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## Now You See It, Now You Don't

Joann Muller 06.16.08, 12:00 AM ET

**A California businessman has spent a decade in the courts claiming Lockheed cheated him out of a lucrative Russian satellite deal. He just won't take *nyet* for an answer**

Say this about pierre Quintana: he has amazing stamina. The feisty 67-year-old partner of Semtek International, a small telecom company, has dedicated much of his life since the mid-1990s to a long-shot legal battle against two powerful foes: the Russian government and U.S. defense giant Lockheed Martin.

His garage outside Santa Barbara, Calif. is crammed with 70 or so cardboard boxes stuffed with legal documents, which he says paint a tale of bribery and conspiracy involving Lockheed Martin, the Russians and a now-deceased middleman named Richard Millman. Quintana contends that Lockheed conspired with the middleman to cheat his fledgling Semtek out of a \$300-million-a-year deal to commercialize Russian space satellites.

Doing business in Russia is famously full of intrigue, and this tale has plenty of it, whether real or imagined. Thirteen years later Quintana's conspiratorial charges have yet to get any traction in U.S. courts. Still, he fights on, in federal court in Boston in a suit against the Russians, and in Maryland's state courts, where Semtek is suing Lockheed Martin.

"I hate to get screwed," explains Quintana. "I've put so much energy into the damn thing. I don't want these people to get away with it." Lockheed said in a statement that he is trying to resurrect "frivolous" claims that were already tossed out.

The story begins amid the gold rush fever of 1990s Russia. Semtek was formed with \$500,000 in seed capital to pursue what its five partners saw as a hot new industry: private satellite communications. Their plan was to lease excess capacity on Russian military satellites and sell it as telecommunications channels to corporate customers in the West. In May 1993, according to Quintana, they signed a detailed letter of intent to form a 50-50 joint venture with a company called Merkury, a Russian satellite operator licensed by the Russian government to make certain satellites available for commercial use.

But in May 1994, Semtek says, it was informed by Merkury that Lockheed Martin and "a third party" were interested in the same satellites. That party turned out to be Millman, a Washington insider with experience in Russian telecom. Semtek's lawsuits got under way the next year.

Millman had been interested in leasing Russian satellites for at least as long as had Semtek, but his company, Transworld Communications, was undercapitalized, and negotiations with the Russians broke down, according to Semtek. But just weeks after Semtek had signed its deal with Merkury, Millman brought Lockheed Martin (and its deep pockets) into the picture and they agreed to work together.

Semtek claims in court filings that Lockheed soon made covert payments to Transworld to help it pay off \$260,000 in debt to Merkury. To conceal its relationship with Transworld--and avoid running afoul of the Foreign Corrupt Practices Act--Lockheed, according to Semtek's allegations, created a series of phony contracts and other business agreements with Millman's company to make it appear as if Transworld was nothing more than a vendor to Lockheed.

Once out of arrears, Semtek says, Transworld set out to sway Russian officials in order to win the contract. Citing financial records, Semtek says Transworld set up a phony consulting agreement to conceal five payments, totaling

\$75,000, to nine Russians who worked for the country's satellite program.

Semtek claims the alleged bribes had the desired effect. In December 1993 Merkury gave Transworld and Lockheed exclusive rights to the new-generation Luch satellites. Under the contract, says Semtek, Lockheed Martin agreed to pay Transworld \$8.5 million to modify the satellites for commercialization, using Lockheed Martin technology, and Transworld would pay \$7 million to Merkury.

Semtek's legal case against the Russians began promisingly enough when a federal judge in Boston issued a \$381 million default judgment against Merkury in 1996. (Merkury failed to show up in court initially.) But Semtek has barely collected a dime. Its lawyers, Kreindler & Kreindler, the law firm that helped extract a \$2.7 billion settlement from Libya in the Pan Am-Lockerbie bombing, tried negotiating a settlement through the Russian embassy but got nowhere. Now Semtek is preparing to go after the Russian government to pay the judgment, worth \$522 million today, on the grounds that it was pulling the strings at Merkury.

The lawsuit against Lockheed, accusing it of wrongful interference with a contract, was bogged down in court for years over jurisdictional disputes. The lawsuit was six years old before Semtek finally got to present its evidence to a jury in the fall of 2003. But the jury never got the chance to deliberate. The trial was cut short after 11 days of testimony, when Judge Albert J. Matricciani Jr. dismissed the last remaining count. The judge ruled that while Semtek had presented evidence that might suggest impropriety, the evidence wasn't enough to show that Lockheed Martin was "fully informed" of Semtek's deal with Merkury, a necessary ingredient to prove wrongful interference. Semtek had claimed that Lockheed had been tipped off that Merkury was working on a deal with someone named Shapiro. Edward Shapiro, a Russian-born U.S. citizen, was one of the five Semtek partners.

The dismissal was later upheld by the Maryland Court of Special Appeals, which said Lockheed didn't know that Semtek and Shapiro were related, so it could not possibly have interfered with Semtek. In March Semtek pleaded its case to that appellate court for the third time in a decade. As for Semtek's allegations about bribery, Lockheed says in a prepared statement that they're bunk.

Lockheed Martin invested \$20 million in Transworld a month after a Transworld lawyer threatened litigation that could "invite various investigations of an official nature," according to a letter obtained by Semtek. The relationship didn't last. The defense giant formed a new satellite joint venture with Russia's Intersputnik in 1997. By then, however, the telecom boom was about to go bust, and in 2001 Lockheed ended up writing off its entire \$1.7 billion fling in telecommunications.

The only one who seems to have gotten rich was Millman. In 1998 a Qualcomm spinoff bought 60% of Transworld for \$51.8 million. Add that to the \$20 million he may have gotten from Lockheed, and Millman made out fairly well on an idea that never came to fruition. However, Millman didn't have much time to enjoy his loot. He died a year ago, at the age of 69.

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