

May 30, 2008

BAE Systems
1601 Research Blvd.
Rockville, MD 20850

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (<http://www.contractormisconduct.org/>), a compilation of information from public resources regarding government contractors, including BAE Systems. On October 18, 2005, December 2, 2005 and October 31, 2006, we sent BAE Systems information regarding findings in POGO's database. As of today, we have not received a response from you. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to BAE Systems, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon
Investigator

Enclosure

Instances

1. Hornet Aircraft Components (False Claims Act)

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

Misconduct Type: Government Contract Fraud

Enforcement Agency: Defense – Navy

Contracting Party: Defense - Navy

Court Type: Civil

Amount: Unknown

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.” See Lockheed Martin misconduct instance "Hornet Aircraft Components (False Claims Act)."

2. Air Quality Violations (Maricopa County, Ariz.)

Date: 07/31/2007 (Date of Settlement)

Misconduct Type: Environment

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Administrative

Amount: \$1,200,000

Disposition: Fine

Synopsis: BAE Systems, which owns three armored vest production factories in Phoenix, Arizona, was fined \$1.2 million by the Maricopa County Air Quality Department for the release of toluene, a glue solvent, into the air and for other violations. The violations occurred between 2004-2006, when the factories were owned by Simula, Inc., a subsidiary of Armor Holdings, Inc. Armor Holdings was acquired by BAE Systems in July 2007. A spokesperson for BAE Systems told the local press the company became aware of Simula's violations when it conducted an emissions audit of the factories a few months before the acquisition.

Pending Instances

Saudi Arms Deal (Corruption Investigation)

Date: 06/26/2007 (Date of DOJ Probe)

Misconduct Type: Ethics

Enforcement Agency: Justice

Contracting Party: None

Court Type: Criminal

Amount: \$0

Disposition: Pending

Synopsis: In June 2007, the U.S. Department of Justice launched a corruption investigation of BAE Systems. The investigation will cover allegations the company, using American banks,

made up to \$2 billion in secret payments to the former Saudi Arabian ambassador to the United States, Prince Bandar bin Sultan, in the years after securing a multi-billion dollar arms deal with Saudi Arabia (the al-Yamamah deal). U.S. officials will also look into allegations that UK Ministry of Defense officials actively colluded in the payments. The criminal inquiry will proceed under the Foreign Corrupt Practices Act (FCPA). BAE announced in June 2006 it was creating an external committee chaired by Lord Woolf, the former Lord Chief Justice of England and Wales, to review the company's ethics policies and procedures. See related BAE Systems pending case, "Stockholder Derivative Lawsuit (Saudi Arms Deal)."

Stockholder Derivative Lawsuit (Saudi Arms Deal)

Date: 09/19/2007 (Date of Filing)

Misconduct Type: Securities

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: The City of Harper Woods Employees' Retirement System, a public pension system in Michigan, filed a stockholder derivative action on behalf of BAE Systems against the current BAE board of directors and several other present and former officers and directors. The lawsuit accuses the defendants of breaching their fiduciary duties by engaging a scheme to pay bribes, kickbacks and other payments in order to win contracts to supply military aircraft and other equipment to Saudi Arabia. The defendants are also accused of misrepresenting how they were overseeing, managing and operating the company. See related BAE Systems pending case, "Saudi Arms Deal (Corruption Investigation)."