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Ex-CEO sues Bell over firing

Dallas Business Journal - by [Jeff Bounds](#) Staff writer

The former CEO of a unit of **Bell Helicopter Textron Inc.** is alleging he was fired because he refused to do what would have been tantamount to committing criminal acts by stopping his investigation into whether the company had dealt fraudulently in its contracts with the federal government, according to court documents.

Michael Prieto, who ran Bedford-based Bell Aerospace Services Inc. from 2004 until his dismissal last year, charges in a suit filed in state district court in Tarrant County that he was looking into "mischarging" on government contracts when he was let go on June 5, 2008.

He is seeking unspecified monetary damages, including lost compensation, benefits and punitive damages, the lawsuit says.

Prieto's suit does not go into detail about the company's alleged fraud. But court records show that Prieto is seeking documents from the federal government through the Freedom of Information Act concerning certain investigations and audits involving a unit of Bell Aerospace called US Helicopter.

Named as defendants in Prieto's lawsuit are Bell Aerospace, Fort Worth-based Bell Helicopter and their corporate parent, Rhode Island's Textron Inc.

All three defendants have denied wrongdoing in court records. A spokesman for all three of those businesses declined to comment.

Outside experts say Prieto's suit is unusual because high-ranking company officials rarely let this kind of dispute go public, let alone become the focus of a lawsuit and the unwanted attention that follows.

In a related development, Bell Aerospace is going to court in an attempt to stop the aeronautical systems division of the federal Defense Contract Management Agency from releasing to Prieto's attorneys records related to "investigations" into unspecified contracts with a division of Bell Aerospace from the last three years. Prieto's attorneys at Dallas' Gillespie, Rozen and Watsky sought those records under the federal Freedom of Information Act, along with "any audits that revealed potential mischarging on government contracts," Bell's lawsuit said.

Filed earlier this month in federal district court in Fort Worth, Bell's suit said the records in question contain "trade secrets and/or confidential commercial information" that would harm the business if released under the FOIA.

According to a resume Prieto posted online, Bell Aerospace had 700 employees and \$110 million in revenue when he was there.

In his lawsuit, Prieto — who now runs a management consultancy called Leading Edge Associates Inc. — says that in November 2004 he was "hired in the wake of compliance and ethics violations at (Bell Aerospace) and Bell Helicopter. The previous president and two directors were demoted for compliance and ethics violations on (federal) contracts."

Textron has paid fines for not following the letter of government contracts before.

In 2005, a Bell Helicopter subsidiary called Edwards and Associates paid the government \$15 million after being accused of "defective pricing" on a federal contract. And, in 2007, Textron paid a \$4.6 million fine to the federal government to absolve its role in issues related to the broader United Nations Oil-for-Food program scandal.

Prieto's own purported probe into issues at Bell Aero started in April 2008, when he claims to have "uncovered potential fraud and ethics violations" of an unspecified nature, according to court documents.

As he tried to do his investigation, court records state he ran into a problem with senior Bell Helicopter executives who, according to Prieto's suit, were doing a separate investigation. For instance, Lee Tait, senior vice president quality and chief compliance officer at Bell Helicopter, told Prieto in a May 12, 2008 e-mail that it was "inappropriate and unnecessary for you to be conducting any ancillary investigation. (A)nd if you are so doing, I must ask you to immediately cease," court records say.

Tait, who is not a defendant in Prieto's lawsuit, could not be reached for comment.

Prieto's lawsuit maintains that he felt Tait had "attempted to placate and intimidate him, keep him quiet and inactive on any real investigation, and to pressure him to cover up fraud against the government of the United States."

Prieto decided to do his own probe because Tait and Bell Helicopter "were either doing no investigation, failing to conduct a proper



courtesy photo

MICHAEL PRIETO:
Former CEO of Bell Aerospace looked at billing practices before being fired.

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investigation, and/or were dragging their feet and delaying any investigation," court documents allege. He also felt that if he failed to do a "real" inquiry, "he would be committing a criminal act," court records say.

The devil's in the details

The Dispute: Here's a look at the players in this case and what's at stake.

The plaintiff: Michael Prieto, former CEO of Bell Aerospace Services Inc.

The Defendants: Bell Aerospace Services Inc., Bell Helicopter Textron Inc. and Textron Inc.

At issue: Prieto alleges he was fired because he refused to commit criminal acts. At the time, Prieto claims he was looking into whether his company had committed fraud on contracts with the federal government, according to court documents.

At stake: Unspecified monetary damages. "It's about much more than money," said Hal Gillespie, an attorney representing Michael Prieto.

Bell Aerospace's position: The company denies any wrongdoing.

Source: Court records, attorney Hal Gillespie.

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