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NEWS



**United States Attorney Benjamin B. Wagner
Eastern District Of California**

Aerojet And Parent Gencorp Inc. Pay \$3.3 Million

FOR IMMEDIATE RELEASE

CONTACT: Lauren Horwood

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PHONE: (916) 554-2706

www.usdoj.gov/usao/cae

usacae.edcapress@usdoj.gov

Docket #:

SACRAMENTO, Calif. — United States Attorney Benjamin B. Wagner announced today that Sacramento firm Aerojet and parent company GenCorp Inc. have paid the United States \$3.3 million to settle allegations that Aerojet fraudulently included unallowable costs in calculating overhead rates, resulting in overpayments under government contracts.

Aerojet principally serves the missile and space propulsion, defense, and armaments markets. Ninety-two percent of Aerojet's sales are attributable to U.S. government customers. This settlement resolves allegations that Aerojet fraudulently included costs associated with resisting a 2004 takeover bid by Steel Partners Inc. in calculating its indirect overhead rate proposals submitted to the government for various national defense-related contracts. The government relies on such proposals to calculate cost reimbursement payments to compensate the company for indirect costs. Aerojet's inclusion of these costs inflated the subject rate and resulted in overpayments by the United States to the company. The settlement agreement also resolves allegations that Aerojet included unallowable costs associated with a 2006 proxy contest by Pirate Capital in calculating such overhead rates. Applicable Federal Acquisition Regulations (FAR) expressly disallow reimbursement for costs associated with "resisting or planning to resist the reorganization of the corporate structure of a business or a change in the controlling interest in the ownership of a business."

U.S. Attorney Wagner stated: "We are committed to protecting the taxpayers' money. This settlement makes clear that contractors will not be permitted to overcharge the government under defense contracts. It both compensates the affected federal defense agencies for their damages and deters future unlawful conduct."

This settlement is a result of an investigation by Defense Criminal Investigative Service, Army Criminal Investigative Command, and Air Force Office of Special Investigations, with support provided by Defense Contract Audit Agency and Defense Contract Management Agency. Aerojet and parent GenCorp Inc. fully cooperated with this investigation. Assistant U.S. Attorney Catherine Swann handled this matter for the United States.

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Read U.S. Attorney Wagner's October Report to the District, which highlights the complex issue of bullying.

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