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Brotherhood of Arms

"BROTHERHOOD OF ARMS is an outstanding book about the defense industry. This book clearly pictures the problems generated by industry reaction to the Defense Department's ineffective procurement policies. Goodwin's book is a clarion call to get on with a complete overhaul of Defense procurement policies, which are wasting billions of taxpayers' dollars."

--David Packard
Chairman of the Board
Hewlett Packard Company
and former Deputy Secretary of Defense

"A book that sheds some new light on General Dynamics and the way it operates by an experienced investigative reporter."

--Jack Anderson

INVESTIGATIVE REPORTER REVEALS THE STORY BEHIND THE HEADLINES ON GENERAL DYNAMICS

BROTHERHOOD OF ARMS: General Dynamics and the Business of Defending America by Jacob Goodwin (August 22nd, \$18.95) is the first full-scale report on the nation's most powerful and controversial defense contractor, the General Dynamics Corporation. With complete details on the recent retirement announcement of Chairman David S. Lewis, BROTHERHOOD OF ARMS provides up-to-date information on the current congressional investigations into GD's business practices, now making front page news around the country.

Jacob Goodwin, an investigative reporter who has covered the defense industry for the last 9 years, takes a close look at GD's relationship with its primary client, the Pentagon. He explains the complexities of the weapons procurement process and the perilous position the embattled company finds itself in today, due in large part to the allegations of former GD executive P. Takis Veliotis, now living as a fugitive from justice in Greece.

BROTHERHOOD OF ARMS is an inside report on how the arms industry actually operates. Goodwin focuses on GD because he believes the successful company has come to represent the best and worst aspects of the nation's most critical industry. Goodwin goes behind closed doors to witness how the Pentagon determines what arms it needs and to watch how increasingly sophisticated weaponry is developed, tested, and produced. He unveils a complex process involving hundreds of decision makers and billions of dollars that is often maligned and misunderstood. Though he never hesitates to highlight corporate duplicity, management errors, and downright fraud, Goodwin also doesn't hesitate to point out the strengths of the industry. BROTHERHOOD OF ARMS debunks myths and misconceptions that often distort the public's view of the arms business.

GD's sales to the defense department topped \$6 billion in 1984. More importantly, it is the only defense contractor that currently sells major weapons systems to all three branches of the military: GD provides the Army with M-1 battle tanks, the Navy with Trident missile-firing and attack submarines as well as sea-launch cruise missiles, and the Air Force with F-16 fighters and cruise missiles.

Although GD may still be in a strong financial position, its future has been clouded by the continuous criticism and increasingly serious allegations stemming from a renewed grand jury probe by the Justice Department and investigations by the IRS, the Securities and Exchange Commission, and several congressional committees.

In BROTHERHOOD OF ARMS, Goodwin studies the career of Veliotis, revealing more details than have ever appeared in print. Former general manager of GD's Electric Boat division and member of the company's board of directors, Veliotis may face more than 90 years in prison on indictments ranging from accepting kickbacks to racketeering. He has provided government prosecutors and several journalists with documents and secretly recorded tapes of telephone conversations he had with numerous top GD executives, including Chairman David S. Lewis and Executive Vice-President Gordon E. MacDonald. Many of the allegations currently pending against GD are a direct result of information contained on those tapes.

Goodwin examines the background and implications of the allegations concerning GD in a balanced manner. He sheds new light on the entire weapons procurement controversy now embroiling Washington. For the first time, an author of a full-length book about the arms business has gone beyond the sensational exposé to describe in detail the workings of the defense industry.

GD has been accused of "buying in" with overly optimistic bids to the Navy in the early 1970s to build eighteen SSN-688 attack submarines. Plagued with problems from the start, which included manpower shortages and a deluge of design changes required by the Navy, GD has also been accused of submitting a fraudulent claim of over half a billion dollars to the Navy in 1976 to recoup its cost overruns on that beleaguered project.

An earlier grand jury investigation of GD's bid and claim, begun at the insistence of Admiral Hyman G. Rickover, then head of the Navy's nuclear propulsion program, resulted in no indictments. GD has since been accused of withholding evidence from that grand jury. However, as a result of the information on Veliotis's tapes, the case has been reopened.

BROTHERHOOD OF ARMS provides an in-depth portrait of the Naval ship building business. Goodwin spells out how GD won those early submarine contracts, how it became mired in extraordinary construction and financial problems, and how it settled its bitter claims dispute with the Navy. Drawing on personal interviews with most of the major participants, Goodwin presents the most detailed, behind-the-scenes account ever published of this continuing controversy.

In an ever-widening scandal, GD has been condemned for providing, during a 16-year period, more than \$67,000 worth of gratuities to Admiral Rickover, and disguising some of these gifts by falsifying expense records. Shortly after a letter of censure was placed in the 85-year-old Admiral's file by

Secretary of the Navy, John Lehman, Jr., Admiral Rickover suffered a stroke on July 4th of this year. Senator William Proxmire, a longtime friend of the Admiral's, recently asserted in The New York Times that "Admiral Rickover is now recovering from a stroke brought on possibly by being dragged through the mud by the very institution to which he rendered his invaluable service."

GD has been accused of allegedly withholding vital information from its stockholders regarding enormous cost overruns and schedule delays plaguing its submarine programs at Electric Boat, possibly in violation of the Security and Exchange Commission's (SEC) financial disclosure requirements. The SEC has since exonerated the company.

The company is also accused of improperly billing the Pentagon (and the taxpayer) for lavish and unjustified personal expenses such as liquor for a military association, dog kennel fees for a top executive, and executive airplane flights to and from David Lewis's farm in Georgia.

Goodwin reveals some never-before publicized information about Takis Veliotis's successor as general manager of the Electric Boat submarine yard in Groton, Connecticut, German-born engineer Fritz Tovar. Goodwin reports that Tovar -- the man who now runs the nation's most sensitive, top-secret submarine yard -- was a member of the Hitler Youth Organization and later a sergeant in the German Luftwaffe during WWII.

BROTHERHOOD OF ARMS traces the growth of General Dynamics into the dominant major arms producer in the United States. Begun as the small Electric Boat company, which in 1900 sold the Navy its first workable submarine, General Dynamics diversified into the production of aircraft and missiles with its purchase of Convair in 1954. At Rickover's request, it designed and built the world's first nuclear-powered submarine, the Nautilus. With the acquisition of Chrysler's profitable tank division in 1982, sold by Lee Iacocca for \$350 million, GD became the only defense contractor simultaneously holding multi-billion dollar, long-term contracts with all three branches of the military.

In BROTHERHOOD OF ARMS, Goodwin evaluates the roles of key insiders and their relationship to General Dynamics. Among those discussed: Admiral Rickover, who spearheaded construction of the nuclear Navy; Henry Crown, a multi-billionaire, who during 3 weeks in 1970 amassed more than 1.8 million shares of GD and regained control of the troubled company; David S. Lewis, Chairman of GD for the past 15 years, who guided the company to the pinnacle of the defense industry and has been under fire in recent years; P. Takis Veliotis, once a contender to succeed Lewis and now his most outspoken foe.

GD has admitted that it has charged the Pentagon for improper expenses. In addition, Secretary of the Navy Lehman took punitive action against GD, which Goodwin evaluates as "a relatively mild slap on the wrist." Even so, the day after Lehman announced the contract suspensions and penalties he was levying against GD, David Lewis, now 68, announced his long-expected retirement as

Chairman and CEO of the company. He named as his successor Stanley C. Pace, formerly president and vice-chairman of TRW, another major defense contractor. Pace joined GD as vice-chairman on June 1st and will ascend to the Chairman and CEO positions when Lewis formally steps down at the end of the year. Goodwin suggests that the Navy took mild action against GD only after Lewis privately agreed to retire.

Complete with a full chronology of the company (from 1841 to 1985), a glossary of terms (ABM to USDRE), detailed notes section, and index, BROTHERHOOD OF ARMS is a provocative investigation into one of the most powerful corporations in the nation, and a revealing study of America's billion-dollar defense industry.

About the Author

Jacob Goodwin, formerly a newspaper reporter and magazine editor and currently a freelance journalist, has specialized in defense policy and the weapons business for the past nine years. He has been a reporter for Defense Week, and his writing has appeared in Armed Forces Journal, NATO's Fifteen Nations, High Technology, and Military Logistics Forum. In addition, he has served as a consultant in the Office of the Secretary of Defense to Joseph Sherick, currently the Defense Department's Inspector General.

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BROTHERHOOD OF ARMS: General Dynamics and the Business of Defending America
by Jacob Goodwin
Publication date: August 22, 1985
Price: \$18.95
Pages: 420
ISBN: 0-8129-1151-2