

## **Northrop Agrees to Settle Charges of Inflating Prices**

Government Contractor to Pay \$62 Million

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Northrop Grumman Corp. agreed yesterday to pay \$62 million to settle allegations, first brought 16 years ago, that it overcharged the government on several defense programs, including the B-2 bomber.

The case originated from a whistle-blower lawsuit filed in 1989 by two former Northrop employees, James Holzrichter and Rex Robinson, who accused the company of inflating the price of several programs and misrepresenting its progress on others.

After years of denying wrongdoing and months before a trial was scheduled to begin, Los Angeles-based Northrop said in a written statement that ending the case allows "the company's management to focus on the company's excellent business prospects." The company said it will restate fourth-quarter earnings to reflect the settlement.

Northrop, one of the Pentagon's largest contractors, settled three False Claims Act cases in 2003. It paid \$111 million to settle allegations that it overcharged the government on space programs and \$80 million to settle separate allegations that it overcharged the Navy and sold it defective equipment.

"Government partnerships with defense contractors require honesty and candor to provide the best military equipment at the most efficient price," Patrick J. Fitzgerald, the U.S. attorney for the Northern District of Illinois, said in a written statement yesterday. "This settlement shows that the government will pursue its legal remedies when that trust is violated. Contractors must know that government business is not a blank check."

The Justice Department originally declined to join the suit, but Fitzgerald's office in Chicago did so in 2001 after the whistle-blowers presented more documents and evidence.

**"Jim Holzrichter and Rex Robinson finally have been vindicated and recognized for their courageous efforts to return millions for the taxpayers," said their lawyer, Michael I. Behn. "This whistle-blower case twisted and turned in a legal marathon that became the longest-running False Claims Act case around."**

Holzrichter, a company auditor, and the family of Robinson, a test engineer who died in 2003, will receive 20 percent, about \$12.4 million, of the settlement. Both were fired by the company in the late 1980s. They worked for Northrop's defense

systems division in Rolling Meadows, Ill., which is now part of the company's electronic systems division.

The two men alleged that Northrop billed the government for parts but could not account for whether they were properly used. At the time, the division was working on several high-tech programs, including electronic systems for the B-1 and B-52 bombers and radar jammers used on the F-15 fighter jet. Northrop also did not give the military credit for scrap parts that were salvaged or reused, they alleged.

The lawsuit also accused Northrop of lying about the progress it made on a radar-jamming device for the B-2 bomber in 1985. After it won the contract, Northrop billed the Air Force for testing equipment for the program it knew didn't work, the suit alleged. The contract was canceled two years later.