Court Rules On Lockheed Martin Pit 9 Contract Dispute

Lockheed Martin Corporation announced that the U.S. District Court in Idaho issued a decision, on Oct. 29, 2004, upholding the termination for default of its 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.

"We are extremely disappointed with the court's decision. Because of the importance of the Pit 9 project to the U.S. Department of Energy and the State of Idaho, we offered a plan that would have led to the successful completion of the project with a portion of the cost being recognized as a legitimate claim," said Tom Jurkowsky, Vice President of Media Relations for Lockheed Martin.

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. At trial, Lockheed Martin sought to overturn the termination for default and claimed damages of approximately $270 million. The Corporation had assumed that it would recover some portion of the costs it incurred under the contract.

As a result of the court's decision, the Corporation announced that it expects to record an after-tax charge in the fourth quarter of 2004 of approximately $110 million (or about $0.25 per share) for the potential payment of damages attributable to the decision and to write off the costs that it had previously assumed were recoverable.

Headquartered in Bethesda, Md., Lockheed Martin employs about 130,000 people worldwide and is principally engaged in the research, design, development, manufacture and integration of advanced technology systems, products and services. The Corporation reported 2003 sales of $31.8 billion.

For additional information, visit our web site:

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