' complaints (paragraph 2) the Relators shall return to Hughes all company documents and all copies made and each shall provide an affidavit confirming that they have returned to Hughes all Hughes documents and all copies.

8. Upon receipt of the payment set forth in Paragraph 5, the United States shall release Hughes from civil liability under the False Claims Act, 31 U.S.C. Sections 3729-3733 (as amended), the Program Fraud Civil Remedies Act, 31 U.S.C. Sections 3801-3812, and common law theories of fraud, payment by mistake, unjust enrichment and breach of contract, with respect to any claim the United States may have for:

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(a) the testing of or the failure to properly test the following electronic parts with the following date codes:

Part No. 4154100-619 (Date Codes 8924 and 8934)
Part No. 4154100-637 (Date Code 8807)
Part No. 4154100-675 (Date Code 8851)
Part No. 4154100-837 (Date Code 8919)
Part No. 4178600-746 (Date Code 8911)
Part No. 4178601-018 (Date Codes 8936 and 8940)
Part No. 4178601-090 (Date Code 8840)
Part No. 4178601-109 (Date Code 8929)
Part No. 4178601-168 (Date Code 8931)
Part No. 4192800-259 (Date Codes 8830 and 8840)
Part No. 4192800-386 (Date Code 8914)
Part No. 4192800-463 (Date Code 8848)
Part No. 5727377-001 (Date Code 8922)
Part No. 5727392-001 (Date Codes 8923 and 8931)
Part No. 5727405-001 (Date Code 8844)
Part No. 5727438-001 (Date Code 8948)
Part No. 5727462-001 (Date Codes 8909, 8927, 9046 and 9050)
Part No. 5727463-001 (Date Codes 8950, 8817 and 9046)
Part No. 5727467-001 (Date Code 8920)
Part No. 5727470-001 (Date Codes 8902 (DPA), 8809, 8914 (DPA), 8943, 9001, 9004 and 9011)
Part No. 5727667-001 (Date Codes 8943 and 8945)
Part No. 5856730 (Date Code 8942)
Part No. 5727447-001 (Date Codes 8903, 8928, 8929, 8931, 8932, 8933, 8934, 8935, 9006, 9007, 9024, 9025, 9026 and 9030)
Part No. 5727730 (Date Codes 9023 and 9036);

(b) the absence of a government source inspection allegedly required on the following power supply units: Power Supply Nos. P228 (fwd), P229 (fwd), P230 (fwd), P231 (fwd), P228 (aft), P229 (aft), P230 (aft), P231 (aft); and

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(c) the use of allegedly non conforming MS 16996 fasteners in the following contracts with the Department of Defense or its subordinate departments or agencies:

- Contract Nos.:
 DAAB07-97-C-T037
 DAAK20-81-C-0134
 N00039-87-C0211
 N00024-87-C-5184
 N00024-88-C-5129
 DAAB07-78-C-2409
 DAAL01-85-D-T020
 DAAB07-87-D-T020
 DAAK20-81-C-0134
 N00024-78-C-7139
 DAA07-82-G-L0050011
 DAAB07-82-C-J096
 DAAB07-83-C-J031
 DAAB07-90-C-L007
 DAAB07-83-C-2409
 F19628-83-C-0008
 N00024-87-C-6056
 N00039-81-C-0146
 N00039-89-C-0189
 N00024-83-C-6316
 N00024-87-C-6066
 N00024-83-C-7001
 N00024-84-C-7004
 N00024-87-C-5250
 N00024-82-C-7124
 N00024-88-G-5219
 N00024-83-C-7003
 N00024-84-C-7005
 N00024-81-C-6062
 F19628-91-C-0124

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(d) Within fifteen (15) days of receipt of the payment set forth in Paragraph 5, the United States and the Relators shall move to dismiss with prejudice the claims in the Relators' complaints as to which the United States has intervened which are described in Paragraph 2 and present the attached proposed order of dismissal with prejudice to the Court.

9. Hughes agrees to pay all reasonable attorneys fees and expenses which the United States may incur for any action initiated by the United States (but not the Relators) in seeking to enforce this Agreement.

10. The parties agree that specifically excluded from the scope and terms of this Agreement are:

(a) any disputes or claims which may arise from the delivery of any deficient or defective products under the contracts described in subparagraphs 8(a), 7(b) and 7(c) above, any express or implied warranties relating to such products, or the failure to deliver items or services due under such contracts to any federal agency;

(b) administrative action by the Department of Defense or any other federal agency to suspend, debar or determine the responsibility of Hughes;

(c) any disputes or claims arising under the Internal Revenue Code;

(d) any claims for personal injury, property damage, or other consequential damages arising under the contracts described in paragraph 8 above;

(e) any disputes or claims for the enforcement of the terms of this Agreement; and

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(f) any disputes or claims brought under the Relators' complaints, paragraph 2 above, as to which the government has not intervened.

11. Hughes agrees that all costs as defined in the Federal Acquisitions Regulations (FAR 31.205-47) incurred by or on behalf of Hughes and its officers, directors, agents and employees in connection with (a) the matters covered by this Settlement Agreement; (b) the government's audit and investigation of the matters covered by this Settlement Agreement; (c) Hughes' investigation and defense of the matters covered by this Settlement Agreement, and corrective action with respect to the matters covered by this Settlement Agreement; (d) the negotiation of this Settlement Agreement; and (e) the payments made to the United States pursuant to this Settlement Agreement are unallowable for government contract accounting purposes. These amounts shall be separately accounted for by Hughes.

12. This Agreement, together with all of the obligations and terms hereof, shall inure to the benefit of and shall bind assigns, successors-in-interest, or transferees of the parties hereto.

13. Each of the signatories to this Agreement represents that he or she has the full power and authority to enter into this Agreement.

14. This writing constitutes the entire Agreement of the United States, Hughes, and the Relators Laird A. Willis and Danny G. McDonald, with respect to the subject matter of this Agreement, and may not be modified, amended or terminated except by a written agreement signed by the parties specifically referring to this Agreement.

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UNITED STATES OF AMERICA
(except paragprah # 7).

by: ~~_____~~
Gregory H. Woods III
Trial Attorney
Commercial Litigation Branch
Civil Division
United States Department of Justice

Dated: 6/5/97

HUGHES AIRCRAFT COMPANY and HUGHES AIRCRAFT MISSISSIPPI, INC.

by: Joseph E. Papelian
Joseph E. Papelian
Office of the General Counsel
General Motors Corporation

Dated: May 14, 1997

LAIRD A. WILLIS

by: Laird A. Willis
Laird A. Willis, Relator

Dated: 6/3/97

by: Adam P. Morel
Adam P. Morel
Attorney for Laird A. Willis

Dated: 6/3/97

DANNY G. McDONALD

by: Danny G. McDonald
Danny G. McDonald, Relator

Dated: 6/3/97

by: Adam P. Morel
Adam P. Morel
Attorney for Danny G. McDonald

Dated: 6/3/97