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Dynamics Research Corporation to Pay \$15 Million to Resolve Allegations of Kickbacks and False Claims Related to Air Force Contracts

WASHINGTON - The Department of Justice announced today that Dynamics Research Corporation (DRC), a defense contractor based in Andover, Mass., has agreed to pay the United States \$15 million plus interest to settle allegations that two of its former executives engaged in a fraudulent kickback scheme in connection with two technical services contracts with the Air Force.

The contracts, first awarded in 1996, sought DRC's expertise in procuring computer equipment and services for the Theater Battle Management Core Systems (TBMCS) program at Hanscom Air Force Base in Massachusetts. The TBMCS program provides the military with an integrated system to plan and execute air battle plans for operations and intelligence personnel at the force and unit levels. The contracts required DRC's employees to certify that neither they nor their spouses had financial interests that would interfere with their ability to deliver unbiased advice while performing the contracts. DRC failed to obtain the certificates from former vice presidents Paul Arguin and Victor Garber, who headed the project.

According to the settlement agreement, from 1997 to 2000, DRC, through Mr. Arguin and Mr. Garber, steered Air Force contracts for computer equipment and services to companies owned by themselves, Mr. Arguin's wife, and others, in exchange for kickbacks and inflated contract prices that produced windfall profits for the two DRC executives. In one of the schemes, Arguin and Garber allegedly substituted inexpensive memory modules for those required by the contract, causing the Air Force to overpay for the nonconforming modules.

The United States filed a civil suit against DRC in federal district court in Boston, seeking damages and penalties under the Anti-Kickback Act, the False Claims Act, and for breach of contract. The settlement agreement announced today resolves that lawsuit.

"The law requires government contractors to be honest and unbiased when providing services to our men and women in uniform," said Tony West, Assistant Attorney General for the Justice Department's Civil Division. "The government will aggressively pursue contractors who scheme to take advantage of the military and taxpayers alike."

Acting United States Attorney Michael K. Loucks for the District of Massachusetts noted, "This case demonstrates that we will continue to hold the government's contractors responsible for providing honest and unbiased services to the United States. Kickbacks of the type at issue in this case, undermine the integrity of government programs and we will continue to pursue such schemes aggressively against both individuals and the contractors responsible for their employees' behavior."

Assistant Attorney General West and Acting U.S. Attorney Loucks also thanked the Defense Criminal Investigative Service, the Air Force Office of Special Investigations, the General Services Administration's

Office of Inspector General, and the Defense Contract Audit Agency for their assistance with the investigation that led to this settlement.

In related criminal proceedings in 2001, Mr. Arguin and Mr. Garber pleaded guilty to conspiring to defraud the government. Both received prison sentences and were ordered to pay restitution.

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