

October 31, 2006

Lockheed Martin
Attn: General Counsel's Office
6801 Rockledge Drive
Bethesda, MD 20817-1877

Dear General Counsel of Lockheed Martin:

The Project On Government Oversight (POGO) is overhauling and renewing its Federal Contractor Misconduct Database (www.pogo.org/db/index.cfm), a compilation of information from public resources regarding government contractors, including Lockheed Martin. On August 16, 2005, and December 2, 2005, we sent you information regarding findings relevant to Lockheed Martin, which I have enclosed for your reference. As of today, we have not received a response from your office.

A written response is certainly in the best interest of everyone involved. It is the best way for your company to go on record regarding this process and the instances identified; your letter will be posted in its entirety on the database. Several companies have already responded and have expressed appreciation for the opportunity to express their views. POGO would prefer to receive a response by November 17, 2006 to ensure it is included with the launch of our new database.

If you have any questions, please contact Kevin Phelps at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Scott Amey
General Counsel

Enclosure

Instances of Misconduct

1.

Age Discrimination

Date: 11/21/1996 (Date of Settlement)

Misconduct Type: Labor

Contracting Party: N/A

Court Type: Civil

Amount: \$13,000,000

Disposition: Settlement

Synopsis: Lockheed settled allegations from the Equal Employment Opportunity Commission that Martin Marietta targeted older employees in layoffs, in violation of the Age Discrimination in Employment Act. "EEOC's suit, originally filed in May 1994, claimed that Martin targeted its employees age 40 and over for a series of massive layoffs and forced retirements over a five-year period."

Document(s):

EEOC Press Release

2.

Beattie v. COMSAT Corp. (Alleged Contract Fraud)

Date: 08/27/2001 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Civil

Amount: \$8,500,000

Disposition: Settlement

Synopsis: Lockheed's Electro Mechanical Systems, along with several other companies, settled an alleged case of contract fraud. "The company directed its employees to record time spent on other tasks to labor hour accounts assigned to Navy restoration contracts and destroyed records in order to mislead government auditors."

Document(s):

DOJ Press Release

3.

Cable & Computer Technology v. Lockheed Martin (Unfair Business Practices)

Date: 11/27/2002 (Date of Decision)

Misconduct Type: Non-governmental Contract Fraud

Contracting Party: Non-Governmental

Court Type: Civil
Amount: \$12,800,000
Disposition: Judgment Against Defendant

Synopsis: Lockheed Sanders and Lockheed Martin Federal Systems paid damages related to bidding for a Boeing contract for breach of contract (in a teaming agreement with CCT) and violating Unfair Business Practices and the Cartwright Act. "A jury has determined that Sanders, a subsidiary of Lockheed, entered into a contract with CCT to team in making a bid to Boeing for the computer upgrade on the B-1B bomber project of the Air Force. That contract was no mere agreement to agree. It was found by the district court to have "no missing terms." In the course of the contract Sanders supplied information on CCT's pricing to Owego, another Lockheed subsidiary also bidding on the Boeing project. Less than two weeks before the bid was due, Sanders broke its contract with CCT, leaving it without a partner or time to find one."

Document(s):
See 2002 U.S. App. LEXIS 24501

4.
Campbell v. Lockheed Martin (Jet Navigation Contracts)
Date: 08/27/2003 (Date of Settlement)
Misconduct Type: Government Contract Fraud
Contracting Party: Government Defense
Court Type: Civil
Amount: \$37,900,000
Disposition: Settlement

Synopsis: Lockheed settled a case involving violations of the Truth in Negotiations Act, 10 U.S.C. § 2306a, and the False Claims Act, 31 U.S.C. § 3729, et seq. "The qui tam suit accused Lockheed Martin of deliberately inflating the cost of four contracts for the purchase of navigation and targeting pods for military jets. Campbell's complaint alleged that Lockheed Martin violated the Acts by knowingly failing, among other things, to provide current, accurate and complete cost and pricing data to Air Force contract negotiators. Government contractors are required by the Truth in Negotiations Act to provide accurate and complete cost data to government contract negotiators."

Document(s):
DOJ Press Release

5.
Contractor Kickbacks
Date: 11/21/1995 (Date of Settlement)
Misconduct Type: Ethics
Contracting Party: Government Defense
Court Type: Civil

Amount: \$146,000
Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Lockheed paid \$146,600 to settle allegations of “contractor kickbacks” involving Lockheed Martin Aeronautical Systems.

Document(s):
Harkin/DeFazio Press Release

6.
Cost/Labor Mischarge (1996)
Date: 09/18/1996 (Date of Settlement)
Misconduct Type: Defective Pricing
Contracting Party: Government Defense
Court Type: Civil
Amount: \$17,272
Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Lockheed paid \$17,272 to settle allegations of “cost/labor mischarge” involving Loral Federal Systems.

Document(s):
Harkin/DeFazio Press Release

7.
Defective Pricing (1996)
Date: 04/09/1996 (Date of Settlement)
Misconduct Type: Defective Pricing
Contracting Party: Government Defense
Court Type: Civil
Amount: \$1,172,062
Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Lockheed paid \$1,172,062 to settle allegations of “defective pricing” involving Martin Marietta Electronic Systems.

Document(s):
Harkin/DeFazio Press Release

8.

Defective Pricing (1998)

Date: 01/12/1998 (Date of Settlement)

Misconduct Type: Defective Pricing

Contracting Party: N/A

Court Type: Civil

Amount: \$7,870,177

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Lockheed paid \$7,870,177 to settle allegations of defective pricing.

Document(s):

Harkin/DeFazio Press Release

9.

Date: 10/03/1997 (Date of Fine)

Misconduct Type: Import/Export

Contracting Party: International

Court Type: Administrative

Amount: \$45,000

Disposition: Fine

Synopsis: "The [Commerce] Department alleged that on nine occasions between March 11, 1992, and June 3, 1994, Martin Marietta Corporation exported graphite/epoxy prepreg material from the United States to South Korea without obtaining the required Bureau of Export Administration validated export licenses."

Document(s):

DOC Press Release

10.

Emissions Violations

Date: 10/30/2001 (Date of Fine)

Misconduct Type: Environment

Contracting Party: Government Civilian

Court Type: Administrative

Amount: \$130,176

Disposition: Fine

Synopsis: Lockheed was fined for violations of federal asbestos and CFC (chlorofluorocarbon) emission laws at the Idaho National Engineering and Environmental Laboratory. "EPA found that at various times from June 15, 1997, to July 1, 2000, no records were kept of what service was performed and how much refrigerant was added to comfort cooling systems at the Idaho

Nuclear Technical and Engineering Center (INTEC) at INEEL. In addition, EPA found that comfort cooling systems with annualized leak rates greater than 15% were not repaired within 30 days.”

Document(s):
EPA Press Release

11.
Groundwater Cleanup Violation
Date: 05/05/2002 (Date of Fine)
Misconduct Type: Environment
Contracting Party: Government Civilian
Court Type: Administrative
Amount: \$1,300,000
Disposition: Fine

Synopsis: Lockheed was fined by the EPA for failing to operate a pump and treating groundwater cleanup system at less than full capacity. “Beginning in June 2000 Lockheed failed to operate the treatment system at the 9,000 gallons per minute rate set forth in a 1992 cleanup agreement between Lockheed and the EPA. The large capacity treatment system was built to remove TCE and PCE, hazardous chemicals, from the groundwater at the Burbank Superfund site.”

Document(s):
EPA Press Release

12.
Groundwater Treatment (Burbank, CA)
Date: 08/01/1996 (Date of Settlement)
Misconduct Type: Environment
Contracting Party: N/A
Court Type: Civil
Amount: \$67,000,000
Disposition: Settlement

Synopsis: Lockheed paid \$67 million to resolve claims by Burbank, CA residents regarding the treatment of local groundwater. “The settlement...resolved, without litigation, claims of personal injury and property damage asserted by the residents and alleged to be related to environmental contamination stemming from historical operations of the former facility. The Corporation settled the matter for business reasons after a lengthy mediation, without any admission of liability, notwithstanding its continuing position that the facility does not and has not posed a risk to the community.”

Document(s):
SEC 10-K

13.

Heiser v. Lockheed Martin (Flight Training Programs)

Date: 01/23/2003 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Civil

Amount: \$1,407,834

Disposition: Settlement

Synopsis: Lockheed settled allegations that Loral Corporation inflated costs in a contract with the Air Force, in violation of the False Claims Act, 31 U.S.C. § 3729, et seq. "In 1992, Loral contracted with the government to update flight training programs, including simulated programs for the F-15E Weapon System Trainer (WST) being developed by the Air Force. The lawsuit, which was unsealed today, alleges that Loral wrongfully inflated estimated costs it was required to disclose during contract negotiations, resulting in an inflated contract price and false claims for payment under the contract."

Document(s):

DOJ Press Release

14.

Improper charges to the Navy

Date: 08/01/2002 (Date of Settlement)

Misconduct Type: Defective Pricing

Contracting Party: Government Defense

Court Type: Civil

Amount: \$2,122,603

Disposition: Settlement

Synopsis: Lockheed Martin's Tactical Systems Division settled a case involving allegations of false and fraudulent claims in a contract with the Navy, a violation of the False Claims Act, 31 U.S.C. § 3729, et seq.. "The government contended that, while still a part of Unisys Corporation, the Tactical Systems Division began improperly charging the Strategic Systems Program of the Navy for bid and proposal costs on a series of defense contracts for services and materials for the Trident Missile Program during the period from 1988 through 1996."

Document(s):

DOJ Press Release

15.

Lockheed Engineering Sciences Corporation Case

Date: 06/10/2003 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense
Court Type: Civil
Amount: \$7,100,000
Disposition: Settlement

Synopsis: Lockheed Martin settled alleged violations of the False Claims Act, 31 U.S.C. § 3729, et seq., and Federal Acquisition Regulations in a building lease agreement with NASA. “The dispute focused upon the government’s contention that as part of the costs included in the 10 year lease agreement negotiated in 1992, [Lockheed] 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.”

Document(s):
DOJ Press Release

16.
Nuclear Safety Violations (Idaho Technologies)
Date: 06/08/1998 (Date of Fine)
Misconduct Type: Labor
Contracting Party: Government Civilian
Court Type: Administrative
Amount: \$125,000
Disposition: Fine

Synopsis: Lockheed Martin Idaho Technologies Company was fined by the Department of Energy for violating nuclear safety regulations. “Workers removed a plastic cover that had become highly contaminated with the radioactive material. When the cover was moved for disposal, the radioactive europium powder spread and contaminated the entire facility. Exposures to six workers were about 10 millirem each, compared to a maximum annual limit of 5,000 millirem at all DOE sites.”

Document(s):
DOE Press Release

17.
Nuclear Safety Violations (Oak Ridge, TN)
Date: 08/28/2000 (Date of Fine)
Misconduct Type: Labor
Contracting Party: Government Civilian
Court Type: Administrative
Amount: \$1,045,000
Disposition: Fine

Synopsis: Lockheed Martin Energy Systems was fined by the Department of Energy for multiple violations of nuclear safety requirements at its site in Oak Ridge, TN. These violations

included: * The December 8, 1999, explosion of sodium potassium liquid metal in the Alpha 5 Facility that resulted in injury to 11 workers. Violations involved the contractor's failure to identify and mitigate the explosive hazards associated with this material, despite a number of opportunities to do so. As a result, workers were not properly trained for the work and were not aware of its hazards; * Violations of criticality safety requirements and work process controls which resulted in a DOE-ordered operational stand down on November 5, 1999, and curtailment of fissile material movements in Building 9212 on December 14, 1999; * Significant deficiencies in the design, procurement and fabrication of the Hydrogen Fluoride Supply System, a critical system required for resumption of enriched uranium operations. The investigation identified failures with virtually every phase of the project including vendor qualification, configuration management, vendor oversight, tube and supply line welding, inspection and acceptance testing of welds and system components, system turnover and operations; and * Numerous examples of violations occurring during the period July 1998 to December 1999 involving failure to adhere to Operational Safety Requirements and other Authorization Basis requirements.

Document(s):
DOE Press Release

18.
Nuclear Waste Storage Violation
Date: 08/20/1999 (Date of Fine)
Misconduct Type: Environment
Contracting Party: Government Civilian
Court Type: Administrative
Amount: \$220,000
Disposition: Fine

Synopsis: Lockheed Martin Idaho Technologies Company was fined by the Department of Energy for violating nuclear waste storage regulations. "The violations at INEEL involved procurement of waste containers and nuclear fuel storage buckets, along with other operational quality issues at INEEL nuclear facilities."

Document(s):
DOE Press Release

19.
Price Inflation
Date: 03/26/1998 (Date of Settlement)
Misconduct Type: Government Contract Fraud
Contracting Party: Government Civilian
Court Type: Civil
Amount: \$1,575,000
Disposition: Settlement

Synopsis: Lockheed and Unisys settled a case involving allegations that Unisys inflated the prices of spare parts sold to the Department of Commerce for its NEXRAD Doppler Radar System, in violation of the False Claims Act, 31 U.S.C. § 3729, et seq. "...the settlement resolves allegations that Unisys knew that prices it paid Concurrent Computer Corporation for the spare parts were inflated when it passed on those prices to the government. Unisys had obtained price discounts from Concurrent on other items Unisys was purchasing from Concurrent at Unisys' own expense in exchange for agreeing to pay Concurrent the inflated prices." Lockheed Martin succeeded Unisys on the contract between Commerce and Unisys for the NEXRAD system.

Document(s):
DOJ Press Release

20.
Procurement Fraud Allegations
Date: 12/20/1996 (Date of Settlement)
Misconduct Type: Government Contract Fraud
Contracting Party: Government Defense
Court Type: Civil
Amount: \$2,252,501
Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Lockheed paid \$2,252,501 to settle allegations of "procurement fraud" involving Martin Marietta.

Document(s):
Harkin/DeFazio Press Release

21.
Radar Antenna Pricing
Date: 10/18/1996 (Date of Settlement)
Misconduct Type: Government Contract Fraud
Contracting Party: Government Defense
Court Type: Civil
Amount: \$500,000
Disposition: Settlement

Synopsis: Lockheed settled allegations that Randtron Systems (part of Lockheed Martin Tactical Systems) did not give pertinent information about radar antennae to the government that would have lowered their price, in violation of the Truth in Negotiations Act, 10 U.S.C. § 2306a, and the False Claims Act, 31 U.S.C. § 3729, et seq. "The government alleged that during negotiations for four production subcontracts from 1986 through 1988 Randtron failed to make required disclosures to Grumman and Department of Defense officials that it had substantial

quantities of excess parts and materials left over from prior antenna production jobs that it intended to use in the contracts under negotiation. The government claimed that if Randtron had made such disclosures the Navy would have negotiated lower prices for the radar antennas.”

Document(s):
DOJ Press Release

22.
Radiation Exposure
Date: 03/05/1997 (Date of Fine)
Misconduct Type: Labor
Contracting Party: Government Civilian
Court Type: Administrative
Amount: \$25,000
Disposition: Fine

Synopsis: The Department of Energy fined the Lockheed Martin Idaho Technologies Company for violating nuclear safety regulations. “The violations occurred in July 1996 when five workers in the INEEL Waste Calcining Facility received unplanned internal radiation exposures. A worker cutting into a pipe caused airborne radiological contamination to be spread throughout the room. The workers, unaware of the airborne contamination and unprotected by respirators, remained in the contaminated environment for approximately 40 minutes.”

Document(s):
DOE Press Release

23.
Reactor Safety Violations
Date: 11/18/1998 (Date of Fine)
Misconduct Type: Environment
Contracting Party: Government Civilian
Court Type: Administrative
Amount: \$123,750
Disposition: Fine

Synopsis: Lockheed was fined for violating nuclear safety rules at Oak Ridge National Laboratory. “The penalty at Oak Ridge National Laboratory High Flux Isotope Reactor stems from the contractor's ongoing and repetitive failures to adhere to its established procedures that ensure that the reactor operates within appropriate safety margins. These ongoing violations were evidenced by a number of events between May 1997 and January 1998 -- leading to an unnecessary shutdown of the reactor for an extended period of time.”

Document(s):
DOE Press Release

24.

Real Estate Scheme

Date: 07/14/1997 (Date of Settlement)

Misconduct Type: Ethics

Contracting Party: Government Civilian

Court Type: Civil

Amount: \$202,500

Disposition: Settlement

Synopsis: According to a GAO report cited by Senator Harkin and Representative DeFazio, Lockheed paid \$202,500 to settle allegations that a Lockheed facilities manager was allegedly involved in a scheme with an independent real estate appraiser to over-appraise the value of Lockheed executives' homes during a relocation buyback program.

Document(s):

Harkin/DeFazio Press Release

25.

Rent Overcharge

Date: 03/31/2001 (Date of Settlement)

Misconduct Type: Defective Pricing

Contracting Party: Government Defense

Court Type: Civil

Amount: \$10,500,000

Disposition: Settlement

Synopsis: Lockheed gave the FAA \$10.5 million in credit for future billing to settle a case involving overcharged rent. "An OIG investigation and audit by the Defense Contract Audit Agency disclosed that IBM's Federal Systems Division overcharged the FAA for rent on four office buildings in Rockville, MD, by approximately \$15 million. Lockheed-Martin (which acquired IBM's Federal Systems Division) agreed to credit the FAA with \$10,500,000, to be offset through future billings."

Document(s):

DOT IG Press Release

26.

Rocket System Support Contract Mischarge

Date: 01/04/2005 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Administrative

Amount: \$1,400,000

Disposition: Settlement

Synopsis: “Lockheed Martin Corporation agreed to pay the United States \$1.4 million dollars to resolve allegations of mischarging the United States Army Aviation and Missile Command. In 1999, Lockheed Martin voluntarily disclosed inadvertent mischarging between its production and support contracts for the Multiple Launch Rocket System. These contracts are administered by the Army in Huntsville, Alabama. A subsequent audit performed by the Defense Contract Audit Agency challenged the scope of the reported mischarging. Following a cooperative investigation, the parties participated in voluntary mediation and reached a compromise settlement of the disputed amount.”

Document(s):
DOJ Press Release

27.

Space Launch Information to China
Date: 06/14/2000 (Date of Settlement)
Misconduct Type: Import/Export
Contracting Party: International
Court Type: Administrative
Amount: \$13,000,000
Disposition: Administrative Agreement

Synopsis: Lockheed settled a case involving the transfer of information about space launches to China, in violation of arms export regulations. “The charges stem from a 1994 report Lockheed provided to Asia Satellite Telecommunications, a Hong Kong-based satellite company. The company is linked to two state-run Chinese firms. The technical report explained how to fix problems with a Chinese-made solid-fuel rocket motor used to position satellites in orbit.”

Document(s):
Order

28.

Toxic Substances Control Act Violation
Date: 05/10/2005 (Date of Fine)
Misconduct Type: Environment
Contracting Party: Government Civilian
Court Type: Administrative
Amount: \$66,700
Disposition: Fine

Synopsis: The EPA imposed a penalty on Lockheed Martin for violating the Toxic Substances Control Act, 15 U.S.C. §§ 2601, et. seq., by having elevated levels of Polychlorinated Biphenyls (PCBs) present in its Akron Airdock facility.

Document(s):
EPA Press Release

29.

Toxic Substances Control Act Violation (1998)

Date: 07/02/1998 (Date of Fine)

Misconduct Type: Environment

Contracting Party: Government Civilian

Court Type: Administrative

Amount: \$12,750

Disposition: Fine

Synopsis: Knolls Atomic Power Laboratory Inc., a Lockheed Martin Company under contract to strip PCB-contaminated paint from storage tanks at the Department of Energy facility in Windsor, Connecticut, was fined for violating the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., with regard to PCBs. KAPL failed “to ensure that EPA requirements were met for the use and disposal of personal protective equipment, and for failing to notify the EPA promptly of releases of PCBs.”

Document(s):

EPA Press Release

30.

United States v. General Electric (Hornet Aircraft Components)

Date: 09/18/2002 (Date of Settlement)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Civil

Amount: \$3,100,000

Disposition: Settlement

Synopsis: Lockheed and BAE Systems settled allegations of violating the False Claims Act, 31 U.S.C. § 3729, et seq., in a contract to provide components for Hornet aircrafts. “The government alleged that from 1987 through 1994, GE and Martin Marietta manufactured and delivered for installation in Hornet aircraft more than 1,300 Accelerometer Sensor Assemblies that did not comply with electromagnetic interference contractual requirements.”

Document(s):

DOJ Press Release

31.

United States v. Lockheed (sales to Egypt)

Date: 01/27/1995 (Date of Decision)

Misconduct Type: Import/Export

Contracting Party: International

Court Type: Civil

Amount: \$24,800,000

Disposition: Pleaded Guilty

Synopsis: Lockheed agreed to pay criminal and civil fines after pleading guilty to violating the Foreign Corrupt Practices Act, 5 U.S.C. §§ 78dd-1, et seq., by paying a consultant from a funding source that disallowed it. "The case focused on the 1989 contract between Lockheed and Egypt calling for the sale of three C-130 aircraft for approximately \$79 million. The investigation uncovered payments by Lockheed to its Egyptian consultant, Dr. Leila Takla, in exchange for her assistance in making the sale. The contract, which was funded by U.S. taxpayer money through the Defense Security Assistance Agency (DSAA) Foreign Military Financing (FMF) program, required Lockheed to certify that no consultant fees were being paid out of FMF grant money."

Document(s):
IG Journal

32.

Falsification of Testing Records
Date: 09/21/1998 (Date of PNOV)
Misconduct Type: Other
Contracting Party: N/A
Court Type: Administrative
Amount: \$55,000
Disposition: Fine

Synopsis: "In October 1997, two reactor operators at the Advanced Test Reactor Critical Facility in Idaho falsified records to indicate that the required testing of reactor safety systems had been performed, when in fact it had not. Additionally, the reactor supervisor, upon discovering that such testing had not been performed, failed to notify management representatives of the problem. The safety systems involved are relied on to automatically shutdown the reactor in an emergency. This enforcement action includes a \$55,000 fine. The contractor has taken disciplinary actions against the employees involved and has also undertaken formal measures to improve the conduct of operations at the site's nuclear facilities."

Document(s):
DOE PNOV

33.

Radioactive Work Control Deficiencies
Date: 08/14/1997 (Date of PNOV)
Misconduct Type: Labor
Contracting Party: N/A
Court Type: Administrative
Amount: \$56,250
Disposition: Fine

Synopsis: Incidents in August and October 1996 led to a Department of Energy investigation that concluded “that violations of the Occupational Radiation Protection Rule (10 CFR 835) occurred.” A Preliminary Notice of Violation (PNOV) was issued on August 14, 1997 and the civil penalty for these violations was \$56,250.

Document(s):
DOE PNOV
DOE Press Release

34.

Violations of the National Labor Relations Act

Date: 02/12/1997 (Date of Settlement)

Misconduct Type: Labor

Contracting Party: N/A

Court Type: Administrative

Amount: \$4,350,000

Disposition: Settlement

Synopsis: “National Labor Relations Board General Counsel Fred Feinsein announced...the settlement by the Cincinnati Regional Office (Region 9) of litigation arising out of the 1991-1992 strike involving employees of Martin Marietta Energy Systems, Inc., now Lockheed Martin Energy Systems, Inc., in Piketon, Ohio. The settlement includes \$4.35 million in backpay and interest to be distributed to approximately 1,000 employees who are entitled to compensation under a Board order. Martin Marietta Energy Systems [was ordered] to reinstate unlawfully changed terms and conditions of employment and to pay employees for monetary losses.

Document(s):
NLRB press release

35.

Radioactive Control Deficiencies

Date: 08/14/1996 (Date of PNOV)

Misconduct Type: Labor

Contracting Party: N/A

Court Type: Administrative

Amount: \$5,000

Disposition: Fine

Synopsis: On August 14, 1996, the Department of Energy issued a Preliminary Notice of Violation for “a number of radiological control deficiencies associated with field radiography operations conducted between February 1-7, 1996...[the] DOE concluded that violations of the Occupational Radiation Protection Rule (10 CFR 835) likely occurred.” The civil penalty for these violations was \$5,000.

Document(s):
DOE PNOV

36.

Violations of the Resource Conservation and Recovery Act

Date: 11/17/2005 (Date of Partial Order)

Misconduct Type: Other

Contracting Party: N/A

Court Type: Administrative

Amount: \$270,000

Disposition: Settlement

Synopsis: "On July 2, 2004, the New Mexico Environment Department issued three administrative compliance orders to the DoE and Sandia Corporation. Sandia Corporation, a wholly-owned subsidiary of Lockheed Martin, is the management and operating contractor for Sandia National Laboratories pursuant to a contract with DoE, and is the co-operator of the facility. The orders allege violations of regulations under the Resource Conservation and Recovery Act pertaining to matters such as the accumulation of materials for re-use, record-keeping, waste characterization, and other management issues. The order seeks penalties totaling \$3.2 million for the alleged violations. Sandia and DoE are contesting the orders. On November 17, 2005, the parties entered into a Stipulated Partial Order resolving approximately half of the alleged violations for a total of approximately \$270,000. The other allegations remain unresolved and under discussion."

Document(s):
SEC 10-K

37.

Date: 10/29/2004 (Date of Judgment)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Civilian

Court Type: Civil

Amount: \$117,000,000

Disposition: Judgment Against Defendant

Synopsis: On October 29, 2004, the U.S. District Court in Idaho issued a decision... upholding the termination for default of [Lockheed's] Pit 9 contract and rejecting the Corporation's counterclaims. The court concluded that the Corporation must repay \$54 million in progress payments, plus interest, and pay approximately \$12 million in decontamination and decommissioning costs... The lawsuit stemmed from a fixed-price contract that was awarded in 1994 for the design, construction and limited test of remediation facilities, and the remediation of waste found in Pit 9, located on the Idaho National Engineering and Environmental Laboratory reservation. In 1998, the management contractor for the Department of Energy terminated the Pit 9 contract for default and filed a lawsuit against Lockheed Martin seeking damages and interest

totaling approximately \$100 million.” Ultimately, the Court recorded an after-tax charge of \$117 million as a result of the decision.

Document(s):

SEC 10-K

Lockheed Martin Press Release

38.

Violations of the Environmental Quality Act

Date: 04/01/2005 (Date of Penalty Agreement)

Misconduct Type: Environment

Contracting Party: N/A

Court Type: Administrative

Amount: \$4,500

Disposition: Settlement

Synopsis: On April 1, 2005, the Louisiana Department of Environmental Quality issued a penalty agreement for violations of the state's Environmental Quality Act. These violations included failure to submit reports by specified deadlines. Lockheed agreed to a settlement, without admission of liability, in the amount of \$4,500, \$3,000 of which will go towards beneficial environmental projects.

Document(s):

Settlement

Pending Cases:

1.

Adkins v. Divested Atomic Corp.

Date: 06/24/2006

Misconduct Type: Environment

Contracting Party: N/A

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: This case against Lockheed Martin Energy Systems, Goodyear, and other companies alleges their negligence in properly disposing of radioactive and hazardous waste. “The plaintiffs allege, on behalf of themselves and a putative class of all persons who were residents, property owners or lessees of property subject to alleged windborne particulates and water run off from the DOE Plant, that DAC (and, therefore, the Company) and LMES in their operation of the Portsmouth DOE Plant (i) negligently contaminated, and are strictly liable for contaminating, the plaintiffs and their property with allegedly toxic substances, (ii) have in the past maintained, and are continuing to maintain, a private nuisance, (iii) have committed, and continue to commit,

trespass, and (iv) violated the Comprehensive Environmental Response, Compensation and Liability Act of 1980.”

2.

Brooks v. Lockheed Martin (Radiation Exposure)

Date: 06/24/2006

Misconduct Type: Labor

Contracting Party: Government Civilian

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: Fraud case involving the concealment of workers’ exposure to radiation.

3.

Date: 03/03/2003 (Date of Remand)

Misconduct Type: Ethics

Contracting Party: N/A

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: Case involves bribery of Korean officials, in violation of unfair competition law and interfering with prospective economic advantage. Remanded to Court of Appeals on March 3, 2003. See 2003 Cal. LEXIS 1301.

4.

Laird v. Lockheed Martin (Excessive Costs)

Date: 06/26/2006

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: Case involves failing to report excessive costs in a contract with NASA. The plaintiff “alleged in his first amended complaint that Lockheed knowingly failed to report excessive costs and anticipated cost overruns as required by the compliance provisions of the ETA Contract and, indeed, knew that it could not perform in accordance with the costs specified in the initial bid to NASA for the ETA Contract but knowingly submitted a false bid for the contract anyway.” See 2003 U.S. App. LEXIS 12820.

5.

Meacham v. Knolls Atomic Power Laboratory (Age Discrimination)

Date: 06/26/2006

Misconduct Type: Labor

Contracting Party: N/A

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: This age discrimination case includes Quinn v. Knolls Atomic Power Laboratory and alleges a violation of the Age Discrimination in Employment Act. "Plaintiffs are all former employees of defendant Knolls Atomic Power Laboratories ("KAPL") who lost their jobs in the course of an involuntary reduction in force ("IRIF"). As all of the plaintiffs are over forty, they are protected under the Age Discrimination in Employment Act ("ADEA")....In particular, they claimed that KAPL designed and implemented its workforce reduction process to eliminate older employees and that, regardless of intent, the process had a discriminatory impact on ADEA-protected employees." See 2004 U.S. App. LEXIS 17873

6.

Natural Resources Dept. v. Lockheed Martin

Date: 06/26/2006

Misconduct Type: Government Contract Fraud

Contracting Party: Government Civilian

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: False claims case involving the disposal of radioactive and hazardous waste.

7.

Yannacopoulos v. General Dynamics and Lockheed Martin

Date: 09/28/2003 (Date of SEC Document Filing)

Misconduct Type: Government Contract Fraud

Contracting Party: Government Defense

Court Type: Civil

Amount: \$0

Disposition: Pleaded Guilty

Synopsis: "This case involves relator's claim that defendants General Dynamics and Lockheed Martin Corporation submitted a number of false certifications, false records, false statements, and false claims for payment or approval in connection with their federally-financed sales of F-16 fighter jet to Greece."

Document(s):

SEC 10-Q