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LANCASTER COUNTY DEFENSE DEPARTMENT CONTRACTOR PLEADS GUILTY TO A MULTI-MILLION DOLLAR OBSTRUCTION AGAINST THE MILITARY

Former Chair pleads to misdemeanor

PHILADELPHIA - United States Attorney Pat Meehan, today, announced that Herley Industries, Inc., a defense contractor based in Manheim Township, Lancaster County, PA, pleaded guilty to two counts of obstructing federal audits of bids for contracts with the United States Navy and agreed to pay a total \$9.5 million to the government. The bids were for contracts to supply highly specialized components used in Navy and Air Force radar systems.

Herley Industries was ordered to pay a \$3.5 million criminal fine, and to pay an additional \$6 million to resolve related civil claims by the government under the False Claims Act. Both criminal and civil charges arose from false statements that Herley Industries made in 2001 and 2002 in the bidding process for certain military contracts for radar components. In essence, Herley Industries obtained contracts at a price that was inflated because of Herley Industries' statements and non-disclosures about the data underlying its bids and its true costs. As a result, the United States overpaid for the components. The government originally paid approximately \$3.2 million under its contracts with Herley Industries. Herley admitted losses to the government of \$2.5 million.

"When the government is misled into overpaying for any of its contracts, ultimately, it is the taxpayers who foot the bill," said Meehan. "If we are to maintain integrity in the process, those who violate the rules must face consequences that deter them, and others, from such action in the future. Contracting with the military is not a license to steal."

Former Herley Industries Chairman Lee Blatt, 80, also entered a guilty plea today to a criminal misdemeanor for his failure to create and maintain tax records as required by the IRS. Without these records, Herley Industries improperly allocated research expenses in another bid for a contract with the United States Air Force in 2000. Blatt was sentenced to pay a \$25,000 fine, the costs of prosecution in the amount of \$1,715.02, and to serve a one-year period of probation, during which he will perform 500 hours of community service.

“The Defense Department needs to ensure that in protecting the nation, it provides support for our troops while spending the taxpayers’ dollars wisely,” said Edward Bradley, Special Agent in Charge of the Defense Criminal Investigative Service. “It is unfortunate that there are still those who will attempt to cheat the government and use deception and false documentation to cover up their fraudulent activity. The Defense Criminal Investigative Service is dedicated to aggressively investigating these crimes and supporting the prosecution of those who seek illegal profits at the expense of the U.S. taxpayer and our soldiers.”

Herley Industries is a publicly traded company, with corporate headquarters in Lancaster, Pennsylvania. It designs microwave and electronic components for military and space applications. Herley Industries today admitted that it obstructed federal auditors with respect to two bids on contracts with the United States Navy. More specifically, Herley Industries today admitted that it impeded federal auditors by providing them with false information and by withholding accurate data during audits of two bids for the procurement of Power Heads, which are electronic components used in the E2-C "Hawkeye" aircraft radar.

In October 2006, the Department of Justice formed its National Procurement Fraud Task Force to promote the early detection, prevention and prosecution of procurement fraud, to respond to the increase in government contracting for national security and other government programs. The case announced today demonstrates the government’s commitment to ensuring the integrity of the government procurement process.

The charges were originally filed in July 2006 and were part of a superseding indictment filed in January 2007 after a five-year investigation by the Defense Criminal Investigative Service and the Air Force Office of Special Investigations with the assistance of the Defense Contract Audit Agency. The criminal case was prosecuted by Assistant United States Attorneys Pamela Foa and Anthony Kyriakakis. The civil matter was handled by Assistant United States Attorney Viveca Parker.

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