SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement ("Agreement") is entered into this _ day of June, 2011, between the UNITED STATES OF AMERICA, acting through the Department of Justice ("DOJ") and the United States Attorney’s Office for the Eastern District of Washington, and on behalf of the Department of Energy ("DOE") (collectively, the "United States"); and Fluor Hanford, Inc., ("Fluor" or "defendant"), a subsidiary of Fluor Federal Services, Inc., and Fluor Corporation. (The United States and Fluor are referred to collectively herein as the "Parties").

II. RECITALS

A. In August 1996, Fluor was awarded Contract No. DE-AC06-96RL13200, a DOE prime contract to plan, integrate, manage, and execute cleanup efforts at DOE’s Hanford Nuclear Site (the "Hanford Contract"). In December 2000, DOE and Fluor executed Modification M126 to the Hanford Contract, under which DOE exercised an option and Fluor remained the prime contractor on the Hanford Contract. The Hanford Contract was a cost-reimbursement contract that required Fluor to procure and provide all of the personnel, equipment, material, and supplies necessary to complete the contractual scope of work.

B. In order to facilitate the acquisition of equipment and supplies necessary to perform its work on the Hanford Contract, Fluor employed a number of employees whose job responsibilities included using government purchase credit cards ("P-Cards") to purchase goods on behalf of Fluor for use on the Hanford Contract. The full cost of each purchase made by Fluor with a P-Card was passed on to DOE by monthly draw-downs by Fluor against a DOE line of credit.
C. The United States asserts that it has civil claims and civil causes of action against Defendant for damages and civil penalties, under the False Claims Act, as amended, 31 U.S.C. §§ 3729-3733, under the Anti-Kickback Act, 41 U.S.C. §§ 51 et. seq., and under the common law for the following allegations (the "Covered Conduct"):  

1. Gregory Detloff ("Detloff") was a Fluor Material Coordinator between November 2001 and November 2003 and, during that time, held a P-Card issued by Fluor. As a Material Coordinator, Detloff's job duties included using his P-Card to make purchases, on behalf of Fluor, of materials, equipment, and supplies for use in the Hanford Contract.

2. Between November 2001 and November 2003, while employed by Fluor, Detloff made purchases on behalf of Fluor from a business known as Detloff Industrial, which was owned by Detloff and his wife and operated out of their shared home. Detloff had an agreement with Martin Perez, a salesman at a company known as Kennewick Industrial and Electrical Supply, Inc. ("KIE"), to route the purchases from Detloff Industrial through KIE in order to hide the conflict of interest created by purchasing from a company in which he had a financial interest. As part of this scheme, both Detloff Industrial and KIE substantially marked up the price of these goods, adding significantly to the amount ultimately paid by DOE. The conflict of interest inherent in these purchases violated material terms of the Hanford Contract, the Federal Acquisition Regulation, and the Department of Energy Acquisition Regulation.

3. Paul Kempf ("Kempf") was a Fluor Laboratory Operations Manager for the 222S Laboratory at the DOE Hanford Site. Between October 2000 and September 2003, Kempf held a P-Card issued by Fluor for the purpose of purchasing laboratory equipment on
behalf of Fluor. Kempf's wife, Anita Gust, owned and operated out of Kempf's home a company known as AMG Marketing between October 2000 and September 2003.

4. Between October 2000 and September 2003, Kempf made purchases from AMG Marketing using his Fluor P-Card. The sole purpose of these purchases was to fraudulently transfer federal funds to AMG Marketing. No goods or supplies were provided for the benefit of DOE as a result of these purchases. DOE was nonetheless billed for these purchases, in violation of the Hanford Contract, the Federal Acquisition Regulation, and the Department of Energy Acquisition Regulation.

5. Additionally, between October 2000 and September 2003, Kempf was the approving manager for P-Card transactions made by an employee under his supervision, Paula Hansen. Kempf encouraged Hansen to purchase from AMG Marketing, and served as the approving manager for each such transaction between Fluor and AMG Marketing. The conflict of interest inherent in these purchases violated material terms of the Hanford Contract, the Federal Acquisition Regulation, and the Department of Energy Acquisition Regulation.

6. Between September 2004 and June 2008, Susanna Zuniga, a Fluor material coordinator and P-Card holder, used her P-Card to make fraudulent purchases from KIE and from another company known as Fast Pipe and Supply Co. ("Fast Pipe"). These purchases were for personal electronics, household appliances, gift cards, tools, and other personal items, which Zuniga kept for her personal use, gave as gifts, or sold. Zuniga created false records to make it appear as though these purchases were for goods and supplies used on the Hanford Contract; however, no goods or supplies were provided for the benefit of DOE as a result of
these purchases. DOE was nonetheless billed for these purchases, in violation of the Hanford Contract, the Federal Acquisition Regulation, and the Department of Energy Acquisition Regulation. Two additional Fluor employees, Pedro Alvarado, Jr. and Tommy Honeycutt, participated in Zuniga’s fraudulent scheme.

7. Between November 2005 and April 2008, at least fourteen Fluor material coordinators and P-Card holders solicited, received, and/or accepted things of value from Fast Pipe, a vendor with whom they did business on behalf of Fluor. These gratuities included tickets to sporting events, gift cards, cash donations, plane tickets, and other things of value provided by Fast Pipe for the purpose of obtaining favorable treatment for Fast Pipe on Fluor’s DOE contract. Between November 2005 and April 2008, these same material coordinators purchased over $3.65 million in goods from Fast Pipe.

8. Between October 2000 and June 2008, Fluor did not implement or carry out adequate internal P-Card controls or meaningful supervision to prevent or detect the fraud committed by Kempf, Detloff, Zuniga, and the Fluor material coordinators who accepted kickbacks from Fast Pipe, despite being informed of numerous weaknesses in its P-Card controls during this time period. Specifically, Fluor’s internal control environment was weak and did not provide for meaningful managerial oversight of Detloff or Kempf. Nor did Fluor’s internal controls contain adequate separation of duties between various functions or adequate controls to ensure that only legitimate purchases were made and charged to the Hanford Contract, which allowed the conduct described in II.C.1 through II.C.7 to go undetected.

9. As a result of the conduct described in Paragraphs II.C.1 through
II.C.8, between October 2000 and June 2008, the United States alleges that Fluor knowingly presented to DOE false and inflated claims for payment. Additionally, as a result of the conduct described in Paragraphs II.C.1 through II.C.8, between October 2000 and June 2008, the United States alleges that Fluor paid and accepted things of value in order to improperly induce and/or reward favorable treatment in purchase decisions on the Hanford Contract, and improperly included the value in the costs borne by DOE.

D. Defendant does not admit the contentions of the United States as set forth in Paragraph C.

E. In order to avoid the delay, uncertainty, inconvenience and expense of protracted litigation of these claims, the Parties reach a full and final settlement as set forth below.

III. TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual promises, covenants, and obligations set forth below, and for good and valuable consideration as stated herein, the Parties agree as follows:

1. Upon execution of this Settlement Agreement, Defendant agrees to pay the United States a total of $4,000,000 (the “Settlement Amount”). Defendant agrees to pay the Settlement Amount by electronic funds transfer within 5 days of the Effective Date of this agreement, pursuant to written instructions to be provided by the United States Attorney’s Office for the Eastern District of Washington.

2. Subject to paragraph 3 below, in consideration of the obligations of Defendant in this Agreement, and conditioned upon timely receipt of full payment described in paragraph 1
above, the United States agrees to release Defendant, its predecessors, successors, assigns, affiliates, subsidiaries, or divisions, and, except as reserved in paragraph 8, its attorneys, agents, employees, officers, directors, and shareholders, from any civil or administrative monetary claim the United States has or may have for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729 - 3733, the Anti-Kickback Act of 1986, 41 U.S.C. §§ 51 et. seq., the false claims provisions of the Contract Disputes Act, 41 U.S.C. § 604, the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812 and claims under common law for breach of contract, payment by mistake, unjust enrichment, and fraud.

3. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement as to any entity or person (including Fluor) are the following claims of the United States:

   (a) Any civil, criminal, or administrative liability arising under Title 26, U.S. Code (Internal Revenue Code);

   (b) Any criminal liability;

   (c) Except as explicitly stated in this Settlement Agreement, any administrative liability, including any liability regarding suspension or debarment;

   (d) Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct described above;

   (e) Any claims based upon such obligations as are created by this Settlement Agreement;
(f) Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services provided by Defendant;

(g) Any liability for any personal injury or consequential damages claim; and

4. Defendant waives and shall not assert any defenses Defendant may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment to the Constitution, or under the Excessive Fines Clause in the Eighth Amendment to the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. Nothing in this paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

5. Defendant finally and fully releases the United States, its agencies, employees, servants, and agents from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that Defendant has asserted, could have asserted, or may assert in the future against the United States, and its agencies, employees, servants, and agents, related to the Covered Conduct and the United States' investigation and prosecution thereof.

6. Defendant agrees to the following:

a. **Unallowable Costs Defined:** that all costs (as defined in the Federal
Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of Defendant, and its present or former officers, directors, employees, shareholders, and agents in connection with:

1. the matters covered by this Agreement;
2. the United States’ audits and civil and criminal investigations of the matters covered by this Agreement;
3. Defendant’s investigation, defense, and corrective actions undertaken in response to the United States’ audits and civil and criminal investigations in connection with the matters covered by this Agreement (including attorney’s fees);
4. the negotiation and performance of this Agreement;
5. the payment Defendant make to the United States pursuant to this Agreement

are “Unallowable Costs” for government contracting purposes (hereinafter referred to as “Unallowable Costs”).

b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by Defendant, and Defendant shall not charge such Unallowable Costs directly or indirectly to any contracts with the United States.

c. Treatment of Unallowable Costs Previously Submitted for Payment: Defendant further agrees that within 90 days of the Effective Date of this Agreement it shall identify any unallowable costs (as defined in this Paragraph) included in payments previously
sought by Defendant or any of its subsidiaries or affiliates from the United States. Defendant agrees that the United States, at a minimum, shall be entitled to recoup from Defendant any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs in any such payments. Any payments due shall be paid to the United States pursuant to the direction of the Department of Justice and/or the affected agencies. The United States reserves its rights to disagree with any calculations submitted by Defendant or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by Defendant, or the effect of any such Unallowable Costs on the amount of such payments.

d. Nothing in this Agreement shall constitute a waiver of the rights of the United States to audit, examine, or re-examine Defendant’s books and records to determine that no Unallowable Costs have been claimed in accordance with the provisions of this Paragraph.

7. Defendant agrees to cooperate fully and truthfully with the United States’ investigation of individuals and entities not released in this Agreement. Upon reasonable notice, Defendant shall encourage, and agree not to impair, the cooperation of their directors, officers, and employees, and shall use their best efforts to make available, and encourage the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals. Defendant further agrees to furnish to the United States, upon request, complete and unredacted copies of all non-privileged documents, reports, memoranda of interviews, and records in its possession, custody, or control concerning any
investigation of the Covered Conduct that it has undertaken, or that has been performed by its
counsel or other agent.

8. This Agreement is intended to be for the benefit of the Parties only. The Parties
do not release any claims against any other person or entity, including, but not limited to: CH2M
Hill Hanford Group, CH2M Hill Companies Ltd., CH2M Hill Constructors, Inc., Kennewick
Industrial and Electrical Supply, or their respective officers, agents, and employees. Nor does
this Agreement release, in any way, any of Fluor’s individual employees who participated in the
fraudulent schemes described in Paragraphs II.C.1 through II.C.7, including, without limitation:
Gregory Detloff, Paul Kempf, Susanna Zuniga, Pedro Alvarado, Jr., Tommy Honeycutt, Denise
Buel, Tony Dixon, Michael Haggerty, Amy Hay, Patti Hall, Pat Sparks, Alicia Woodrich, Harry
Betz, John Williams, Tim Hendricks, Mike Stone, Rocky Simmons, Janie Krasner, Bobbie Sue
Anderson, or Armando Garcia.

9. Except as expressly provided to the contrary in this Agreement, each Party shall
bear its own legal and other costs incurred in connection with this matter, including the
preparation and performance of this Agreement.

10. Defendant represents that this Agreement is freely and voluntarily entered
into without any degree of duress or compulsion whatsoever.

11. This Agreement is governed by the laws of the United States. The Parties agree
that exclusive jurisdiction and venue for any dispute arising between and among the Parties
under this Agreement is in the United States District Court for the Eastern District of
Washington.
12. For purposes of construction, this Agreement shall be deemed to have been
drafted by all Parties and shall not, therefore, be construed against any Party for that reason in
any subsequent dispute.

13. This Agreement constitutes the complete agreement between the Parties. This
Agreement may not be amended except by written consent of the Parties.

14. The individuals signing this Agreement on behalf of Fluor represent and warrant
that they are authorized by Fluor to execute this Agreement. The United States signatories
represent that they are signing this Agreement in their official capacities and that they are
authorized to execute this Agreement.

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

16. This Agreement is binding on Defendant’s successors, transferees, heirs,
and assigns.

17. All parties consent to the United States’ disclosure of this Agreement, and
information about this Agreement, to the public.

18. This Agreement is effective on the date of signature of the last signatory to the
Agreement (Effective Date of this Agreement). Facsimilies of signatures and scanned or other
electronic signatures shall constitute acceptable, binding signatures for purposes of this
Agreement.

IN WITNESS WHEREOF, the parties hereto affix their signatures.
UNITED STATES OF AMERICA

Dated: 6-17-11
By: TYLER H.L. TORNABENE
Assistant United States Attorney
Eastern District of Washington

Dated: 6-17-11
By: DANIEL HUGO FRUCHTER
U.S. Department of Justice
Trial Attorney

FLUOR HANFORD, INC.

Dated: 6-17-11
By: Greg Meyer